

DEPARTMENT OF BANKING AND INSURANCE

OVERVIEW

Mission and Goals

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; to protect the public from unlawful or unfair practices by insurers, financial institutions, and real estate licensees by promptly investigating complaints filed by consumers 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; 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 107 State-chartered banks and credit unions. Within this division are the Office of Consumer Finance, which regulates

consumer credit services licensees and mortgage bankers and brokers, and the Real Estate Commission, which oversees 98,000 real estate licensees. The Division of Insurance regulates almost 173,000 insurance licensees. Within this division are the Solvency Regulation Office, which monitors 2,906 insurance companies licensed in New Jersey, including 579 domestic companies selling insurance products to New Jersey citizens, and the Life and Health and Property Casualty Groups, which oversee premium rates and policy forms issued by insurers for life, health, automobile, homeowners, and medical malpractice insurance. The Office of the Insurance Fraud Prosecutor 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. 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 2011 Budget for the Department of Banking and Insurance totals \$59.7 million, a decrease of \$7.9 million, or 11.7%, under the fiscal 2010 adjusted appropriation of \$67.7 million.

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SUMMARY OF APPROPRIATIONS BY FUND

(thousands of dollars)

Year Ending June 30, 2009						Year Ending June 30, 2011		
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended		2010 Adjusted Approp.	Requested	Recommended
70,340	1,003	---	71,343	65,059	GENERAL FUND			
					Direct State Services	67,668	59,739	59,739
70,340	1,003	---	71,343	65,059	Total General Fund	67,668	59,739	59,739
70,340	1,003	---	71,343	65,059	Total Appropriation, Department of Banking and Insurance	67,668	59,739	59,739

SUMMARY OF APPROPRIATIONS BY PROGRAM

(thousands of dollars)

Year Ending June 30, 2009						Year Ending June 30, 2011		
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended		2010 Adjusted Approp.	Requested	Recommended
					DIRECT STATE SERVICES - GENERAL FUND			
					Economic Regulation			
19,012	288	152	19,452	18,079	Consumer Protection Services and Solvency Regulation	18,122	19,373	19,373
6,404	9	---	6,413	5,077	Actuarial Services	5,862	5,887	5,887
3,163	23	88	3,274	3,242	Regulation of the Real Estate Industry	3,134	3,056	3,056
2,458	---	---	2,458	2,101	Public Affairs, Legislative and Regulatory Services	2,260	2,260	2,260
32,038	10	---	32,048	29,579	Insurance Fraud Prosecution and Prevention	31,547	21,547	21,547
3,221	401	-240	3,382	3,113	Supervision and Examination of Financial Institutions	3,115	4,018	4,018
---	242	---	242	146	Pinelands Development Credit Bank	---	---	---
4,044	30	---	4,074	3,722	Administration and Support Services	3,628	3,598	3,598

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Year Ending June 30, 2009					Year Ending June 30, 2011			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended		2010 Adjusted Approp.	Requested	Recommended
70,340	1,003	---	71,343	65,059	<i>Subtotal</i>	67,668	59,739	59,739
70,340	1,003	---	71,343	65,059	<i>Total Direct State Services - General Fund</i>	67,668	59,739	59,739
70,340	1,003	---	71,343	65,059	TOTAL DIRECT STATE SERVICES	67,668	59,739	59,739
70,340	1,003	---	71,343	65,059	<i>Total Appropriation, Department of Banking and Insurance</i>	67,668	59,739	59,739

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.** Promulgates 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.
- Insurance Fraud Prosecution and Prevention.** The Office of the Insurance Fraud Prosecutor 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. 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

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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

PROGRAM DATA	Actual FY 2008	Actual FY 2009	Revised FY 2010	Budget Estimate FY 2011
Consumer Protection Services and Solvency Regulation				
Consumer Credit Associations - Banking				
Licenses issued	6,925	7,087	6,750	7,000
Mortgage Solicitors	28,133	21,053	11,000	12,000
Associations subject to examination	1,900	1,900	1,840	1,750
Examinations conducted	641	503	493	563
Consumer Complaints				
Received (a)	1,717	1,496	1,500	1,400
Completed (a)	1,179	583	700	700
Inquiries and Referrals (a)	601	15	---	---
Consumer Assistance Unit				
Inquiries handled	69,226	74,656	73,100	73,100
Insurance Licensing				
Licenses issued	48,666	67,108	64,000	65,000
Candidates examined	18,522	19,353	18,750	19,000
Phone inquiries handled	36,586	40,561	44,000	48,000
Number of Insurance Companies and Regulated Entities				
Field financial exams	2,221	2,221	2,225	2,245
Office analysis of companies - exams	37	37	45	45
	694	765	775	785
Insurance Consumer Assistance				
Complaints received	7,525	7,184	7,200	7,250
Complaints resolved	7,302	7,678	7,700	7,750
Inquiries handled	69,226	74,656	73,100	73,100
Market analysis of companies	788	971	1,000	1,100
Companies' data audited	81	374	375	375
Funds recovered on behalf of complainants	\$9,081,583	\$4,928,910	\$5,000,000	\$5,000,000
Actuarial Services				
Property and Casualty				
Filings for unit	3,099	2,824	2,850	3,000
Surveys	640	650	650	650
Record requests	425	305	325	350
Complaints/inquiries	174	207	210	220
Life and Health				
Policy forms processed	13,830	12,568	13,250	13,500
Filings for unit	1,783	2,232	2,300	2,380
Inquiries to unit	12,710	12,161	12,171	12,175

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	Actual FY 2008	Actual FY 2009	Revised FY 2010	Budget Estimate FY 2011
Office of Managed Care				
Complaints/inquiries	3,658	5,561	5,000	5,000
Independent Utilization Review Organization	467	642	600	600
Eligible/forwarded requests	344	474	475	475
Ineligible/returned requests	123	168	125	125
Regulation of the Real Estate Industry				
Licensed brokers and salespersons	100,803	102,409	95,117	100,000
Candidates examined	12,639	9,058	7,232	8,000
Broker offices	791	656	625	650
Offices inspected	340	371	385	400
Complaints investigated	1,225	790	948	1,000
Licensed schools	70	83	90	100
Licensed instructors	274	334	350	375
Insurance Fraud Prosecution and Prevention (b)				
Civil fines imposed	\$2,823,000	\$3,212,500	\$2,500,000	\$2,500,000
Restitution of fraudulently obtained dollars	\$19,799,298	\$13,247,582	\$10,000,000	\$10,000,000
Type of cases investigated (%)				
Auto	51%	47%	55%	55%
Health	22%	21%	20%	20%
Workers' compensation	5%	5%	4%	4%
Homeowners	4%	4%	3%	3%
Commercial	3%	4%	3%	3%
All other	15%	19%	15%	15%
New matters received (c)	4,169	4,567	4,200	4,200
Matters closed (c)	4,845	4,658	4,700	4,700
Supervision and Examination of Financial Institutions				
State Chartered Institutions				
Banks and Savings and Loans	92	89	90	92
Examinations conducted	38	37	40	44
Bank Holding Companies	11	8	14	15
Specialty examinations	53	42	46	48
PERSONNEL DATA				
Affirmative Action Data (d)				
Male Minority	51	47	54	57
Male Minority %	7.6	7.5	9.0	9.2
Female Minority	98	88	91	100
Female Minority %	14.7	14.1	15.1	16.1
Total Minority	149	135	145	157
Total Minority %	22.3	21.6	24.1	25.3
Position Data				
Filled Positions by Funding Source				
State Supported	2	2	---	---
All Other (b)	666	624	602	620
Total Positions	668	626	602	620
Filled Positions by Program Class				
Consumer Protection Services and Solvency Regulation	222	210	218	219
Actuarial Services	62	56	54	57
Regulation of the Real Estate Industry	42	42	39	35
Public Affairs, Legislative and Regulatory Services	30	29	25	27
Insurance Fraud Prosecution and Prevention (b)	229	218	193	201
Supervision and Examination of Financial Institutions	31	28	33	39
Pinelands Development	2	2	---	---
Administration and Support Services	50	41	40	42
Total Positions	668	626	602	620

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Notes:

Actual payroll counts are reported for fiscal years 2008 and 2009 as of December and revised fiscal year 2010 as of January. The Budget Estimate for fiscal year 2011 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) In fiscal year 2011, the Office of the Insurance Fraud Prosecutor was transferred from the Department of Law and Public Safety to the Department of Banking and Insurance.

(c) Includes both civil and criminal.

(d) Does not include Office of the Insurance Fraud Prosecutor data.

APPROPRIATIONS DATA
(thousands of dollars)

Orig. & (S)Supplemental	Year Ending June 30, 2009			Total Available	Expended	Prog. Class.	Year Ending June 30, 2011		
	Reapp. & (R)Recpts.	Transfers & (E)Emergencies					2010 Adjusted Approp.	Requested	Recommended
<u>DIRECT STATE SERVICES</u>									
Distribution by Fund and Program									
19,012	288	152	19,452	18,079	Consumer Protection Services and Solvency Regulation	01	18,122	19,373	19,373
6,404	9	---	6,413	5,077	Actuarial Services	02	5,862	5,887	5,887
3,163	23	88	3,274	3,242	Regulation of the Real Estate Industry	03	3,134	3,056	3,056
2,458	---	---	2,458	2,101	Public Affairs, Legislative and Regulatory Services	04	2,260	2,260	2,260
32,038	10	---	32,048	29,579	Insurance Fraud Prosecution and Prevention	06	31,547	21,547	21,547
3,221	401	-240	3,382	3,113	Supervision and Examination of Financial Institutions	07	3,115	4,018	4,018
---	242	---	242	146	Pinelands Development Credit Bank	08	---	---	---
4,044	30	---	4,074	3,722	Administration and Support Services	99	3,628	3,598	3,598
70,340	1,003	---	71,343	65,059	Total Direct State Services		67,668 (a)	59,739	59,739
Distribution by Fund and Object									
Personal Services:									
33,745	---	---	33,745	31,632	Salaries and Wages		31,179	33,280	33,280
33,745	---	---	33,745	31,632	Total Personal Services		31,179	33,280	33,280
306	---	5	311	164	Materials and Supplies		306	306	306
5,322	---	253	5,575	4,847	Services Other Than Personal		5,322	5,322	5,322
211	---	-8	203	102	Maintenance and Fixed Charges		211	211	211
Special Purpose:									
---	201 87 R	---	288	---	Public Adjusters' Licensing	01	---	---	---
149	---	---	149	107	Rate Counsel- Insurance	01	149	149	149
600	---	---	600	142	Actuarial Services	02	600	600	600
29,877	---	---	29,877	27,864	Insurance Fraud Prosecution Services (b)	06	29,771	19,771	19,771
---	400	-400	---	---	Supervision and Examination of Financial Institutions	07	---	---	---
---	242	---	242	146	Pinelands Development Credit Bank	08	---	---	---
30	---	---	30	28	Affirmative Action and Equal Employment Opportunity	99	30	---	---
100	73	150	323	27	Additions, Improvements and Equipment		100	100	100
70,340	1,003	---	71,343	65,059	Grand Total State Appropriation		67,668	59,739	59,739

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Year Ending June 30, 2009					Year Ending June 30, 2011				
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	2010 Adjusted Approp.	Requested	Recommended	
DIRECT STATE SERVICES									
OTHER RELATED APPROPRIATIONS									
All Other Funds									
---	144	---	1,803	1,230					
---	1,659 ^R	---			01	496	531	531	
---	416	---	484	113	03	---	---	---	
---	68 ^R	---							
---	22	---	22	---	07	---	---	---	
---	<u>2,309</u>	---	<u>2,309</u>	<u>1,343</u>		<u>496</u>	<u>531</u>	<u>531</u>	
70,340	3,312	---	73,652	66,402		68,164	60,270	60,270	
					GRAND TOTAL ALL FUNDS				

Notes -- Direct State Services - General Fund

- (a) The fiscal year 2010 appropriation has been adjusted for the allocation of salary program.
- (b) In fiscal year 2011, the Office of the Insurance Fraud Prosecutor was transferred from the Department of Law and Public Safety to the Department of Banking and Insurance.

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 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 examination and 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 account 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.
- The amount hereinabove appropriated 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.).
- There is appropriated such sums as are necessary to fund the administrative costs of the Hospital Care Payment Commission pursuant to P.L.2003, c.112 (C.17B:30-41 et seq.), subject to the approval of the Director of the Division of Budget and Accounting.