

# **DEPARTMENT OF FINANCIAL REGULATION**

## **MISSION**

The new Department of Financial Regulation (DFR) harnesses the regulatory powers and expertise of the Banking and Insurance Departments, as well as the Consumer Protection Board, to make the State's oversight of financial services responsive to the 21st century needs of the industry and its consumers. This new State agency, created pursuant to legislation submitted as part of the 2011-12 Executive Budget, consolidates the functions, operations and staff of the Banking and Insurance Departments, along with related segments of the Consumer Protection Board, into a single State agency.

Consolidation of these agencies and activities within a single agency platform will afford the State the ability to unify the State's regulation of financial services and to more rapidly and adroitly respond to changing market practices and consumer preferences, thereby ensuring the industry's continued integrity while shielding consumers from abuses. In addition to enhancing and refining the State's regulatory oversight of the industry, the consolidation will provide the State with the opportunity to reduce overall spending by rightsizing the new agency's administrative and overhead activities in order to ensure that available State moneys are more effectively focused upon DFR's core regulatory mission.

## **ORGANIZATION AND STAFFING**

The Superintendent of the Department of Financial Regulation will be appointed by the Governor, with the consent of the Senate. The Department's main offices will be located in Albany and New York City with smaller offices located throughout the State. The Department's activities will be carried out through three programs: Administration, Regulation and Consumer Protection.

## **BUDGET HIGHLIGHTS**

The Executive Budget recommends **\$564 million** in Special Revenue Funds for the Department of Financial Regulation, reflecting a net increase of approximately **\$6.4 million (1.1 percent)** over the combined 2010-11 budgets of Banking and Insurance (because of the manner in which the Consumer Protection Board will be merged into the new Department, there is no comparable 2010-11 budget figure). This increase reflects annualized adjustments related to personal service costs, accommodates expenditures necessary to effectuate full consolidation of the two departments, and provides additional resources that will allow the Department to perform more onsite examinations of insurance companies. Increasing onsite examinations will result in savings to the insurance industry by reducing costly direct-pay examinations for which insurers contract with outside vendors to fulfill regulatory requirements.

The Department of Financial Regulation's operations will be primarily funded through assessments charged to regulated insurance and banking institutions and organizations. The remainder of the Department's operating budget will be derived from various fees, such as those paid by entities applying for licensure or charter. Of the recommended \$564 million, the Department's operating budget totals \$550 million and the remaining \$14 million is an appropriation to support the State Transmitter of Money Insurance Fund, which protects moneys that New Yorkers electronically transfer via commercial third parties.

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## PROGRAM HIGHLIGHTS

The Department's main responsibilities will be carried out through two major programs: regulation and consumer protection.

### REGULATION

To ensure the safety and soundness of all regulated entities, the Department will monitor banks, insurance companies and other financial institutions to identify problems and will work with management to promptly solve them. The Department will carry out this responsibility through annual on-site examinations, regular review of institutional financial reports, and periodic site visits.

### CONSUMER PROTECTION

To ensure that State-chartered banking institutions are complying with State laws and regulations and that no individuals are unfairly denied credit, Department employees will conduct consumer compliance examinations and resolve consumer complaints. Staff will monitor whether institutions are helping to meet the credit and banking needs of local communities as required by various State laws.

The Department will strive for the fair treatment of insurance 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 company denials of coverage. The Department will promote high standards of industry conduct and competence through testing, oversight, and pre-licensing and enforcing educational standards of licensees.

The Department will proactively educate consumers regarding unscrupulous financial industry practices and products and will advocate on behalf of consumers who have been defrauded or harmed by such abuses.

#### ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2010-11	Appropriations Recommended 2011-12	Change	Reappropriations Recommended 2011-12
State Operations	331,968,555	338,430,823	6,462,268	2,523,000
Aid To Localities	225,566,000	225,566,000	0	4,200,000
Capital Projects	0	0	0	0
Total	557,534,555	563,996,823	6,462,268	6,723,000

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

Full-Time Equivalent Positions (FTE)			
Program	2010-11 Estimated FTEs 03/31/11	2011-12 Estimated FTEs 03/31/12	FTE Change
Administration			
Special Revenue Funds - Other	0	186	186
Consumer Protection			
Special Revenue Funds - Other	0	198	198
Regulation			
Special Revenue Funds - Other	0	1,154	1,154
Total	<u>0</u>	<u>1,538</u>	<u>1,538</u>

The above table does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

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

Fund Type	Available 2010-11	Recommended 2011-12	Change
General Fund	150,000	0	(150,000)
Special Revenue Funds - Federal	1,000,000	0	(1,000,000)
Special Revenue Funds - Other	330,818,555	338,430,823	7,612,268
Total	<u>331,968,555</u>	<u>338,430,823</u>	<u>6,462,268</u>

Adjustments:

Transfer(s) From			
Banking Department			
Special Revenue Funds - Federal	(1,000,000)		
Special Revenue Funds - Other	(105,194,000)		
Insurance Department			
General Fund	(150,000)		
Special Revenue Funds - Other	(225,624,555)		
Appropriated 2010-11	<u>0</u>		

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

Program	Available 2010-11	Recommended 2011-12	Change
Administration			
Special Revenue Funds - Other	41,329,176	42,063,146	733,970
Consumer Protection			
Special Revenue Funds - Other	19,059,984	20,840,607	1,780,623
Regulation			
General Fund	150,000	0	(150,000)
Special Revenue Funds - Federal	1,000,000	0	(1,000,000)
Special Revenue Funds - Other	270,429,395	275,527,070	5,097,675
Total	<u>331,968,555</u>	<u>338,430,823</u>	<u>6,462,268</u>

## STATE OPERATIONS - GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2011-12 RECOMMENDED (dollars)

Program	Total		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Regulation	0	(120,000)	0	(120,000)
Total	<u>0</u>	<u>(120,000)</u>	<u>0</u>	<u>(120,000)</u>

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## STATE OPERATIONS - GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2011-12 RECOMMENDED (dollars)

Program	Total		Contractual Services	
	Amount	Change	Amount	Change
Regulation	0	(30,000)	0	(30,000)
Total	0	(30,000)	0	(30,000)

## STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2011-12 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	42,063,146	733,970	17,077,151	421,578
Consumer Protection	20,840,607	1,780,623	13,215,287	1,498,237
Regulation	275,527,070	4,097,675	132,177,590	35,020,342
Total	338,430,823	6,612,268	162,470,028	36,940,157

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	24,985,995	312,392	0	0
Consumer Protection	7,625,320	282,386	0	0
Regulation	143,349,480	50,261,375	0	(81,184,042)
Total	175,960,795	50,856,153	0	(81,184,042)

## AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2010-11	Recommended 2011-12	Change
Special Revenue Funds - Other	225,566,000	225,566,000	0
Total	225,566,000	225,566,000	0

Adjustments:

Transfer(s) From	
Banking Department	
Special Revenue Funds - Other	(850,000)
Insurance Department	
Special Revenue Funds - Other	(224,716,000)
Appropriated 2010-11	0

## AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

Program	Available 2010-11	Recommended 2011-12	Change
Administration			
Special Revenue Funds - Other	850,000	850,000	0
Regulation			
Special Revenue Funds - Other	224,716,000	224,716,000	0
Total	225,566,000	225,566,000	0