

INSURANCE DEPARTMENT

MISSION

The Insurance Department, which was established in 1860, is charged with regulating the insurance industry and with balancing the interests of insurance consumers, companies and producers. Specific statutory responsibilities include: approving the formation, consolidation or merger of insurance organizations and all new insurance products, monitoring the financial stability of insurers, overseeing the testing and licensing of agents, adjusters, consultants and insurance intermediaries and disciplining licensees who violate the Insurance Law or regulations.

ORGANIZATION AND STAFFING

The Insurance Department is headed by a Superintendent who is appointed by the Governor. The Department maintains offices in Albany and New York City and local offices in Mineola, Rochester, Syracuse, Oneonta, Brooklyn and Buffalo. The Department's activities are carried out through three programs: Administration, Regulation and Consumer Services, with a 2007-08 workforce of 935 positions.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Insurance Department is funded by State tax dollars from the General Fund, assessments on New York State based insurance carriers, and company examination fees. These monies fully support the operations of the Department as well as insurance-related operations in other agencies.

The Executive Budget recommends \$199.2 million in assessment revenue to fund the Department's current activities including the Insurance Disaster Preparedness Unit to help New York and the insurance industry respond to potential natural, financial and terrorist disasters. The industry assessments will provide \$25.3 million to the Department of State for costs associated with fire prevention efforts and enforcement of state building code regulations, \$37 million to the Department of Health for costs associated with the Center for Community Health and the "forge-proof" prescription program, and \$6.5 million to the Law Department for implementation of Executive Order 109 that appointed the Attorney General as a Special Prosecutor to combat no-fault auto insurance fraud.

The Executive Budget also includes a \$100 million General Fund appropriation for the Department to finance provisions of "Timothy's Law" which was enacted in late 2006. Under this statute's provisions, on or after January 1, 2007, the State is required to fully reimburse employers with 50 or fewer employees for the costs associated with providing broad-based mental health insurance coverage.

PROGRAM HIGHLIGHTS

The Department ensures that insurance companies meet statutory requirements regarding their finances and corporate conduct by monitoring the financial condition of companies and conducting periodic field examinations of insurers. It strives for the fair treatment of policyholders, claimants and the public through the regulation of company claim payments and sales practices, responses to consumer complaints, and the timely review of insurance

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company denials of coverage. Risk-focused examinations are being incorporated by state insurance regulators, replacing the traditional full scope financial statement verification examinations. The Department has devoted resources to areas of higher risk, where effective and efficient uses of resources are realized.

The Department promotes high standards of conduct and competence through testing, oversight, and pre-licensing and continuing education of insurers and agents. It maintains a registry of all licensees, collects fees and imposes fines related to the revocation of licenses and irregular activities.

As the population continues to age, the Department will ensure Long Term Care insurance is available to assist with elder care. One of the Department's goals is to provide consumers with complete and up-to-date information so that they can make informed decisions regarding the purchase of Long Term Care insurance and to provide insurers with assistance in preparing filing submissions that comply with New York statutes and regulations in order to reach their markets in a timely manner.

The Department has approved a record number of auto insurance premium rate reductions, saving policyholders more than \$400 million. Regulatory reform and aggressive fraud-fighting will likely ensure that further rate reductions continue.

In 2004 the Department created the Disaster Preparedness and Response Bureau. The Bureau's principal function is to assist the Department and the New York insurance industry to prepare for, mitigate, respond to, and recover from existing and future natural and man-made disasters, including terrorism. New York was the first insurance department in the nation to create such a bureau.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2006-07	Appropriations Recommended 2007-08	Change	Reappropriations Recommended 2007-08
State Operations	190,260,000	299,182,000	108,922,000	0
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
Total	190,260,000	299,182,000	108,922,000	0

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Program	Full-Time Equivalent Positions (FTE)		
	2006-07 Estimated FTEs 03/31/07	2007-08 Estimated FTEs 03/31/08	FTE Change
Administration			
Special Revenue Funds - Other	131	131	0
Consumer Services			
Special Revenue Funds - Other	153	153	0
Regulation			
Special Revenue Funds - Other	651	651	0
Total	935	935	0

**STATE OPERATIONS
ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE
APPROPRIATIONS
(dollars)**

<u>Fund Type</u>	<u>Available 2006-07</u>	<u>Recommended 2007-08</u>	<u>Change</u>
General Fund	0	100,000,000	100,000,000
Special Revenue Funds - Other	190,260,000	199,182,000	8,922,000
Total	190,260,000	299,182,000	108,922,000

Adjustments:

Transfer(s) To	
Executive Chamber	
General Fund	143,000
Appropriated 2006-07	190,403,000

**STATE OPERATIONS
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM
APPROPRIATIONS
(dollars)**

<u>Program</u>	<u>Available 2006-07</u>	<u>Recommended 2007-08</u>	<u>Change</u>
Administration			
Special Revenue Funds - Other	14,637,000	14,864,000	227,000
Consumer Services			
Special Revenue Funds - Other	12,298,000	12,691,000	393,000
Regulation			
General Fund	0	100,000,000	100,000,000
Special Revenue Funds - Other	163,325,000	171,627,000	8,302,000
Total	190,260,000	299,182,000	108,922,000

**STATE OPERATIONS - GENERAL FUND
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED
APPROPRIATIONS AND CHANGES
2007-08 RECOMMENDED
(dollars)**

<u>Program</u>	<u>Total</u>		<u>Maintenance Undistributed</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Regulation	100,000,000	100,000,000	100,000,000	100,000,000
Total	100,000,000	100,000,000	100,000,000	100,000,000

**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2007-08 RECOMMENDED
(dollars)**

<u>Program</u>	<u>Total</u>		<u>Personal Service</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	14,864,000	227,000	9,145,000	208,000
Consumer Services	12,691,000	393,000	8,057,000	268,000
Regulation	171,627,000	8,302,000	50,847,000	1,785,000
Total	199,182,000	8,922,000	68,049,000	2,261,000

<u>Program</u>	<u>Nonpersonal Service</u>		<u>Maintenance Undistributed</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	5,719,000	19,000	0	0
Consumer Services	4,634,000	125,000	0	0
Regulation	46,161,000	1,059,000	74,619,000	5,458,000
Total	56,514,000	1,203,000	74,619,000	5,458,000