

DEPARTMENT OF BANKING AND INSURANCE OVERVIEW

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 promote the growth, financial stability and efficiency of those industries.

The Department's goals are to: ensure the solvency of the financial institutions they regulate through regular financial examinations; protect the public from unlawful or unfair practices by promptly investigating complaints filed by consumers; aggressively combat fraud; issue licenses to individuals and companies to provide Banking, Insurance, and Real Estate services to New Jersey citizens; improve the efficiency and effectiveness of the review of insurance rates and forms; apply technology, where appropriate, to improve our ability to work with the public and regulated industries; and to develop and implement programs to prevent fraud and abuse.

The fiscal 2003 budget for the Department of Banking and Insurance totals \$68.1 million, a decrease of \$41,000, or 0.1%, under the fiscal 2002 adjusted appropriation of \$68.2 million.

Recognizing the difficult fiscal times, the Department's proposed budget is slightly less than last year. The Department will continue to fulfill its mission by consolidating functions where appropriate.

Banking and Insurance priorities for the coming year include expanded use of technology to improve how we interact with the companies and the consumers. Among the efforts under way are allowing consumers to file complaints via the internet; providing information on the individuals we license on our web site; a new licensing system for insurance producers that has online renewal; and permit property and casualty companies to file rates and policy forms electronically.

Consumer protection remains a significant part of the Department's focus. We intend to focus our attention on matters of importance to consumers. All of the units within the Department that serve insurance consumers will be consolidated during the budget cycle. Our aim is to make it easier for citizens to have their concerns addressed in a timely and efficient manner through the new Office of Consumer Protection Services.

SUMMARY OF APPROPRIATIONS BY FUND (thousands of dollars)

Year Ending June 30, 2001						Year Ending June 30, 2003		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2002 Adjusted Approp.	Requested	Recom- mended
65,275	9,891	893	76,059	66,151	Direct State Services	68,164	68,123	68,123
65,275	9,891	893	76,059	66,151	Total General Fund	68,164	68,123	68,123
65,275	9,891	893	76,059	66,151	GRAND TOTAL	68,164	68,123	68,123

BANKING AND INSURANCE

SUMMARY OF APPROPRIATIONS BY PROGRAM (thousands of dollars)

Year Ending June 30, 2001					Year Ending June 30, 2003			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2002 Adjusted Approp.	Requested	Recom- mended
					DIRECT STATE SERVICES - GENERAL FUND			
					Economic Regulation			
14,318	522	704	15,544	14,776	Licensing and Regulatory Affairs	15,644	15,952	15,952
4,949	106	---	5,055	4,930	Actuarial Services	5,417	5,417	5,417
2,483	176	66	2,725	2,637	Regulation of the Real Estate Industry	2,897	2,897	2,897
1,549	2	---	1,551	1,512	Public and Regulatory Services	1,668	1,668	1,668
1,742	---	43	1,785	1,781	Unsatisfied Claims	1,910	1,910	1,910
31,980	---	61	32,041	31,760	Insurance Fraud Prevention	32,152	32,152	32,152
3,710	7,270	-379	10,601	3,535	Supervision and Examination of Financial Institutions	3,899	3,899	3,899
---	1,365	---	1,365	75	Pinelands Development Credit Bank	---	---	---
4,544	450	398	5,392	5,145	Administration and Support Services	4,577	4,228	4,228
65,275	9,891	893	76,059	66,151	<i>Subtotal</i>	68,164	68,123	68,123
65,275	9,891	893	76,059	66,151	<i>Subtotal Direct State Services - General Fund</i>	68,164	68,123	68,123
65,275	9,891	893	76,059	66,151	TOTAL DIRECT STATE SERVICES	68,164	68,123	68,123
65,275	9,891	893	76,059	66,151	TOTAL APPROPRIATION	68,164	68,123	68,123

50. ECONOMIC PLANNING, DEVELOPMENT AND SECURITY

52. ECONOMIC REGULATION

OBJECTIVES

1. To assure the public of fair and equitable treatment by financial institutions.
2. To inform and educate the public concerning financial matters.
3. To protect the public from financial loss resulting from the failure of financial and consumer credit institutions.
4. To assure that fair and equitable insurance markets exist to provide full availability of reliable insurance coverage.
5. To improve the efficiency and responsiveness of the prior approval rate making process.
6. To protect the public from unlawful or unfair practices by insurance or real estate agents, brokers, solicitors and salespersons.
7. To provide research and legislative support for new or revised legislation and regulations which will insure equitable pricing and reasonable underwriting standards.
8. To examine, monitor and investigate the affairs of insurance companies, banks and consumer finance companies authorized to do business in New Jersey.
9. To process claims files against the Unsatisfied Claim and Judgment Fund.
10. To aggressively combat insurance fraud through prevention, investigations and prosecution.

PROGRAM CLASSIFICATIONS

01. **Licensing and Regulatory Affairs.** Insurance companies, brokers, agents and solicitors are licensed to engage in the business of insurance in the State. Companies are examined periodically for solvency and compliance with statutes and regulations. In instances of serious financial problems or insolvency, domiciled firms may be placed under the Department's jurisdiction as the rehabilitator or liquidator. The Office of the Ombudsman investigates direct property-casualty claims settlements to determine the appropriate disposition of claims. 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.

02. **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 in regulating the financial aspects of health

care facilities; and determines reasonableness of benefits provided in relation to premium charged.

03. **Regulation of the Real Estate Industry.** Assures 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.
04. **Public and Regulatory Services.** Promulgates regulations and monitors proposed legislation and legal issues affecting the regulation of the insurance industry; serves as the consumer watchdog for the Department; publishes a newsletter and consumer booklets on various types of insurance; researches policy questions and investigates consumer issues; and investigates market conduct of insurance companies with regard to treatment of consumers.
05. **Unsatisfied Claims.** Pays eligible persons for hit-and-run injuries and for injuries and property damage caused by uninsured motorists. The Unsatisfied Claim and Judgment Fund Board processes claims against the Fund; makes justified payments; processes installment repayments required by settlement agreements and court orders; and secures debtor repayments to the Fund.
06. **Insurance Fraud Prevention.** Thoroughly and aggressively investigates 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; and 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.
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 which operate in New Jersey. Responsible for the supervision and examination of consumer credit associations such as check cashiers, check sellers, insurance premium finance companies, pawnbrokers, secondary mortgage loan companies and foreign money remitters. Ensures compliance with the mortgage loan discrimination statute. (C17:16F et seq.). Regulates, supervises and examines mortgage bankers and brokers operating (C17:11B-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 (C17:9A-1 et seq.) and savings and loan holding companies (C17:12B-281 et seq.).

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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. 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 with the Legislature, Executive Branch and the financial community.

EVALUATION DATA

	Actual FY 2000	Actual FY 2001	Revised FY 2002	Budget Estimate FY 2003
PROGRAM DATA				
Licensing and Regulatory Affairs				
Consumer Credit Associations - Banking				
Licenses issued	5,546	6,233	6,100	6,200
Associations subject to examination	1,374	1,407	1,450	1,500
Examinations conducted	343	306	350	400
Consumer Complaints				
Received	2,276	2,087	2,200	2,300
Completed	2,646	2,150	2,200	2,300
Inquiries and Referrals	588	535	550	570
Insurance Licensing				
Licenses issued	29,476	42,044	40,000	40,000
Candidates examined	11,985	10,930	11,000	12,000
Phone Inquiries Handled	43,063	56,938	57,000	58,000
Number of Insurance Companies and Regulated Entities				
Field financial exams	65	16	55	55
Office analysis of companies - exams	400	516	550	565
Insurance Consumer Complaints				
Received	10,756	9,986	10,000	10,000
Resolved	14,748	11,185	11,500	11,500
Phone Inquiries Handled	104,237	97,082	98,000	100,000
Inquiries handled	4,758	4,081	4,000	4,000
Funds recovered on behalf of complainants	\$4,732,714	\$2,948,342	\$3,500,000	\$3,500,000
Actuarial Services				
Property and Casualty				
Commercial lines filings	2,018	1,917	2,000	2,005
Personal lines filings	661	613	650	700
Individual risk filings	13	23	25	27
Consent-to-rate filings	10	6	10	12
Authorization filings	153	118	130	135
Excess profits filings	65	55	60	65
Statistical filings	171	175	175	175
Surveys (a)	914	914	914	977
Record requests	399	335	350	375
Life and Health				
Policyforms - new	18,368	16,698	18,500	19,000
Policyforms - processed	18,368	16,698	18,500	19,000
Regulation of the Real Estate Industry				
Licensed brokers	16,319	16,332	16,300	16,350
Licensed salespersons	63,729	65,204	64,500	65,000
Candidates examined	5,916	8,682	8,000	8,000
Broker offices				
Inspected	539	580	570	570
Complaints investigated	354	325	400	400
Licensed schools	3,530	3,360	3,000	3,100
Licensed satellite sites of school	57	53	55	55
Licensed instructors	74	50	55	55
Licensed instructors	179	178	175	180

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	Actual FY 2000	Actual FY 2001	Revised FY 2002	Budget Estimate FY 2003
Public and Regulatory Services				
OAL submissions	45	79	50	50
Bulletins and Orders Issued	65	81	75	75
Written Inquiries Handled	817	824	820	820
Services of Process Handled	1,249	1,177	1,200	1,200
Booklets published	10	24	24	24
Newsletters published	10	4	4	4
Unsatisfied Claims				
Unsatisfied Claim and Judgment Fund				
Claim notices received	11,999	10,292	12,000	12,000
New and reopened claims in litigation	1,584	1,194	1,200	1,200
Number of collection payments received	8,499	8,356	8,600	9,000
Insurance Fraud Prevention				
Auto insurance audits	47	42	42	45
Health insurance audits	33	31	36	40
Civil penalties collected	\$2,047,974	\$3,516,950	\$1,900,000	\$1,900,000
Education Programs	85	121	140	150
Restitution of fraudulently obtained dollars	\$57,520	\$52,979	\$71,000	\$71,000
Type of cases investigated (%)				
Auto	83%	76%	78%	78%
Health	7%	9%	4%	4%
Workers' compensation	2%	3%	4%	4%
Homeowners	4%	3%	3%	3%
All other	2%	6%	11%	11%
New investigations referred	14,990	8,860	13,000	13,000
Pending investigations	10,113	10,534	11,000	11,000
Total investigations	25,103	19,394	24,000	24,000
Supervision and Examination of Financial Institutions				
State Chartered Institutions				
Banks and Savings and Loans	105	104	105	104
Examinations Conducted	41	40	54	51
Bank Holding Companies	38	11	23	31
Specialty Examinations	82	44	130	126
Office of Insurance Ombudsman				
Insurance Consumer Complaints				
Received	n/a	395	300	300
Resolved	n/a	409	300	300
Inquiries Handled	n/a	1,406	1,000	1,000
Funds Recovered on behalf of consumers	n/a	\$993,076	\$200,000	\$250,000
PERSONNEL DATA				
Affirmative Action Data				
Male Minority	42	45	50	55
Male Minority %	8.9	9.0	9.7	9.8
Female Minority	88	88	88	88
Female Minority %	18.6	17.6	17.1	15.7
Total Minority	130	133	138	143
Total Minority %	27.5	26.7	26.8	25.5
Position Data				
Filled Positions by Funding Source				
State Supported	467	495	509	555
All Other	5	4	5	5
Total Positions	472	499	514	560
Filled Positions by Program Class				
Licensing and Regulatory Affairs	185	201	213	235
Actuarial Services	59	63	59	72
Regulation of the Real Estate Industry	43	47	48	48
Public and Regulatory Services	27	25	27	27
Unsatisfied Claims	20	21	21	30

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	Actual FY 2000	Actual FY 2001	Revised FY 2002	Budget Estimate FY 2003
Insurance Fraud Prevention	35	34	32	36
Supervision and Examination of Financial Institutions	44	44	45	55
Administration and Support Services	59	64	69	57
Total Positions	472	499	514	560

Notes

Actual payroll counts are reported for fiscal years 2000 and 2001 as of December and revised fiscal year 2002 as of September. The Budget Estimate for fiscal year 2003 reflects the number of positions funded.

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2001					Year Ending June 30, 2003				
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Total Expended	2002 Prog. Class.	2002 Adjusted Approp.	Requested	Recommended	
DIRECT STATE SERVICES									
Distribution by Fund and Program									
14,318	522	704	15,544	14,776	Licensing and Regulatory Affairs 01	15,644	15,952	15,952	
4,949	106	---	5,055	4,930	Actuarial Services 02	5,417	5,417	5,417	
2,483	176	66	2,725	2,637	Regulation of the Real Estate Industry 03	2,897	2,897	2,897	
1,549	2	---	1,551	1,512	Public and Regulatory Services 04	1,668	1,668	1,668	
1,742	---	43	1,785	1,781	Unsatisfied Claims 05	1,910	1,910	1,910	
31,980	---	61	32,041	31,760	Insurance Fraud Prevention 06	32,152	32,152	32,152	
3,710	7,270	-379	10,601	3,535	Supervision and Examination of Financial Institutions 07	3,899	3,899	3,899	
---	1,365	---	1,365	75	Pinelands Development Credit Bank 08	---	---	---	
4,544	450	398	5,392	5,145	Administration and Support Services 99	4,577	4,228	4,228	
65,275	9,891	893	76,059	66,151	Total Direct State Services	68,164^(a)	68,123	68,123	
Distribution by Fund and Object									
27,218	---	221	27,439	27,001	Personal Services:				
					Salaries and Wages	30,186	30,186	30,186	
27,218	---	221	27,439	27,001	Total Personal Services	30,186	30,186	30,186	
342	---	30	372	344	Materials and Supplies	342	342	342	
14,759	---	720	15,479	15,384	Services Other Than Personal	5,635	5,635	5,635	
138	---	99	237	228	Maintenance and Fixed Charges	208	208	208	
---	---	---	---	---	Special Purpose:				
					Domestic Fraternal Societies 01	41 ^S	---	---	
---	459	---	502	---	Public Adjusters Licensing 01	---	---	---	
776	43 ^R	---	776	676	Ombudsman Program 01	801	801	801	
600	---	---	600	594	Actuarial Services 02	600	600	600	
2,250	---	---	2,250	2,250	Additional Investigators - Insurance Fraud Prevention 06	2,250	2,250	2,250	
14,818	---	---	18,718	18,648	Insurance Fraud Prosecution Services 06	27,627	27,627	27,627	
3,900 ^S	309	---	7,040	---	Supervision and Examination of Financial Institutions 07	---	---	---	
---	6,961 ^R	-230	1,365	75	Pinelands Development Credit Bank 08	---	---	---	
---	1,365	---	30	24	Affirmative Action and Equal Employment Opportunity 99	30	30	30	
444	754	53	1,251	927	Additions, Improvements and Equipment	444	444	444	
65,275	9,891	893	76,059	66,151	Grand Total State Appropriation	68,164	68,123	68,123	

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Orig. & (S)Supple- mental	Year Ending June 30, 2001					Year Ending June 30, 2003		
	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available			Expended	Prog. Class.	2002 Adjusted Approp.
OTHER RELATED APPROPRIATIONS								
All Other Funds								
---	1,322							
---	8,099 ^R	67	9,488	7,108	01	10,269	10,269	10,269
	129							
---	40 ^R	---	169	46	03	51	51	51
---	---	---	---	---				
---	<u>9,590</u>	<u>67</u>	<u>9,657</u>	<u>7,154</u>	07	<u>250</u>	<u>250</u>	<u>250</u>
<u>65,275</u>	<u>19,481</u>	<u>960</u>	<u>85,716</u>	<u>73,305</u>	Total All Other Funds		<u>10,570</u>	<u>10,570</u>
					GRAND TOTAL ALL FUNDS		<u>78,734</u>	<u>78,693</u>

Notes

(a) The fiscal year 2002 appropriation has been adjusted for the allocation of salary program and has been reduced to reflect the transfer of funds to the Interdepartmental Salary and Other Benefits accounts.

Language Recommendations -- Direct State Services - General Fund

Receipts derived from extraordinary financial condition examinations or actuarial certifications of loss reserves are appropriated for the conduct of such examinations or certifications, subject to the approval of the Director of the Division of Budget and Accounting.

The unexpended balance as of June 30, 2002 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 the "Individual Health Insurance Reform Act," 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.), such 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.

There are appropriated out of the New Jersey Automobile Insurance Guaranty Fund such sums as may be necessary to satisfy the financial obligations of the New Jersey Automobile Full Insurance Underwriting Association, as set forth in the "Fair Automobile Insurance Reform Act of 1990," P.L. 1990, c. 8 (C.17:33B-1 et al.), subject to the provisions of subsection e. of section 23 of P.L. 1990, c. 8 (C.17:33B-5).

Upon certification by the Commissioner of Banking and Insurance pursuant to subparagraph (b) of paragraph (9) of subsection a. of section 8 of P.L. 1974, c.17 (C.17:30A-8) that loans in an amount less than \$160,000,000 per calendar year will satisfy the current and anticipated financial obligations of the Market Transition Facility without reference to the amount of funds remaining from the sale of the Market Transition Facility Senior Lien Revenue Bonds, there is appropriated out of the New Jersey Automobile Insurance Guaranty Fund such sums as may be necessary to satisfy the obligation of the New Jersey Property Liability Insurance Guaranty Fund to make refunds according to law in the amount of any exemption due pursuant to subparagraph (b) of paragraph (9) of subsection a. of section 8 of P.L. 1974, c.17 (C.17:30A-8).

The amount hereinabove for Unsatisfied Claims is appropriated out of the Unsatisfied Claim and Judgment Fund and, in addition, there are appropriated out of that fund additional sums as may be necessary for the payment of claims pursuant to section 7 of P.L. 1952, c. 174 (C.39:6-67), and for such additional costs as may be required to administer the fund pursuant to P.L. 1952, c. 174 (C.39:6-61 et seq.).

Receipts in excess of anticipated revenues from examination and licensing fees, bank assessments, fines and penalties and the unexpended balances as of June 30, 2002, not to exceed \$250,000, 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 Pineland Development Credit Bank pursuant to NJSA 13:18A-34 et. seq. shall be appropriated to the Pineland Development Credit Bank for the same purpose.

The unexpended balance as of June 30, 2002 in the Pinelands Development Credit Bank account is appropriated for the same purpose.

In addition to the sum hereinabove, 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.).

The amount hereinabove 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 herein 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.

All monies deposited in the Division of Motor Vehicles Surcharge Fund are appropriated to the Market Transition Facility Revenue Fund in accordance with the provisions of P.L. 1994, c. 57 (C.34:1B-21.1 et seq.).

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The amount appropriated hereinabove for FAIR Act Administration shall be funded from the additional taxes on the taxable premiums of insurers for the payment of Department of Banking and Insurance administrative costs related to its statutory duties, pursuant to P.L. 1990, c. 8 (C.17:33B-1 et al).

Notwithstanding any provisions of law to the contrary, any surplus balance remaining in the New Jersey Medical Malpractice Reinsurance Recovery Fund after all financial obligations of the New Jersey Medical Malpractice Reinsurance Association are funded, as determined by the Director of the Division of Budget and Accounting, are appropriated for transfer to the General Fund as State revenue.