

## 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 provision of effective monitoring and regulation of the insurance industry; to assure fair markets and rates for all authorized lines of insurances; and, to monitor the real estate industry to ensure that professional standards are observed and maintained. In addition, the Division of Insurance Fraud Prevention was created under the "New Jersey Insurance Fraud Prevention Act," P.L. 1983, c.320 (C.17:33A-1 et seq.) and is responsible for investigating allegations of insurance fraud and developing and implementing programs to prevent insurance fraud and abuse. Various amendments to the Fraud Prevention Act have expanded the scope of the Division's investigations to not only those cases reported by property and casualty companies, but also those cases reported by life and health companies, investigations of fraud within insurance companies and rate evaders.

The banking regulation of financial services such as consumer lending also falls within the Department's supervisory authority. Financial services range from mortgage bankers, mortgage brokers, check cashing and check selling companies, non-profit credit unions to various forms of consumer lending firms.

Each state-chartered bank is examined to determine whether the bank is conducting its business in conformity with the laws of the State and with safety to its depositors, other creditors and the public. State-chartered savings and loan associations are covered by similar requirements. The Department is also empowered to examine mortgage bankers, mortgage brokers, insurance premium finance companies, consumer loan companies, secondary mortgage companies, credit unions and pawnbrokers.

The Department reviews and processes applications by depository institutions for new charters, branches, relocations, plans for acquisition, mergers, bulk sales, stock conversions, and auxiliary offices, and for licensing all consumer lenders. Written complaints filed by consumers against State regulated institutions are investigated.

In addition, the Department has available the community reinvestment ratings of State banks. The Community Reinvestment Act requires financial institutions to reinvest their assets in the communities they serve. These ratings provide municipalities, community groups, businesses and other banks with a convenient way to determine a bank's commitment to the community.

The recommendation for the fiscal 1998 budget totals \$39.6 million in Direct State Services. This represents an increase of \$1.9 million over the agency's 1997 adjusted appropriation attributable to an additional \$2.3 million for 50 insurance fraud investigators and associated support costs. This increase is offset by \$300,000 in salary savings and \$42,000 in efficiency savings realized elsewhere in the Department.

## SUMMARY OF APPROPRIATIONS BY PROGRAM (thousands of dollars)

Year Ending June 30, 1996					Year Ending June 30, 1998			
Orig. & (S)Supple- mental	Reapp. & (R)Repts.	Transfers & (E)Emer- gencies	Total Available	Expended		1997 Adjusted Approp.	Requested	Recom- mended
					<b>Economic Regulation</b>			
12,379	1,255	-176	13,458	11,143	Licensing and Regulatory Affairs	10,357	11,465	11,465
4,204	130	—	4,334	3,691	Actuarial Services	4,252	3,762	3,762
2,322	129	—	2,451	1,987	Regulation of the Real Estate Industry	2,352	2,352	2,352
1,611	—	—	1,611	1,200	Public and Regulatory Services	1,611	1,513	1,513
1,965	—	—	1,965	1,454	Unsatisfied Claims	1,965	1,696	1,696
9,047	—	—	9,047	8,479	Insurance Fraud Prevention	8,735	11,333	11,333
4,553	204	-166	4,591	4,574	Supervision and Examination of Financial Institutions	4,578	3,605	3,605
—	1,311	—	1,311	103	Pinelands Development Credit Bank	—	—	—
4,664	2	150	4,816	4,350	Management and Administrative Services	3,794	3,826	3,826
<b>40,745</b>	<b>3,031</b>	<b>-192</b>	<b>43,584</b>	<b>36,981</b>	<b>Total Appropriation</b>	<b>37,644</b>	<b>39,552</b>	<b>39,552</b>

# BANKING AND INSURANCE

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## 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 1995	Actual FY 1996	Revised FY 1997	Budget Estimate FY 1998
<b>PROGRAM DATA</b>				
<b>Licensing and Regulatory Affairs</b>				
Consumer Credit Associations				
Licenses Issued .....	6,662	6,229	6,000	6,000
Associations subject to examination .....	930	998	982	950
Examinations conducted .....	289	355	348	315
Consumer Complaints				
Received .....	2,083	1,596	2,000	2,000
Completed .....	2,331	1,744	2,000	2,000
Inquiries and Referrals .....	565	388	600	500
Insurance Licensing				
Licenses issued .....	21,570	26,477	26,000	26,000
Candidates examined .....	10,437	11,876	10,600	12,000
Number of Insurance Companies and Regulated Entities .....	1,692	1,822	1,911	1,989
Field financial exams .....	36	27	35	36
Office analysis of companies – exams .....	410	607	635	636
Insurance Consumer Complaints				
Received .....	11,955	12,943	12,000	13,500
Resolved .....	12,336	11,394	13,000	12,000
Funds recovered on behalf of complainants .....	\$3,271,285	\$3,561,679	\$3,750,000	\$3,750,000
<b>Actuarial Services</b>				
Property and Casualty				
Commercial lines filings .....	1,290	1,768	1,700	1,800
Personal lines filings .....	600	758	700	750
Individual risk filings .....	39	31	32	34
Consent-to-rate filings .....	24	12	15	17
Authorization filings .....	168	144	166	174
Excess profits filings .....	65	72	72	74
Statistical filings .....	171	171	171	171
Standard/nonstandard filings .....	324	456	456	456
Record requests .....	426	453	480	500
Life and Health				
Policyforms – pending .....	1,743	39	—	—
Policyforms – new .....	17,594	15,644	16,000	16,500
Policyforms – processed .....	16,139	15,683	16,000	16,500
<b>Regulation of the Real Estate Industry</b>				
Licensed brokers .....	17,832	17,102	17,200	17,400
Licensed salespersons .....	65,211	64,446	65,000	65,500
Candidates examined .....	9,900	7,813	8,000	8,000
Broker offices .....	6,250	5,871	5,900	5,900
Inspected .....	300	250	300	300
Complaints investigated .....	2,850	2,822	3,000	3,200
Licensed schools .....	63	70	70	72
Licensed Satellite Sites of School .....	—	124	130	130
Licensed instructors .....	200	205	210	210
<b>Public and Regulatory Services</b>				
OAL submissions .....	85	97	120	120
Booklets published .....	8	10	10	10
Newsletters published .....	12	12	12	12
<b>Unsatisfied Claims</b>				
Unsatisfied Claim and Judgment Fund				
Claim notices received .....	17,299	17,709	18,700	19,600
New and reopened claims in litigation .....	2,968	2,737	2,900	3,275
Number of collection payments received .....	—	7,333	7,400	7,500

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	Actual FY 1995	Actual FY 1996	Revised FY 1997	Budget Estimate FY 1998
<b>Insurance Fraud Prevention</b>				
Auto insurance audits	14	22	22	—
Health insurance audits	—	—	10	24
Civil penalties collected (a)	\$3,197,756	\$3,054,340	\$3,000,000	\$3,500,000
Restitution of fraudulently obtained dollars	\$953,000 <sup>(b)</sup>	\$628,066	\$2,500,000	\$2,500,000
Type of cases investigated (%)				
Auto	87%	75%	75%	75%
Health	4%	5%	5%	5%
Workers' compensation	3%	7%	7%	7%
Homeowners	3%	7%	7%	7%
All other	3%	6%	6%	6%
New investigations referred	23,057	11,476	12,000	12,000
Pending investigations	19,720	12,489	13,000	13,000
Total investigations	42,777	23,965	25,000	25,000
<b>Supervision and Examination of Financial Institutions</b>				
State Chartered Institutions				
Banks	99	89	91	98
Examinations Conducted	47	46	45	48
Bank Holding Companies	47	43	44	45
Saving and Loan Associations	38	27	25	23
Examinations Conducted	17	17	12	12
<b>PERSONNEL DATA</b>				
<b>Affirmative Action Data</b>				
Male Minority	44	41	47	43
Male Minority %	6.9%	6.7%	7.0%	6.7%
Female Minority	99	99	102	101
Female Minority %	15.5%	16.0%	15.3%	16.0%
Total Minority	143	140	149	144
Total Minority %	22.4%	22.6%	22.3%	22.2%
<b>Position Data</b>				
Filled Positions by Funding Source				
State Supported	633	612	576	661
All Other	4	4	4	4
Total Positions	637	616	580	665
Filled Positions by Program Class				
Licensing and Regulatory Affairs	188 <sup>(b)</sup>	175	157	184
Actuarial Services	62	67	62	67
Regulation of the Real Estate Industry	43	40	43	44
Public and Regulatory Services	23	23	26	31
Unsatisfied Claims	23	23	21	32
Insurance Fraud Prevention	149	137	130	190
Supervision and Examination of Financial Institutions	79	78	75	65
Management and Administration	70 <sup>(b)</sup>	73	66	52
Total Positions	637	616	580	665

Notes: Actual fiscal years 1995 and 1996 and Revised fiscal year 1997 position data reflect actual payroll counts. The Budget Estimate for fiscal year 1998 reflects the number of positions funded.

(a) New data category.

(b) Data revised to reflect revised data totals.

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## APPROPRIATIONS DATA (thousands of dollars)

Year Ending June 30, 1996					Year Ending June 30, 1998				
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	1997 Adjusted Approp.	Requested	Recommended	
<b>Distribution by Program</b>									
12,379	1,255	-176	13,458	11,143	Licensing and Regulatory Affairs	01	10,357	11,465	11,465
4,204	130	—	4,334	3,691	Actuarial Services	02	4,252	3,762	3,762
2,322	129	—	2,451	1,987	Regulation of the Real Estate Industry	03	2,352	2,352	2,352
1,611	—	—	1,611	1,200	Public and Regulatory Services	04	1,611	1,513	1,513
1,965	—	—	1,965	1,454	Unsatisfied Claims	05	1,965	1,696	1,696
9,047	—	—	9,047	8,479	Insurance Fraud Prevention	06	8,735	11,333	11,333
4,553	204	-166	4,591	4,574	Supervision and Examination of Financial Institutions	07	4,578	3,605	3,605
—	1,311	—	1,311	103	Pinelands Development Credit Bank	08	—	—	—
<u>4,664</u>	<u>2</u>	<u>150</u>	<u>4,816</u>	<u>4,350</u>	Management and Administrative Services	99	<u>3,794</u>	<u>3,826</u>	<u>3,826</u>
<b>40,745</b>	<b>3,031</b>	<b>-192</b>	<b>43,584</b>	<b>36,981</b>	<b>Total Appropriation</b>		<b>37,644<sup>(a)</sup></b>	<b>39,552</b>	<b>39,552</b>
<b>Distribution by Object</b>									
Personal Services:									
<u>30,585</u>	<u>259<sup>R</sup></u>	<u>-40</u>	<u>30,804</u>	<u>28,533</u>	Salaries and Wages		<u>27,806</u>	<u>27,515</u>	<u>27,515</u>
30,585	259	-40	30,804	28,533	Total Personal Services		27,806	27,515	27,515
463	—	1	464	335	Materials and Supplies		448	450	450
7,966	—	-313	7,653	6,751	Services Other Than Personal		7,735	7,850	7,850
881	—	56	937	856	Maintenance and Fixed Charges		876	873	873
Special Purpose:									
—	1,064 <sup>R</sup>	—	1,064	—	FAIR Act Administration	01	—	—	—
—	160	—	—	—	Public Adjusters Licensing	01	—	—	—
—	31 <sup>R</sup>	—	191	—	Additional Investigators – Insurance Fraud Prevention	06	—	2,250	2,250
—	200 <sup>R</sup>	-200	—	—	Supervision and Examination of Financial Institutions	07	—	—	—
—	1,311	—	1,311	103	Pinelands Development Credit Bank	08	—	—	—
<u>30</u>	<u>—</u>	<u>—</u>	<u>30</u>	<u>19</u>	Affirmative Action and Equal Employment Opportunity	99	<u>30</u>	<u>30</u>	<u>30</u>
30	2,766	-200	2,596	122	Total Special Purpose		30	2,280	2,280
820	6	304	1,130	384	Additions, Improvements and Equipment		749	584	584

### OTHER RELATED APPROPRIATIONS

<b>Federal Funds</b>									
—	38	48	86	53	Public and Regulatory Services	04	—	—	—
—	38	48	86	53	<b>Total Federal Funds</b>		—	—	—
<b>All Other Funds</b>									
—	6,617 29,435 <sup>R</sup>	59	36,111	30,926	Licensing and Regulatory Affairs	01	252	252	252
—	102 38 <sup>R</sup>	—	140	39	Regulation of the Real Estate Industry	03	—	—	—
—	<u>36,192</u>	<u>59</u>	<u>36,251</u>	<u>30,965</u>	<b>Total All Other Funds</b>		<u>252</u>	<u>252</u>	<u>252</u>
<b>40,745</b>	<b>39,261</b>	<b>-85</b>	<b>79,921</b>	<b>67,999</b>	<b>GRAND TOTAL</b>		<b>37,896</b>	<b>39,804</b>	<b>39,804</b>

Notes: (a) The Fiscal year 1997 appropriation has been adjusted for the allocation of salary program and has been reduced to reflect the transfer of funds to the Employee Benefits and Salary Increases and Other Benefits accounts.

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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, 1997 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 such 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 these 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, 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.

The unexpended balance as of June 30, 1997 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, not to exceed \$200,000, are appropriated, 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.

40,745	3,031	-192	43,584	36,981	<b>Total Appropriation, Department of Banking and Insurance</b>	37,644	39,552	39,552
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