

BANKING AND INSURANCE

Year Ending June 30, 2008					Year Ending June 30, 2010			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended		2009 Adjusted Approp.	Requested	Recommended
70,311	1,179	655	72,145	68,640	<i>Subtotal</i>	71,441	67,548	67,548
70,311	1,179	655	72,145	68,640	<i>Total Direct State Services – General Fund</i>	71,441	67,548	67,548
70,311	1,179	655	72,145	68,640	TOTAL DIRECT STATE SERVICES	71,441	67,548	67,548
70,311	1,179	655	72,145	68,640	<i>Total Appropriation, Department of Banking and Insurance</i>	71,441	67,548	67,548

50. ECONOMIC PLANNING, DEVELOPMENT, AND SECURITY

52. ECONOMIC REGULATION

OBJECTIVES

- To ensure fair and equitable treatment of the public by financial institutions.
- To inform and educate the public concerning financial matters.
- To protect the public from financial loss resulting from the failure of financial and consumer credit institutions.
- To ensure that fair and equitable insurance markets exist to provide reliable insurance coverage.
- To improve the efficiency and responsiveness of the prior approval rate-making process.
- 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 which will ensure equitable pricing and reasonable underwriting standards.
- To examine, monitor, and investigate the affairs of insurance companies, banks, and consumer finance companies authorized to do business in New Jersey.
- To aggressively combat insurance fraud through prevention, investigations, and prosecution.
- To oversee the provision of services by managed care organizations, develop analytical data on managed care quality and outcome measures for dissemination to the public, manage external appeals of managed care denials of care, and investigate consumer complaints.

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. 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 and performs the necessary statistical, economic, and demographic research to determine the merits of these applications. Responsible for review and development of regulations, which includes regulating managed care organizations, addressing consumer complaints, and assessing the performance of Health Maintenance Organizations.

- 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; verifies and analyzes liability calculations of domestic life and health insurers; 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 arranged 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 and monitors proposed legislation and legal issues affecting the regulation of the banking, insurance, and real estate industries for the Department; publishes a quarterly newsletter and consumer booklets and provides consumer educational outreach programs; researches policy questions and investigates consumer issues.
- Insurance Fraud Prevention.** The Office of the Insurance Fraud Prosecutor thoroughly and aggressively investigates allegations of insurance fraud in order to fully develop the facts of each case and thus determine whether criminal prosecution, civil fraud enforcement, or administrative professional licensing enforcement are required. 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. Information is collected and analyzed about persons and entities engaging in insurance fraud-related conduct to assist the prosecution in criminal, civil, or administrative forums. Fines are assessed with restitution made to insurance carriers. Activities related to Fraud Prevention are handled as part of a company's market conduct exam, including audits of fraud prevention and detection plans. Collection of all civil penalties related to insurance fraud and training for industry groups and law enforcement groups are also handled by the Department.

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, as well as 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 the Comprehensive Management Plan for the Pinelands, thus preserving the resources of this area and accommodating regional growth in an orderly fashion.

99. **Administration and Support Services.** Directs the activities of the Department and provides administrative and support services. The Office of the Commissioner provides legislative and policy guidance to programs within the Department and coordinates all regulatory and legislative initiatives with the Legislature, Executive Branch, and the financial community.

EVALUATION DATA

	Actual FY 2007	Actual FY 2008	Revised FY 2009	Budget Estimate FY 2010
PROGRAM DATA				
Consumer Protection Services and Solvency Regulation				
Consumer Credit Associations – Banking				
Licenses issued	8,194	6,925	7,100	7,000
Mortgage Solicitors	43,775	28,133	24,000	20,000
Associations subject to examination	1,892	1,900	1,900	1,900
Examinations conducted	437	641	669	739
Consumer Complaints				
Received (a)	2,345	1,717	1,900	2,010
Completed (a)	1,858	1,179	500	600
Inquiries and Referrals (a)	700	601	510	550
Insurance Licensing				
Licenses issued	41,658	48,666	50,000	54,000
Candidates examined	16,951	18,522	18,000	18,000
Phone inquiries handled	33,826	36,586	39,346	40,000
Number of Insurance Companies and Regulated Entities	2,050	2,221	2,221	2,225
Field financial exams	28	37	40	42
Office analysis of companies – exams	674	694	702	706
Insurance Consumer Assistance				
Complaints received	7,548	7,525	7,000	7,000
Complaints resolved	9,550	7,302	7,200	7,000
Inquiries handled	57,261	69,226	65,000	68,000
Market analysis of companies	642	788	800	850
Companies' data audited	24	81	85	100
Funds recovered on behalf of complainants	\$9,663,993	\$9,081,583	\$8,500,000	\$8,500,000
Actuarial Services				
Property and Casualty				
Filings for unit	2,717	3,099	3,200	3,300
Surveys	631	640	650	650
Record requests	371	425	450	475
Complaints/inquiries	250	174	200	225
Life and Health				
Policy forms processed	14,064	13,830	14,000	14,000
Filings for unit	2,447	1,783	1,952	2,000
Inquiries to unit	14,200	12,710	13,150	14,000

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	Actual FY 2007	Actual FY 2008	Revised FY 2009	Budget Estimate FY 2010
Office of Managed Care				
Complaints/inquiries	3,761	3,658	3,500	3,500
Independent Utilization Review Organization	519	467	475	475
Eligible/forwarded requests	345	344	370	850
Ineligible/returned requests	174	123	105	105
Regulation of the Real Estate Industry				
Licensed brokers and salespersons	95,889	100,803	100,000	101,000
Candidates examined	19,167	12,639	14,000	15,000
Broker offices	767	791	810	825
Offices inspected	318	340	355	375
Complaints investigated	1,819	1,225	775	775
Licensed schools	127	70	75	80
Licensed instructors	274	274	280	290
Public Affairs, Legislative and Regulatory Services				
Office of Administrative Law submissions	85	56	65	70
Bulletins and orders issued	87	80	85	90
Written inquiries handled	708	494	475	500
Services of process handled	806	832	825	825
Newsletters and booklets published	24	22	25	25
Insurance Fraud Prevention				
Market conduct examinations	8	10	10	11
Civil fines imposed	\$1,376,000	\$2,823,000	\$2,500,000	\$2,500,000
Restitution of fraudulently obtained dollars	\$12,504,393 (b)	\$19,799,298	\$10,000,000	\$10,000,000
Type of cases investigated (%)				
Auto	54%	51%	55%	55%
Health	21%	22%	20%	20%
Workers' compensation	4%	5%	4%	4%
Homeowners	3%	4%	3%	3%
Commercial	3%	3%	3%	3%
All other	15%	15%	15%	15%
New matters received (c)	5,141	4,169	4,200	4,200
Matters closed (c)	5,940	4,845	4,700	4,700
Supervision and Examination of Financial Institutions				
State Chartered Institutions				
Banks and Savings and Loans	92	92	92	92
Examinations conducted	33	38	44	44
Bank Holding Companies	9	11	12	10
Specialty examinations	40	53	44	42
PERSONNEL DATA				
Affirmative Action Data				
Male Minority	53	51	52	52
Male Minority %	11.0	11.0	12.4	12.6
Female Minority	100	98	99	102
Female Minority %	20.7	21.2	23.6	24.6
Total Minority	153	149	151	154
Total Minority %	31.7	32.2	36.0	37.2
Position Data				
Filled Positions by Funding Source				
State Supported	2	2	2	2
All Other	481	461	417	412
Total Positions	483	463	419	414

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Filled Positions by Program Class	Actual FY 2007	Actual FY 2008	Revised FY 2009	Budget Estimate FY 2010
Consumer Protection Services and Solvency Regulation	226	222	205	201
Actuarial Services	67	62	56	56
Regulation of the Real Estate Industry	45	42	40	41
Public Affairs, Legislative and Regulatory Services	31	30	28	27
Insurance Fraud Prevention	24	24	19	18
Supervision and Examination of Financial Institutions	34	31	27	27
Pinelands Development	1	2	2	2
Administration and Support Services	55	50	42	42
Total Positions	483	463	419	414

Notes:

- Actual payroll counts are reported for fiscal years 2007 and 2008 as of December and revised fiscal year 2009 as of January. The Budget Estimate for fiscal year 2010 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) Beginning in fiscal year 2007, figures include both industry and Office of Insurance Fraud Prevention (OIFP) civil and criminal restitutions. Prior to fiscal year 2007, criminal restitutions were not included.
- (c) Includes both civil and criminal.

APPROPRIATIONS DATA (thousands of dollars)

Year Ending June 30, 2008					Year Ending June 30, 2010				
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	Prog. Class.	2009 Adjusted Approp.	Requested	Recom- mended	
DIRECT STATE SERVICES									
Distribution by Fund and Program									
20,088	202	724	21,014	19,802	Consumer Protection Services and Solvency Regulation	01	19,552	18,002	18,002
6,344	---	-33	6,311	6,250	Actuarial Services	02	6,547	5,862	5,862
3,025	48	410	3,483	3,448	Regulation of the Real Estate Industry	03	3,262	3,134	3,134
2,039	---	4	2,043	2,040	Public Affairs, Legislative and Regulatory Services	04	2,535	2,260	2,260
31,801	45	11	31,857	29,946	Insurance Fraud Prevention	06	32,093	31,547	31,547
3,793	400	-381	3,812	3,811	Supervision and Examination of Financial Institutions	07	3,298	3,115	3,115
---	465	---	465	223	Pinelands Development Credit Bank	08	---	---	---
3,221	19	-80	3,160	3,120	Administration and Support Services	99	4,154	3,628	3,628
70,311	1,179	655	72,145	68,640	Total Direct State Services		71,441 ^(a)	67,548	67,548
Distribution by Fund and Object									
Personal Services:									
32,741	---	1,010	33,751	33,735	Salaries and Wages		34,846	31,059	31,059
32,741	---	1,010	33,751	33,735	Total Personal Services		34,846	31,059	31,059
332	---	-62	270	256	Materials and Supplies		306	306	306
5,396	---	-21	5,375	5,349	Services Other Than Personal		5,322	5,322	5,322
211	---	6	217	209	Maintenance and Fixed Charges		211	211	211
Special Purpose:									
---	130 72 ^R	---	202	---	Public Adjusters' Licensing	01	---	---	---
1,124	---	---	1,124	133	Rate Counsel– Insurance	01	149	149	149
600	---	---	600	557	Actuarial Services	02	600	600	600
29,877	---	---	29,877	27,981	Insurance Fraud Prosecution Services	06	29,877	29,771	29,771

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Year Ending June 30, 2008					Year Ending June 30, 2010			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	2009 Adjusted Approp.	Requested	Recommended
---	400	-400	---	---				
---	465	---	465	223				
30	---	---	30	29				
---	112	122	234	168				
70,311	1,179	655	72,145	68,640				
					DIRECT STATE SERVICES			
					Supervision and Examination of Financial Institutions			
					07	---	---	---
					Pinelands Development Credit Bank			
					08	---	---	---
					Affirmative Action and Equal Employment Opportunity			
					99	30	30	30
					Additions, Improvements and Equipment			
						100	100	100
						71,441	67,548	67,548
					Grand Total State Appropriation			
					OTHER RELATED APPROPRIATIONS			
					All Other Funds			
					Consumer Protection Services and Solvency Regulation			
---	152	-40	4,874	4,730	01	432	496	496
---	4,762 ^R							
					Regulation of the Real Estate Industry			
---	362	---	445	29	03	---	---	---
---	83 ^R							
---	22 ^R	---	22	---	07	400	---	---
---	5,381	-40	5,341	4,759		832	496	496
70,311	6,560	615	77,486	73,399		72,273	68,044	68,044
					GRAND TOTAL ALL FUNDS			

Notes -- Direct State Services - General Fund

(a) The fiscal year 2009 appropriation has been adjusted for the allocation of salary program.

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.

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 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 New Jersey 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.

Notwithstanding the provisions of any law or regulation to the contrary, such sums as the Director of the Division of Budget and Accounting determines are necessary for the administrative costs associated with the “New Jersey Medical Care Access and Responsibility and Patients First Act,” P.L.2004, c.17 (C.2A:53A-37 et al.), are appropriated from the Medical Malpractice Liability Insurance Premium Assistance Fund. Such other sums, as the Director of the Division of Budget and Accounting shall determine as necessary on behalf of State employees, are appropriated to the Interdepartmental, Unemployment Insurance Liability account for deposit into the Medical Malpractice Liability Insurance Premium Assistance Fund. If annual receipts deposited in the Medical Malpractice Liability Insurance Premium Assistance Fund are higher or lower than the amounts projected for specific spending categories in the “New Jersey Medical Care Access and Responsibility and Patients First Act,” the difference shall be pro-rated among those categories in the same proportion as established in section 27 of P.L.2004, c.17 (C.17:30D-29).