

BANKING AND INSURANCE

DEPARTMENT OF BANKING AND INSURANCE OVERVIEW

During fiscal 1997, the Departments of Banking and Insurance were consolidated since similarities in certain core business activities offered an opportunity to eliminate duplicative regulatory and administrative functions.

The insurance related responsibilities of the Department include the provision of effective monitoring and regulation of the insurance industry; assurance of fair markets and rates for all authorized lines of insurances; monitoring of the real estate industry to ensure that professional standards are observed and maintained; and investigation of insurance fraud allegation while developing and implementing programs to prevent insurance fraud and abuse.

The Division of Banking reviews and processes applications by depository institutions for new charters, branches, relocations, acquisitions, mergers, bulk sales, stock conversions, and auxiliary offices, and for licensing all consumer lenders. In addition, the Division examines each state-chartered bank to determine whether the bank is conducting its business in conformity with the laws of the State ensuring the safety of its depositors, other creditors and the public while administering the Department's responsibilities under the federal Community Reinvestment Act.

The recommendation for the fiscal 1999 budget totals \$40.6 million in Direct State Services, representing a continuation level of funding for the Department.

SUMMARY OF APPROPRIATIONS BY PROGRAM (thousands of dollars)

Year Ending June 30, 1997					Year Ending June 30, 1999			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		1998 Adjusted Approp.	Requested	Recom- mended
					Economic Regulation			
10,222	226	385	10,833	10,551	Licensing and Regulatory Affairs	11,871	11,877	11,877
4,204	50	69	4,323	4,151	Actuarial Services	3,935	3,935	3,935
2,322	252	33	2,607	2,475	Regulation of the Real Estate Industry	2,425	2,425	2,425
1,611	9	27	1,647	1,571	Public and Regulatory Services	1,549	1,549	1,549
1,965	13	22	2,000	1,730	Unsatisfied Claims	1,742	1,742	1,742
8,547	143	103	8,793	8,645	Insurance Fraud Prevention	11,537	11,537	11,537
4,553	200	-302	4,451	4,425	Supervision and Examination of Financial Institutions	3,595	3,595	3,595
—	558	—	558	155	Pinelands Development Credit Bank	—	—	—
3,774	277	126	4,177	3,927	Management and Administrative Services	3,979	3,965	3,965
37,198	1,728	463	39,389	37,630	Total Appropriation	40,633	40,625	40,625

BANKING AND INSURANCE

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 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. 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.** Aggressively combats insurance fraud through prevention, investigation and prosecution. 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 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. **Management and Administrative 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.

BANKING AND INSURANCE

EVALUATION DATA

	Actual FY 1996	Actual FY 1997	Revised FY 1998	Budget Estimate FY 1999
PROGRAM DATA				
Licensing and Regulatory Affairs				
Consumer Credit Associations				
Licenses Issued	6,229	7,041	6,000	6,100
Associations subject to examination	998	1,280	1,300	1,350
Examinations conducted	355	315	450	500
Consumer Complaints				
Received	1,596	2,137	2,000	2,000
Completed	1,744	1,995	2,000	2,000
Inquiries and Referrals	388	600	500	500
Insurance Licensing				
Licenses issued	26,477	25,742	26,000	26,000
Candidates examined	11,876	10,362	10,000	10,000
Number of Insurance Companies and Regulated Entities				
Field financial exams	27	26	30	30
Office analysis of companies – exams	607	619	643	643
Insurance Consumer Complaints				
Received	12,943	13,750	14,550	14,550
Resolved	11,394	12,771	14,000	14,000
Funds recovered on behalf of complainants	\$3,561,679	\$3,055,962	\$3,250,200	\$3,250,200
Actuarial Services				
Property and Casualty				
Commercial lines filings	1,768	1,813	1,858	1,900
Personal lines filings	758	691	751	800
Individual risk filings	31	33	35	37
Consent-to-rate filings	12	14	16	18
Authorization filings	144	185	235	275
Excess profits filings	72	63	64	64
Statistical filings	171	171	171	171
Standard/nonstandard filings	1,100 ^(a)	1,200	965	965
Record requests	453	476	500	525
Life and Health				
Policyforms – pending	298 ^(a)	—	—	—
Policyforms – new	15,644	17,153	18,000	18,500
Policyforms – processed	15,942 ^(a)	17,153	18,000	18,500
Regulation of the Real Estate Industry				
Licensed brokers	17,102	16,946	17,300	17,400
Licensed salespersons	64,446	61,224	64,000	65,500
Candidates examined	7,813	8,239	8,100	8,100
Broker offices	587 ^(a)	537	550	550
Inspected	250	700	700	700
Complaints investigated	2,822	3,000	3,000	3,000
Licensed schools	70	56	60	60
Licensed Satellite Sites of School	124	85	90	90
Licensed instructors	205	174	175	175
Public and Regulatory Services				
OAL submissions	97	102	120	120
Booklets published	10	10	10	10
Newsletters published	12	12	12	12
Unsatisfied Claims				
Unsatisfied Claim and Judgment Fund				
Claim notices received	17,709	18,622	19,800	21,000
New and reopened claims in litigation	2,737	2,219	2,238	2,250
Number of collection payments received	7,333	7,143	7,200	7,250

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	Actual FY 1996	Actual FY 1997	Revised FY 1998	Budget Estimate FY 1999
Insurance Fraud Prevention				
Auto insurance audits	22	19	19	19
Health insurance audits	—	—	3	6
Civil penalties collected	\$3,054,340	\$3,332,656	\$3,800,000	\$4,750,000
Restitution of fraudulently obtained dollars	\$628,066	\$4,422,037	\$5,000,000	\$6,000,000
Type of cases investigated (%)				
Auto	75%	76%	75%	75%
Health	5%	3%	10%	10%
Workers' compensation	7%	2%	2%	2%
Homeowners	7%	4%	4%	4%
All other	6%	15%	9%	9%
New investigations referred	11,476	12,418	14,281	18,423
Pending investigations	12,489	9,695	9,000	9,000
Total investigations	23,965	21,813	23,281	27,423
Supervision and Examination of Financial Institutions				
State Chartered Institutions				
Banks	89	88	90	92
Examinations Conducted	46	44	45	45
Bank Holding Companies	43	44	42	42
Saving and Loan Associations	27	20	17	15
Examinations Conducted	17	9	9	9
PERSONNEL DATA				
Affirmative Action Data				
Male Minority	41	41	41	41
Male Minority %	6.7%	7.1%	7.1%	7.1%
Female Minority	99	90	90	90
Female Minority %	16.0%	15.6%	15.6%	15.6%
Total Minority	140	131	131	131
Total Minority %	22.6%	22.7%	22.7%	22.7%
Position Data				
Filled Positions by Funding Source				
State Supported	612	566	551	665
All Other	4	4	4	5
Total Positions	616	570	555	670
Filled Positions by Program Class				
Licensing and Regulatory Affairs	175	181	182	187
Actuarial Services	67	58	57	68
Regulation of the Real Estate Industry	40	42	44	45
Public and Regulatory Services	23	27	23	30
Unsatisfied Claims	23	21	23	31
Insurance Fraud Prevention	137	124	129	193
Supervision and Examination of Financial Institutions	78	56	51	63
Management and Administration	73	61	46	53
Total Positions	616	570	555	670

Notes: Actual fiscal years 1996 and 1997 and Revised fiscal year 1998 position data reflect actual payroll counts. The Budget Estimate for fiscal year 1999 reflects the number of positions funded.

(a) Data revised to reflect revised data totals.

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APPROPRIATIONS DATA (thousands of dollars)

Year Ending June 30, 1997					Year Ending June 30, 1999				
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	Prog. Class.	1998 Adjusted Approp.	Requested	Recom- mended	
Distribution by Program									
10,222	226	385	10,833	10,551					
					01	11,871	11,877	11,877	
4,204	50	69	4,323	4,151	02	3,935	3,935	3,935	
2,322	252	33	2,607	2,475	03	2,425	2,425	2,425	
1,611	9	27	1,647	1,571	04	1,549	1,549	1,549	
1,965	13	22	2,000	1,730	05	1,742	1,742	1,742	
8,547	143	103	8,793	8,645	06	11,537	11,537	11,537	
4,553	200	-302	4,451	4,425	07	3,595	3,595	3,595	
—	558	—	558	155	08	—	—	—	
<u>3,774</u>	<u>277</u>	<u>126</u>	<u>4,177</u>	<u>3,927</u>	99	<u>3,979</u>	<u>3,965</u>	<u>3,965</u>	
37,198	1,728	463	39,389	37,630		40,633^(a)	40,625	40,625	
Distribution by Object									
Personal Services:									
<u>27,245</u>	—	<u>201</u>	<u>27,446</u>	<u>26,937</u>		<u>28,607</u>	<u>28,593</u>	<u>28,593</u>	
27,245	—	201	27,446	26,937		28,607	28,593	28,593	
456	—	-10	446	389		450	450	450	
7,842	—	364	8,206	8,091		7,839	7,845	7,845	
876	—	51	927	922		873	873	873	
Special Purpose:									
—	191	—	221	4	01	—	—	—	
—	30 ^R	—	—	—					
—	—	—	—	—	06	2,250	2,250	2,250	
—	200 ^R	-175	25	—	07	—	—	—	
—	558	—	558	155	08	—	—	—	
<u>30</u>	—	—	<u>30</u>	<u>15</u>	99	<u>30</u>	<u>30</u>	<u>30</u>	
30	979	-175	834	174		2,280	2,280	2,280	
749	749	32	1,530	1,117		584	584	584	
OTHER RELATED APPROPRIATIONS									
All Other Funds									
—	2,659	—	55,365	51,693	01	52,959	53,041	53,041	
—	52,677 ^R	29	55,365	51,693					
—	101	—	127	44	03	26	26	26	
—	26 ^R	—	127	44					
—	—	—	—	—	07	200	200	200	
—	55,463	29	55,492	51,737		53,185	53,267	53,267	
37,198	57,191	492	94,881	89,367		93,818	93,892	93,892	

Notes: (a) The Fiscal year 1998 appropriation has been adjusted for the allocation of salary program; has been reduced to reflect the transfer of staff to the Department of Personnel; and has been reduced to reflect the transfer of funds to the Salary Increases and Other Benefits account.

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LANGUAGE RECOMMENDATIONS

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, 1998 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.

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

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

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).

Notwithstanding the provisions of section 6 of P.L. 1983, c. 65 (C.17:29A-35), the receipts otherwise remaining prior to October 1, 1991, derived from surcharges levied on drivers in accordance with the New Jersey Automobile Insurance Reform Act of 1982-Merit Rating System Surcharge Program pursuant to P.L. 1983, c. 65 (C.17:29A-33 et al.) are appropriated to the New Jersey Automobile Full Insurance Underwriting Association. Those receipts otherwise remaining on and after October 1, 1991, are appropriated to the New Jersey Automobile Insurance Guaranty Fund.

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.).

In addition to the sum hereinabove, such other sums as the Director of the Division of Budget and Accounting shall determine, are appropriated on behalf of the Department of Banking and Insurance with respect to the assessments of the insurance industry pursuant to P.L. 1995, c. 156 (C.17:1C-19 et seq.).

The unexpended balance as of June 30, 1998 in the Pinelands Development Credit Bank account is appropriated for the same purpose.

Receipts in excess of anticipated revenues from examination and licensing fees, bank assessments, fines and penalties and the unexpended balances as of June 30, 1998, not to exceed \$200,000, are appropriated to the Division of Banking, subject to the approval of the Director of the Division of Budget and Accounting.

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

37,198	1,728	463	39,389	37,630	Total Appropriation, Department of Banking and Insurance	40,633	40,625	40,625
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