

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

The Department's goals are to ensure the solvency of the financial institutions through regular financial examinations and analysis; protect the public from unlawful or unfair practices by insurers, financial institutions, and real estate licensees and promptly investigate complaints filed by consumers and aggressively prosecute violators; issue licenses to qualified individuals and companies to provide Banking, Insurance, and Real Estate services to New Jersey citizens; improve the efficient and effective review of insurance rates and forms; apply technology, where appropriate, to improve its ability to work with the public and regulated industries.

In addition to the mission to regulate the banking, insurance and real estate industries, \$29,877,000 of the Department's budget is used to fund the activities of the Office of the Fraud Prosecutor in the Department of Law & Public Safety.

The Department's budget seeks to maintain services while reducing costs. The Department's proposed budget of \$68 million is \$941,000 less than the fiscal 2003 adjusted appropriation of \$68.9 million. The Department has achieved organizational efficiencies without sacrificing its core mission of regulating the industry and protecting the public. Savings of \$527,000 is possible due to organizational efficiencies identified by the Department in non-operating costs of \$250,000,

consolidating the Office of Anti-Fraud Compliance for \$176,000, and reorganizing the Office of the Ombudsman for \$101,000. The remaining \$414,000 is a result of savings in fiscal 2004 due to early retirement extensions and annualized attrition of \$297,000 and reduction of technology charges of \$117,000 in fiscal 2004.

The Real Estate Commission is proposing to increase the licensing fees for salespersons and brokers, which will generate an additional \$4.5 million in revenue. It is expected that legislation will be introduced shortly to accomplish this change. The licensing fees have not been raised since 1983.

Department has achieved the following initiatives and will continue to work toward its goals by increasing consumer access and awareness, developing a predatory lending and pay day loan strategy, which includes community outreach, financial education, stronger penalties, and government coordination; adopting new rules and developed systems to implement the new "Insurance Producer Licensing Act", which facilitates licensing processing and enhances efficiency; initiating a comprehensive and thoughtful approach to insurance in critical areas such as automobile and medical malpractice.

Consumer protection remains a significant part of the Department's focus. The Department will continue to focus its attention on matters of importance to consumers and make it easier for citizens to have their concerns addressed in a timely and efficient manner through the opening of the Newark consumer center.

SUMMARY OF APPROPRIATIONS BY FUND

(thousands of dollars)

Year Ending June 30, 2002						Year Ending June 30, 2004		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2003 Adjusted Approp.	Requested	Recom- mended
67,254	4,265	109	71,628	66,241	Direct State Services	68,959	68,018	68,018
67,254	4,265	109	71,628	66,241	Total General Fund	68,959	68,018	68,018
67,254	4,265	109	71,628	66,241	GRAND TOTAL	68,959	68,018	68,018

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SUMMARY OF APPROPRIATIONS BY PROGRAM (thousands of dollars)

Year Ending June 30, 2002					Year Ending June 30, 2004			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2003 Adjusted Approp.	Requested	Recom- mended
					DIRECT STATE SERVICES - GENERAL FUND			
					Economic Regulation			
15,224	549	310	16,083	15,417	Licensing and Regulatory Affairs	16,278	15,723	15,723
5,292	3	-2	5,293	5,190	Actuarial Services	5,656	5,656	5,656
2,814	86	---	2,900	2,657	Regulation of the Real Estate Industry	3,100	3,100	3,100
1,610	1	2	1,613	1,610	Public and Regulatory Services	1,810	1,810	1,810
1,868	---	---	1,868	1,850	Unsatisfied Claims	1,958	1,958	1,958
32,085	73	---	32,158	31,153	Insurance Fraud Prevention	32,152	31,976	31,976
3,910	1,805	-297	5,418	3,467	Supervision and Examination of Financial Institutions	3,759	3,549	3,549
---	1,551	---	1,551	267	Pinelands Development Credit Bank	---	---	---
4,451	197	96	4,744	4,630	Administration and Support Services	4,246	4,246	4,246
<i>67,254</i>	<i>4,265</i>	<i>109</i>	<i>71,628</i>	<i>66,241</i>	<i>Subtotal</i>	<i>68,959</i>	<i>68,018</i>	<i>68,018</i>
<i>67,254</i>	<i>4,265</i>	<i>109</i>	<i>71,628</i>	<i>66,241</i>	<i>Subtotal Direct State Services - General Fund</i>	<i>68,959</i>	<i>68,018</i>	<i>68,018</i>
<i>67,254</i>	<i>4,265</i>	<i>109</i>	<i>71,628</i>	<i>66,241</i>	<i>TOTAL DIRECT STATE SERVICES</i>	<i>68,959</i>	<i>68,018</i>	<i>68,018</i>
<i>67,254</i>	<i>4,265</i>	<i>109</i>	<i>71,628</i>	<i>66,241</i>	<i>TOTAL APPROPRIATION</i>	<i>68,959</i>	<i>68,018</i>	<i>68,018</i>

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 cashers, 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.).
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

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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 2001	Actual FY 2002	Revised FY 2003	Budget Estimate FY 2004
PROGRAM DATA				
Licensing and Regulatory Affairs				
Consumer Credit Associations - Banking				
Licenses issued	6,233	6,206	6,200	6,300
Associations subject to examination	1,407	1,450	1,500	1,500
Examinations conducted	306	350	400	450
Consumer Complaints				
Received	2,087	3,041	3,000	3,000
Completed	2,150	2,362	2,300	3,000
Inquiries and Referrals	535	679	570	700
Insurance Licensing				
Licenses issued	42,044	25,515	30,000	30,000
Candidates examined	10,930	12,894	15,000	15,000
Phone Inquiries Handled	56,938	59,178	59,000	60,000
Number of Insurance Companies and Regulated Entities ...	1,863	1,883	1,885	1,885
Field financial exams	16	53	55	55
Office analysis of companies - exams	516	516	516	560
Insurance Consumer Complaints				
Received	9,986	9,889	10,000	10,000
Resolved	11,185	8,194	9,000	9,000
Phone Inquiries Handled	97,082	46,323	50,000	50,000
Inquiries handled	4,081	4,265	4,200	4,200
Funds recovered on behalf of complainants	\$2,948,342	\$5,380,886	\$5,000,000	\$5,000,000
Actuarial Services				
Property and Casualty				
Commercial lines filings	1,917	2,033	2,100	2,150
Personal lines filings	613	644	675	700
Individual risk filings	23	23	25	28
Consent-to-rate filings	6	12	14	16
Authorization filings	118	115	120	125
Excess profits filings	55	55	51	55
Statistical filings	175	175	175	175
Surveys (a)	914	914	977	977
Record requests	335	269	350	375
Life and Health				
Policyforms - new	16,698	16,488	18,500	18,500
Policyforms - processed	16,698	16,488	18,500	18,500
Regulation of the Real Estate Industry				
Licensed brokers	16,332	16,038	16,250	16,500
Licensed salespersons	65,204	66,809	67,000	67,250
Candidates examined	8,682	11,344	11,000	11,200
Broker offices	580	597	600	610
Inspected	325	275	250	250
Complaints investigated	3,360	3,016	3,000	3,000
Licensed schools	53	56	55	55
Licensed satellite sites of school	50	65	60	60
Licensed instructors	178	194	200	200

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	Actual FY 2001	Actual FY 2002	Revised FY 2003	Budget Estimate FY 2004
Public and Regulatory Services				
OAL submissions	79	73	68	70
Bulletins and Orders Issued	81	97	82	85
Written Inquiries Handled	824	1,172	1,178	1,200
Services of Process Handled	1,177	1,017	974	1,056
Booklets published	24	14	24	24
Newsletters published	4	5	5	5
Unsatisfied Claims				
Unsatisfied Claim and Judgment Fund				
Claim notices received	10,292	9,668	11,000	11,000
New and reopened claims in litigation	1,194	953	1,100	1,100
Number of collection payments received	8,356	7,436	10,000	11,000
Insurance Fraud Prevention				
Auto insurance audits	42	40	15	18
Health insurance audits	31	39	6	8
Civil penalties collected	\$2,479,812	\$2,046,826	\$2,100,000	\$2,100,000
Education Programs	121	120	120	120
Restitution of fraudulently obtained dollars	\$52,979	\$53,355	\$53,000	\$53,000
Type of cases investigated (%)				
Auto	76%	75%	75%	75%
Health	9%	9%	10%	10%
Workers' compensation	3%	4%	3%	3%
Homeowners	3%	3%	3%	3%
All other	9%	9%	9%	9%
New investigations referred	8,860	7,025	7,200	7,200
Pending investigations	10,534	5,844	6,000	6,000
Total investigations	19,394	12,869	13,200	13,200
Supervision and Examination of Financial Institutions				
State Chartered Institutions				
Banks and Savings and Loans	104	104	105	104
Examinations Conducted	40	40	51	37
Bank Holding Companies	11	19	14	17
Specialty Examinations	44	39	44	48
Office of Insurance Ombudsman				
Insurance Consumer Complaints				
Received	395	716	1,000	1,200
Resolved	409	652	950	1,100
Inquiries Handled	1,406	2,007	8,000	8,000
Funds Recovered on behalf of consumers	\$993,076	\$2,127,114	\$2,000,000	\$2,000,000
PERSONNEL DATA				
Affirmative Action Data				
Male Minority	45	45	45	50
Male Minority %	9.0	8.7	9.6	10.1
Female Minority	88	89	89	89
Female Minority %	17.6	17.3	19.0	18.0
Total Minority	133	134	134	139
Total Minority %	26.7	26.0	28.6	28.2
Position Data				
Filled Positions by Funding Source				
State Supported	495	510	466	488
All Other	4	5	3	5
Total Positions	499	515	469	493

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	Actual FY 2001	Actual FY 2002	Revised FY 2003	Budget Estimate FY 2004
Filled Positions by Program Class				
Licensing and Regulatory Affairs	201	209	198	203
Actuarial Services	63	63	63	69
Regulation of the Real Estate Industry	47	46	43	46
Public and Regulatory Services	25	28	23	21
Unsatisfied Claims	21	22	21	24
Insurance Fraud Prevention	34	32	26	32
Supervision and Examination of Financial Institutions	44	46	41	46
Administration and Support Services	64	69	54	52
Total Positions	499	515	469	493

Notes:

Actual payroll counts are reported for fiscal years 2001 and 2002 as of December and revised fiscal year 2003 as of September. The Budget Estimate for fiscal year 2004 reflects the number of positions funded.

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2002					Year Ending June 30, 2004			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Total Expended	Prog. Class.	2003 Adjusted Approp.	Requested	Recom- mended
<u>DIRECT STATE SERVICES</u>								
Distribution by Fund and Program								
15,224	549	310	16,083	15,417	01	16,278	15,723	15,723
5,292	3	-2	5,293	5,190	02	5,656	5,656	5,656
2,814	86	---	2,900	2,657				
					03	3,100	3,100	3,100
1,610	1	2	1,613	1,610	04	1,810	1,810	1,810
1,868	---	---	1,868	1,850	05	1,958	1,958	1,958
32,085	73	---	32,158	31,153	06	32,152	31,976	31,976
3,910	1,805	-297	5,418	3,467	07	3,759	3,549	3,549
---	1,551	---	1,551	267	08	---	---	---
4,451	197	96	4,744	4,630	99	4,246	4,246	4,246
67,254	4,265	109	71,628	66,241		68,959^(a)	68,018	68,018
Distribution by Fund and Object								
29,156	---	55	29,211	28,685				
						28,806	28,333	28,333
29,156	---	55	29,211	28,685		28,806	28,333	28,333
342	---	-5	337	296		342	342	342
5,780	---	325	6,105	5,886		7,851	7,484	7,484
208	---	5	213	199		208	208	208
41 ^S	---	---	41	---	01	---	---	---
	502							
---	47 ^R	---	549	3	01	---	---	---
776	---	---	776	729	01	801	700	700
600	---	---	600	528	02	600	600	600
29,877	70	---	29,947	29,131	06	29,877	29,877	29,877
---	250	---						
---	1,555 ^R	-256	1,549	---	07	---	---	---
---	1,291	---						
---	260 ^R	---	1,551	267	08	---	---	---

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Year Ending June 30, 2002					Year Ending June 30, 2004				
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	2003 Adjusted Approp.	Requested	Recommended	
DIRECT STATE SERVICES									
30	---	---	30	29	Affirmative Action and Equal Employment Opportunity	99	30	30	30
444	290	-15	719	488	Additions, Improvements and Equipment		444	444	444
67,254	4,265	109	71,628	66,241	Grand Total State Appropriation		68,959	68,018	68,018
OTHER RELATED APPROPRIATIONS									
All Other Funds									
---	2,381 16,194 ^R	35	18,610	16,522	Licensing and Regulatory Affairs	01	10,269	9,937	9,937
---	125 37 ^R	---	162	31	Regulation of the Real Estate Industry	03	51	51	51
---	---	---	---	---	Supervision and Examination of Financial Institutions	07	250	250	250
---	18,737	35	18,772	16,553	Total All Other Funds		10,570	10,238	10,238
67,254	23,002	144	90,400	82,794	GRAND TOTAL ALL FUNDS		79,529	78,256	78,256

Notes -- Direct State Services - General Fund

(a) The fiscal year 2003 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, 2003 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, 2003, 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 P.L.1985, c.310 (C.13:18A-30 et. seq.) shall be appropriated to the Pineland Development Credit Bank for the same purpose.

The unexpended balance as of June 30, 2003 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.).

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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.).

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.).