

# BANKING AND INSURANCE

## DEPARTMENT OF BANKING AND INSURANCE

### OVERVIEW

#### Mission

The mission of the Department of Banking and Insurance is to regulate the banking, insurance and real estate industries in a professional and timely manner that protects and educates consumers and promotes the growth, financial stability and efficiency of those industries.

#### Goals

The Department's goals are to ensure the solvency of the financial institutions it oversees through regular financial examinations and analysis; to protect the public from unlawful or unfair practices by insurers, financial institutions and real estate licensees by promptly investigating consumer complaints and aggressively prosecuting violators; to issue licenses to qualified individuals and companies to provide banking, insurance and real estate services to New Jersey citizens; to improve the efficient and effective review of insurance rates and forms; to enforce the New Jersey Insurance Fraud Prevention Act; and to apply technology, where appropriate, to more effectively interact with the public and regulated industries.

The Department consists of two main divisions. The Division of Banking is responsible for supervising, regulating and ensuring the solvency of the 104 State-chartered banks and credit unions. Within the division, the Office of Consumer Finance regulates consumer credit services licensees and mortgage bankers and brokers and the

Real Estate Commission oversees 98,418 real estate licensees. The Division of Insurance regulates 160,783 insurance licensees. Within the division, the Solvency Regulation Office monitors 2,976 insurance companies licensed in New Jersey, including 591 domestic companies selling insurance products to New Jersey citizens, and the Life and Health and Property Casualty Groups oversee premium rates and policy forms issued by insurers for life, health, automobile, homeowners and medical malpractice insurance. The Bureau of Fraud Deterrence administratively investigates allegations of insurance fraud and pursues civil penalties against those found in violation of the New Jersey Insurance Fraud Prevention Act. The Bureau is also charged with implementing programs to prevent insurance fraud and abuse and cooperating with the Attorney General in the investigation and prosecution of criminal violations. Also associated with the Department are the Individual and Small Employer Health Coverage programs and the Pinelands Development Credit Bank, along with various advisory boards and commissions.

#### Budget Highlights

The Fiscal 2012 Budget for the Department of Banking and Insurance totals \$63.0 million, an increase of \$1.7 million or 2.7% over the fiscal 2011 adjusted appropriation of \$61.3 million. This increase provides full-year funding to the county prosecutor offices for insurance fraud prosecution activities.

## DEPARTMENT OF BANKING AND INSURANCE

### SUMMARY OF APPROPRIATIONS BY FUND

(thousands of dollars)

Year Ending June 30, 2010						Year Ending June 30, 2012		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2011 Adjusted Approp.	Requested	Recom- mended
67,548	777	---	68,325	60,666	<b>GENERAL FUND</b>			
					Direct State Services	61,320	62,970	62,970
<u>67,548</u>	<u>777</u>	<u>---</u>	<u>68,325</u>	<u>60,666</u>	<i>Total General Fund</i>	<u>61,320</u>	<u>62,970</u>	<u>62,970</u>
<u>67,548</u>	<u>777</u>	<u>---</u>	<u>68,325</u>	<u>60,666</u>	<i>Total Appropriation, Department of Banking and Insurance</i>	<u>61,320</u>	<u>62,970</u>	<u>62,970</u>

### SUMMARY OF APPROPRIATIONS BY PROGRAM

(thousands of dollars)

Year Ending June 30, 2010						Year Ending June 30, 2012		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2011 Adjusted Approp.	Requested	Recom- mended
					<b>DIRECT STATE SERVICES - GENERAL FUND</b>			
					<b>Economic Regulation</b>			
18,002	637	826	19,465	18,056	Consumer Protection Services and Solvency			
					Regulation	20,632	20,632	20,632
5,862	---	-270	5,592	4,510	Actuarial Services	5,887	5,887	5,887
3,134	23	-25	3,132	2,855	Regulation of the Real Estate Industry	3,157	3,157	3,157
2,260	---	-210	2,050	1,995	Public Affairs, Legislative and Regulatory			
					Services	2,260	2,260	2,260
31,547	10	-385	31,172	26,762	Bureau of Fraud Deterrence	21,136	22,786	22,786
3,115	1	64	3,180	3,145	Supervision and Examination of Financial			
					Institutions	4,018	4,018	4,018

# BANKING AND INSURANCE

Year Ending June 30, 2010					Year Ending June 30, 2012			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended		2011 Adjusted Approp.	Requested	Recommended
---	96	---	96	29	Pinelands Development Credit Bank	---	---	---
3,628	10	---	3,638	3,314	Administration and Support Services	4,230	4,230	4,230
67,548	777	---	68,325	60,666	<i>Subtotal</i>	61,320	62,970	62,970
67,548	777	---	68,325	60,666	<i>Total Direct State Services - General Fund</i>	61,320	62,970	62,970
67,548	777	---	68,325	60,666	<b>TOTAL DIRECT STATE SERVICES</b>	61,320	62,970	62,970
67,548	777	---	68,325	60,666	<i>Total Appropriation, Department of Banking and Insurance</i>	61,320	62,970	62,970

## 50. ECONOMIC PLANNING, DEVELOPMENT, AND SECURITY

### 52. ECONOMIC REGULATION

#### OBJECTIVES

- To assure that fair and equitable insurance markets exist to provide full availability of reliable insurance coverage.
- To protect the public from unlawful or unfair practices by insurance or real estate agents, brokers, solicitors, and salespersons.
- To provide research and legislative support for new or revised legislation and regulations.
- To examine, monitor, and investigate the affairs of insurance companies authorized to do business in New Jersey to ensure solvency and proper market conduct policies.
- To aggressively combat insurance fraud through prevention and education.
- To improve the efficiency and responsiveness of the rate-making and policy review form process.
- To protect the public from financial loss resulting from the failure of financial and consumer credit institutions.
- To assure the public of fair and equitable treatment by financial institutions.
- To inform and educate the public concerning financial matters.

#### PROGRAM CLASSIFICATIONS

- Consumer Protection Services and Solvency Regulation.** Insurance companies, brokers, and agents are licensed to engage in the business of insurance in the State. Companies are examined periodically for solvency and compliance with statutes and regulations and market conduct with regard to treatment of consumers. In instances of serious financial problems or insolvency, domiciled firms may be placed under the Department's jurisdiction as the rehabilitator or liquidator. As a result of complaints and investigations, the Department may fine licensees and suspend or revoke licenses.

Responsible for the chartering of commercial banks, savings banks, credit unions and savings and loan associations which

operate in New Jersey. Responsible for investigating complaints against these institutions and/or licensees. Responsible for the licensing of all consumer credit lenders and vendors of credit as well as mortgage bankers and brokers. Processes applications of licensees and financial institutions with recommendations for their determination and performs the necessary statistical, economic and demographic research to determine the merits of these applications. Responsible for review and development of regulations.

- Actuarial Services.** Reviews insurance policies and other insurance forms relating to individual and group accident health, life, property and liability insurance; regulates compliance with the rating law for property and liability insurance; regulates public pension plans; verifies and analyzes liability calculations of domestic life and health insurers and participates with the Department of Health and Senior Services in regulating the financial aspects of health care facilities; and determines reasonableness of benefits provided in relation to premium charged.
- Regulation of the Real Estate Industry.** Ensures that members of the industry comply with existing statutes and regulations; investigates and resolves complaints, conducts hearings involving violations and improper practices; registers and regulates out-of-state land sales through New Jersey brokers; inspects brokers' offices; examines and licenses brokers and salespersons; and maintains a directory of licensees and publishes bulletins.
- Public Affairs, Legislative and Regulatory Services.** Pro-mulgates regulations, drafts bulletins, orders and other public notices, drafts legislation, serves as the Department's liaison with the Legislature, the Governor's office and other government agencies, serves as a liaison to the press and the industry on policy matters, and monitors proposed legislation and legal issues affecting the regulation of the insurance, banking and real estate industries; handles internal legal issues and legal inquiries from the public; publishes a newsletter and consumer booklets on various types of insurance; researches policy questions and consumer issues.

**06. Bureau of Fraud Deterrence.** Formerly Insurance Fraud Prosecution and Prevention, the civil component of the Office of the Insurance Fraud Prosecutor was moved to the Department of Banking and Insurance with the creation of the Bureau of Fraud Deterrence in fiscal year 2011. The criminal component of the Office of the Insurance Fraud Prosecutor remains in the Department of Law and Public Safety. Both components of insurance fraud prosecution services investigate allegations of insurance fraud in order to fully develop the facts and evidence of each case so the State can make a reasoned decision how best to address each case of insurance fraud whether by criminal prosecution, civil fraud enforcement, or administrative professional licensing enforcement. Activities of State and local law enforcement and regulatory agencies are coordinated to develop a statewide enforcement strategy addressing insurance fraud in its many forms. Serve as a liaison among state and local government and law enforcement agencies. Information is collected and analyzed about persons and entities engaging in insurance fraud-related conduct in order to assist the prosecution in criminal, civil, or administrative forums. Fines are assessed with restitution made to insurance carriers. Activities related to fraud prevention consist of audits of insurance companies, fraud prevention and detection plans, education seminars, collections of all civil penalties related to insurance fraud and training for industry groups and law enforcement groups on various aspects of insurance fraud. The audits are now conducted as part of the Market Conduct Examinations to improve efficiency.

**07. Supervision and Examination of Financial Institutions.** Responsible for the supervision and examination of state-chartered commercial banks, savings banks, credit

unions and savings and loan associations that operate in New Jersey. Responsible for the supervision and examination of consumer credit associations such as check cashers, check sellers, insurance premium finance companies, pawnbrokers, secondary mortgage loan companies and foreign money remitters. Ensures compliance with the mortgage loan discrimination statute (C.17:16F et seq.). Regulates, supervises and examines mortgage bankers and brokers (C.17:11B-1 et seq.). Determines financial and legal compliance with all applicable statutes and regulations and takes appropriate legal and regulatory action to ensure compliance with existing statutes and regulations. Responsible for the examination of bank holding companies (C.17:9A-1 et seq.) and savings and loan holding companies (C.17:12B-281 et seq.).

**08. Pinelands Development Credit Bank.** Empowered to purchase and sell Pinelands development credits, in accordance with a program included in the Comprehensive Management Plan for the Pinelands; provides a mechanism to facilitate both the preservation of the resources of this area and the accommodation of regional growth influences in an orderly fashion.

**99. Administration and Support Services.** Directs the activities of the Department and provides administrative and support services to all of the Department’s program classifications and project activities for fiscal control involving budget preparation and accounting services, personnel services, and building maintenance. The Office of the Commissioner disseminates legislative and policy guidance to programs and project activities within the Department and coordinates all regulatory and legislative initiatives.

**EVALUATION DATA**

	Actual FY 2009	Actual FY 2010	Revised FY 2011	Budget Estimate FY 2012
<b>PROGRAM DATA</b>				
<b>Consumer Protection Services and Solvency Regulation</b>				
Consumer Credit Associations - Banking				
Licenses issued .....	7,087	5,859	6,000	6,000
Mortgage Solicitors .....	21,053	13,148	8,000	8,000
Associations subject to examination .....	1,900	1,840	1,750	1,750
Examinations conducted .....	503	493	563	630
Consumer Complaints				
Received (a) .....	1,496	757	500	500
Completed (a) .....	583	1,001	1,200	400
Consumer Assistance Unit				
Inquiries handled .....	74,656	73,100	73,100	75,000
Insurance Licensing				
Licenses issued .....	67,108	79,777	80,000	80,000
Candidates examined .....	19,353	18,750	15,802	15,000
Phone inquiries handled .....	40,561	44,482	45,000	45,000
Number of Insurance Companies and Regulated Entities .....				
Field financial exams .....	37	42	49	53
Office analysis of companies - exams .....	765	1,008	1,016	1,026
Insurance Consumer Assistance				
Complaints received .....	7,184	6,809	7,000	7,000
Complaints resolved .....	7,678	6,594	7,000	7,000
Inquiries handled .....	74,656	73,100	75,000	75,000
Market analysis of companies .....	971	423	800	800
Companies’ data audited .....	374	587	400	400
Funds recovered on behalf of complainants .....	\$4,928,910	\$13,013,123	\$10,000,000	\$10,000,000

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	Actual FY 2009	Actual FY 2010	Revised FY 2011	Budget Estimate FY 2012
<b>Actuarial Services</b>				
Property and Casualty				
Filings for unit	2,824	2,639	2,700	2,800
Surveys	650	650	650	650
Record requests	305	178	200	225
Complaints/inquiries	207	215	220	230
Life and Health				
Policy forms processed	12,568	14,303	14,000	14,737
Filings for unit	2,232	1,902	2,385	2,385
Inquiries to unit	12,161	16,627	17,398	17,516
Office of Managed Care				
Complaints/inquiries	5,561	4,535	5,000	5,000
Independent Utilization Review Organization	642	637	700	700
Eligible/forwarded requests	474	490	550	650
Ineligible/returned requests	168	147	150	150
<b>Regulation of the Real Estate Industry</b>				
Licensed brokers and salespersons	102,409	97,116	98,000	98,500
Candidates examined	9,058	7,543	7,800	8,000
Broker offices	656	622	650	670
Offices inspected	371	350	375	400
Complaints investigated	790	786	790	825
Licensed schools	83	79	83	88
Licensed instructors	334	316	335	350
<b>Bureau of Fraud Deterrence (b)</b>				
Civil fines imposed	\$3,212,500	\$2,500,000	\$2,600,000	\$2,750,000
Restitution of fraudulently obtained dollars	\$19,050,545 (c)	\$22,481,648	\$11,050,000	\$12,075,000
Type of cases investigated (%)				
Auto	47%	55%	57%	60%
Health	21%	20%	20%	20%
Workers' compensation	5%	4%	4%	4%
Homeowners	4%	3%	3%	3%
Commercial	4%	3%	4%	3%
All other	19%	15%	12%	10%
New matters received (d)	4,567	4,200	4,200	4,400
Matters closed (d)	4,658	4,700	4,700	4,900
<b>Supervision and Examination of Financial Institutions</b>				
State Chartered Institutions				
Banks and Savings and Loans	89	88	88	90
Examinations conducted	37	36	44	45
Bank Holding Companies	8	21	22	22
Specialty examinations	42	45	44	48
<b>PERSONNEL DATA</b>				
Affirmative Action Data (e)				
Male Minority	47	49	52	50
Male Minority %	11.0	11.6	10.4	9.5
Female Minority	88	88	90	90
Female Minority %	20.6	20.8	17.9	17.1
Total Minority	135	137	142	140
Total Minority %	31.6	32.3	28.3	26.6
<b>Position Data</b>				
Filled Positions by Funding Source				
State Supported	2	---	---	---
All Other	425	424	502 (f)	527
Total Positions	427	424	502	527

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	Actual FY 2009	Actual FY 2010	Revised FY 2011	Budget Estimate FY 2012
Filled Positions by Program Class				
Consumer Protection Services and Solvency Regulation . . . .	210	216	229	241
Actuarial Services . . . . .	56	55	50	51
Regulation of the Real Estate Industry . . . . .	42	40	33	34
Public Affairs, Legislative and Regulatory Services . . . . .	29	25	22	23
Bureau of Fraud Deterrence . . . . .	19	14	92 <sup>(f)</sup>	93
Supervision and Examination of Financial Institutions . . . . .	28	33	32	36
Pinelands Development . . . . .	2	---	---	---
Administration and Support Services (g) . . . . .	41	41	44	49
Total Positions . . . . .	427	424	502	527

**Notes:**

- Actual payroll counts are reported for fiscal years 2009 and 2010 as of December and revised fiscal year 2011 as of January. The Budget Estimate for fiscal year 2012 reflects the number of positions funded.
- (a) Although Consumer Complaints-Received consists of both complaints and inquiries, responses to inquiries are logged as Inquiries and Referrals.
  - (b) Bureau of Fraud Deterrence was formerly Insurance Fraud Prosecution and Prevention.
  - (c) Fiscal year 2009 restitution case data revised to include updated information.
  - (d) Includes both Civil Medicaid and Criminal restitution.
  - (e) Does not include Bureau of Fraud Deterrence data.
  - (f) The increase in positions in fiscal year 2011 within the Bureau of Fraud Deterrence (formerly Insurance Fraud Prosecution and Prevention) is due to the shifting of staff responsible for enforcing civil violations of the "New Jersey Insurance Fraud Prevention Act" from the Department of Law and Public Safety to the Department of Banking and Insurance (P.L. 2010, c.32).
  - (g) Of the positions displayed in Administration and Support Services, four positions are dedicated to the Small Employer Health Benefits program.

### APPROPRIATIONS DATA (thousands of dollars)

Year Ending June 30, 2010					Year Ending June 30, 2012				
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	Prog. Class.	2011 Adjusted Approp.	Requested	Recom- mended	
<b>DIRECT STATE SERVICES</b>									
<b>Distribution by Fund and Program</b>									
18,002	637	826	19,465	18,056	Consumer Protection Services and Solvency Regulation	01	20,632	20,632	20,632
5,862	---	-270	5,592	4,510	Actuarial Services	02	5,887	5,887	5,887
3,134	23	-25	3,132	2,855	Regulation of the Real Estate Industry	03	3,157	3,157	3,157
2,260	---	-210	2,050	1,995	Public Affairs, Legislative and Regulatory Services	04	2,260	2,260	2,260
31,547	10	-385	31,172	26,762	Bureau of Fraud Deterrence	06	21,136	22,786	22,786
3,115	1	64	3,180	3,145	Supervision and Examination of Financial Institutions	07	4,018	4,018	4,018
---	96	---	96	29	Pinelands Development Credit Bank	08	---	---	---
3,628	10	---	3,638	3,314	Administration and Support Services	99	4,230	4,230	4,230
<b>67,548</b>	<b>777</b>	<b>---</b>	<b>68,325</b>	<b>60,666</b>	<b>Total Direct State Services</b>		<b>61,320 <sup>(a)</sup></b>	<b>62,970</b>	<b>62,970</b>
<b>Distribution by Fund and Object</b>									
Personal Services:									
31,059	---	---	31,059	30,578	Salaries and Wages		41,577	41,577	41,577
<b>31,059</b>	<b>---</b>	<b>---</b>	<b>31,059</b>	<b>30,578</b>	<b>Total Personal Services</b>		<b>41,577</b>	<b>41,577</b>	<b>41,577</b>
306	---	---	306	119	Materials and Supplies		306	306	306
5,322	---	70	5,392	3,803	Services Other Than Personal		7,134	7,095	7,095
211	---	---	211	83	Maintenance and Fixed Charges		208	208	208
Special Purpose:									
---	288 97 R	---	385	---	Public Adjusters' Licensing	01	---	---	---

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Year Ending June 30, 2010					Year Ending June 30, 2012				
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	Prog. Class.	2011 Adjusted Approp.	Requested	Recommended	
<b>DIRECT STATE SERVICES</b>									
149	---	---	149	97	Rate Counsel - Insurance	01	149	149	149
600	---	-70	530	20	Actuarial Services	02	600	600	600
29,771	---	---	29,771	25,653	Insurance Fraud Prosecution Services (b)	06	11,246	12,896	12,896
---	96	---	96	29	Pinelands Development Credit Bank	08	---	---	---
30	---	---	30	30	Affirmative Action and Equal Employment Opportunity	99	---	---	---
100	296	---	396	254	Additions, Improvements and Equipment		100	139	139
<b>67,548</b>	<b>777</b>	<b>---</b>	<b>68,325</b>	<b>60,666</b>	<b>Grand Total State Appropriation</b>		<b>61,320</b>	<b>62,970</b>	<b>62,970</b>
<b>OTHER RELATED APPROPRIATIONS</b>									
<b>Federal Funds</b>									
---	---	---	---	---	Consumer Protection Services and Solvency Regulation	01	246	1,736	1,736
---	---	---	---	---	Actuarial Services	02	500	7,500	7,500
---	---	---	---	---	<b>Total Federal Funds</b>		<b>746</b>	<b>9,236</b>	<b>9,236</b>
<b>All Other Funds</b>									
---	607	---	2,229	2,012	Consumer Protection Services and Solvency Regulation	01	531	535	535
---	1,622 R	---	399	75	Regulation of the Real Estate Industry	03	---	---	---
---	370	---	22	---	Supervision and Examination of Financial Institutions	07	---	---	---
---	29 R	---	---	---	<b>Total All Other Funds</b>		<b>531</b>	<b>535</b>	<b>535</b>
---	22	---	---	---	<b>GRAND TOTAL ALL FUNDS</b>		<b>62,597</b>	<b>72,741</b>	<b>72,741</b>
<b>67,548</b>	<b>3,427</b>	<b>---</b>	<b>70,975</b>	<b>62,753</b>					

## Notes -- Direct State Services - General Fund

- (a) The fiscal year 2011 appropriation has been adjusted for the allocation of salary program and the reallocation of statewide savings.
- (b) Funding has been reallocated for the civil component of insurance fraud prosecution services within various operating departments in the Department of Banking and Insurance. Funding that remains in the special purpose account, "Insurance Fraud Prosecution Services," is for the criminal component of insurance fraud prosecution services in the Department of Law and Public Safety.

## Language Recommendations -- Direct State Services - General Fund

The unexpended balance at the end of the preceding fiscal year in the Public Adjusters' Licensing account, together with receipts derived from the "Public Adjusters' Licensing Act," P.L.1993, c.66 (C.17:22B-1 et seq.), are appropriated for the administration of the act, subject to the approval of the Director of the Division of Budget and Accounting.

Receipts from the investigation of out-of-State land sales are appropriated for the conduct of those investigations.

There are appropriated from the Real Estate Guaranty Fund such sums as may be necessary to pay claims.

There are appropriated from the assessments imposed by the New Jersey Individual Health Coverage Program Board, created pursuant to P.L.1992, c.161 (C.17B:27A-2 et seq.), and by the New Jersey Small Employer Health Benefits Program Board, created pursuant to P.L.1992, c.162 (C.17B:27A-17 et seq.), those sums as may be necessary to carry out the provisions of those acts, subject to the approval of the Director of the Division of Budget and Accounting.

Receipts in excess of anticipated revenues from licensing fees, bank assessments, fines and penalties, and the unexpended balances at the end of the preceding fiscal year, not to exceed \$400,000, are appropriated to the Division of Banking, subject to the approval of the Director of the Division of Budget and Accounting.

Proceeds from the sale of credits by the Pinelands Development Credit Bank pursuant to P.L.1985, c.310 (C.13:18A-30 et seq.) are appropriated to the Pinelands Development Credit Bank to administer the Pinelands Development Credit Bank Act. The unexpended balance at the end of the preceding fiscal year in the Pinelands Development Credit Bank is appropriated to administer the operations of the bank.

In addition to the amounts hereinabove appropriated, such other sums, as the Director of the Division of Budget and Accounting shall determine, are appropriated from the assessments of the insurance industry pursuant to P.L.1995, c.156 (C.17:1C-19 et seq.) and from the assessments of the banking and consumer finance industries pursuant to P.L.2005, c.199 (C.17:1C-33 et seq.) for the purpose of implementing the requirements of those statutes.

The amount hereinabove appropriated for the Division of Insurance accounts is payable from receipts received from the Special Purpose Assessment of insurance companies pursuant to section 2 of P.L.1995, c.156 (C.17:1C-20). If the Special Purpose Assessment cap calculation is less than the amount hereinabove appropriated for this purpose for the Division of Insurance, the appropriation shall be reduced to the level of funding supported by the Special Purpose Assessment cap calculation.