



**Department of
Financial Services**

DFS Formal Budget Hearing

November 14, 2018

Who We Are

The Department of Financial Services (DFS) regulates insurance, banking and other financial services institutions with the goal of promoting robust financial services in New York, safeguarding against financial crises and protecting consumers.

DFS was established on October 3, 2011, by the merger of the former Departments of Insurance and Banking and enactment of the Financial Services Law.

Mission

To reform the regulation of financial services in New York to keep pace with the rapid and dynamic evolution of these industries, to guard against financial crises and to protect consumers and markets from fraud

Who We Regulate

Through chartering, licensing, examination, regulation and enforcement, DFS supervises financial services companies in the State of New York, including:

1,500 banking and other financial institutions with assets of more than \$2.6 trillion

- 153 state-chartered banks, investment and bank holding companies
- 16 credit unions
- 119 branches, agencies and representative offices of global banks
- 10,000 mortgage lenders, brokers, servicers, and loan originators
- 12 virtual currency companies and trusts
- 110 check cashers
- 104 money transmitters
- 180 licensed lenders, premium finance companies, sales finance companies and budget planners

1,400 insurance companies and 300,000 individual insurance licensees with assets of more than \$4.3 trillion

- 200 life insurance and annuities companies
- 100 health insurers and managed care organizations
- 1,100 property/casualty insurance companies
- 300,000 individual insurance licensees

New York oversees more domestic insurers than any other state

- New York is second in total premium volume
- New York is first in life insurance and annuities premium volume

Examples of Companies We Regulate

Adirondack Trust Company
Allstate Life Insurance Company
Amalgamated Bank
American Credit Union
American International Group (AIG)
American Stock Transfer & Trust Company
AmeriCredit Consumer Loan Company
Apple Bank
AXA Financial and AXA SA
Banco Popular North America
Bank of New York Mellon
Barclays Bank PLC
bitFlyer USA
BNP Paribas
Brown Brothers Harriman & Co.
Buffalo Service Credit Union
Capital District Physicians' Health Plan (CDPHP)
CarFinance Capital
Centene Health Insurance
CFCU Community Credit Union
Chemung Canal Trust Company
China Merchants Bank
Cigna Healthcare
Coinbase
Credit Suisse AG

Deutsche Bank AG
Dime Savings Bank
Elmira Savings Bank
Emblem Health
Equifax
Equiniti Trust Company
Experian
Geico Insurance Company
Genesee Regional Bank
Goldman Sachs Bank
Grameen America
Greene County Commercial Bank
Guardian Life Insurance Co.
Habib Bank
Healthnow New York
Industrial and Commercial Bank of China Limited
Israel Discount Bank
Lemonade Insurance Company
LendingClub Corporation
Medical Liability Mutual Insurance Company (MLMIC)
Metropolitan Life Insurance Company
Mizuho Bank (USA)
Money Gram
MVP Health Care
Nationstar Mortgage

New York Community Bank
New York Life Trust Company
Nordea Holding Abp
Northern Credit Union
Ocwen Loan Servicing
One Main Financial
Oscar Insurance Corporation
Paxos Trust Company
Pay-O-Matic Check Cashing Corporation
PayPal
Plymouth Rock Assurance
Ridgewood Savings Bank
Security Mutual Life Insurance Company of New York
Signature Bank
Spring Bank
Square
State Bank of India
State Farm
Sumitomo Mitsui Banking Corporation
The Pay-O-Matic Corporation
The Victoria Mutual Building Society
Tioga State Bank
TransUnion
Vietcombank
Western Union

What We Do

- We conduct financial examinations of insurance companies to ensure solvency and adequacy of reserves
- We conduct market conduct examinations of insurance companies to ensure compliance with laws for the protection of policyholders
- We conduct bank examinations to ensure adequacy of capital, asset quality, liquidity, appropriate risk management, internal audit and compliance with anti-money laundering and Bank Secrecy Act requirements
- We examine our mortgage lenders and servicers to ensure homeowner protections, and compliance with pre-foreclosure and zombie property laws
- We conduct examinations to ensure compliance with our transaction monitoring and cybersecurity regulations
- We conduct consumer examinations to ensure regulated institutions comply with consumer protection laws
- We assess trustworthiness of management
- We review policy forms and rate filings for all lines of insurance
- We review proposed merger and acquisition transactions, requests for extraordinary dividends, and proposed changes of control
- We examine pension funds and retirement systems

What We Do

- We examine all regulated institutions for fiscal soundness and legal compliance
- We license new companies and determine license renewals
- We review proposed merger and acquisition transactions
- We review requests for dividends
- We review and set insurance premiums
- We conduct investigations
- We prosecute enforcement actions
- We enter consent orders
- We conduct adjudicatory proceedings
- We conduct criminal investigations and refer matters for criminal prosecution
- We conduct disciplinary proceedings for individual licensees
- We lead and participate in multistate examinations and enforcement actions with other state and federal agencies
- We provide guidance
- We promulgate regulations under SAPA
- We review state and federal legislation and regulatory actions involving financial services
- We propose legislation

We work closely with many other government agencies

- Federal Reserve Board (FRB)
- Federal Deposit Insurance Corporation (FDIC)
- U.S. Department of Justice (DOJ)
- Financial Crimes Enforcement Network (FinCen)
- Consumer Financial Protection Bureau (CFPB)
- Federal Insurance Office (FIO)
- Federal and State Prosecutors
- Securities & Exchange Commission (SEC)
- Federal Trade Commission (FTC)
- Commodities Futures Trade Commission (CFTC)
- Financial Conduct Authority (FCA) (U.K.)
- Prudential Regulation Authority (PRA) (U.K.)
- European Central Bank (ECB)
- Bank of Israel
- Japan Financial Services Agency
- Bermuda Monetary Authority
- Korean Financial Services Commission
- Taiwan Financial Supervisory Commission
- Abu Dhabi Financial Services Regulatory Authority
- Hong Kong Monetary Authority
- Monetary Authority of Singapore (MAS)
- International Association of Insurance Supervisors (IAIS)
- Global Cyber Alliance
- National Association of Insurance Commissioners (NAIC)
 - Collaborate with all state insurance commissioners
 - Chair of Reinsurance Task Force
 - Member of International, Life Insurance, and Market Regulation Committees
 - Led effort to enact Model Law for Cybersecurity
 - 2018 Award for Excellence in Consumer Advocacy
- Conference of State Bank Supervisors (CSBS)
 - Collaborate with all state bank commissioners
 - Member of Board of Directors
 - Member of Legislative and Nondepository Supervisory Committees
 - Collaborated with CSBS to oppose OCC's "fintech" charter

Organizational Structure

DFS is organized into the following divisions:

- **Insurance**
- **Banking**
- **Real Estate Finance**
- **Financial Frauds and Consumer Protection**
- **Enforcement**
- **Compliance**
- **Capital Markets/Research Trends/Office of Financial Innovation**
- **Office of General Counsel**
- **Administration**

Insurance Division

The DFS Insurance Division regulates the activities of more than 1,400 insurance companies with assets of more than \$4.3 trillion and is comprised of three bureaus:

- **Property** – Oversees the financial condition and market conduct of 1,100 property/casualty insurance companies
- **Life** – Supervises more than 650 regulated entities, including 133 licensed life insurance companies
- **Health** – Oversees all aspects of health insurance regulation and supervises 100 health insurers and managed care organizations

Supervising New York's Insurance Industry

DFS conducts financial and market conduct examinations, and other oversight functions, which include:

- Reviewing and monitoring financial condition through the establishment and application of financial standards including risk-based capital, adequacy of reserves, and proper accounting methods
- Examining market conduct standards, such as product provisions, replacements, claims practices, sales and marketing practices and treatment of policyholders
- Investigating specific market activities and analyzing market data
- Reviewing mergers, acquisitions and transactions within holding company systems
- Reviewing applications for the licensing of domestic and foreign insurers, and accreditation of foreign and alien reinsurers to qualify as a certified reinsurer and for registration as a service contract provider
- Actuarial review of proposed premiums for reasonableness
- Actuarial and accounting review of requests for extraordinary dividends
- Address insolvent insurance companies for the protection of creditors and policyholders
 - Superintendent acts as Liquidator for an insurance company placed in liquidation

Banking Division

The DFS Banking Division supervises and regulates nearly 1,500 banking and other financial institutions, which include 250 state-chartered banks (including foreign bank branches) and credit unions, as well as approximately 1,200 licensed financial entities with assets of more than \$2.6 trillion. DFS Banking Division is comprised of three units:

- **Foreign and Wholesale Banks** – supervises branches, agencies, and representative offices of Foreign Banking Organizations, wholesale domestic banks, Article XII investment companies and one private bank
- **Community and Regional Banks** – provides prudential regulation of community and regional banks, credit unions, and other depository institutions
- **Licensed Financial Services** – supervises money transmitters, check cashers, licensed lenders, premium finance companies, sales finance companies and budget planners

Supervising New York's Banking Industry

DFS examiners review bank activities and management processes to ensure they operate in a safe and sound manner, do not take excessive risk and comply with federal and state laws and regulations. DFS examiners:

- Conduct full-scope, on-site examination of banks generally once every 12-18 months, and focus on areas including the institution's capital adequacy, asset quality, management, earnings, liquidity and sensitivity to systemic risk
- Conduct targeted examinations in specialty areas such as Audit and IT, cybersecurity, anti-money laundering, and compliance with legal obligations under the Bank Secrecy Act, the Community Reinvestment Act and fair lending laws
- Coordinate with federal agencies with oversight of the banking industry, including New York Federal Reserve, the FDIC, the NCUA, and the CFPB
- Provide guidance to foster compliance with applicable laws and regulations
- Evaluate license applications for new entrants, proposed transactions and changes of control, applications for new branches and Banking Development Districts, and dividend requests

Real Estate Finance Division

- Regulates all real estate and homeowner issues
- Licenses and supervises mortgage bankers, brokers, servicers and originators to ensure compliance with applicable requirements, laws and regulations
- Oversees and enforces New York's Vacant and Abandoned Properties Law
- Investigates violations and conducts enforcement actions
- Intermediary between consumers and financial institutions to assist with disputes and answer questions concerning real estate related financial products

Financial Frauds and Consumer Protection Division (FFCPD)

- Protects and educates consumers, fights consumer fraud and conducts investigations and adjudicatory proceedings to enforce the law for the protection of users of financial products and services
- Reviews license applications
- Oversees individual licensees including through its Disciplinary Unit, and conducts statewide consumer education and outreach
- FFCPD includes:
 - Consumer Assistance Unit
 - Civil Investigations Unit
 - Producers Unit
 - Disciplinary Unit
 - Consumer Examinations Unit
 - Student Protection Unit
 - Holocaust Claims Processing Office

Consumer Assistance

Consumer Assistance Unit (CAU)

- Receives, investigates, and resolves consumer complaints involving insurance, banking and other financial services issues through informal mediation and negotiation
- Recovered \$42,629,934 for 7,353 consumers in 2017

Mobile Command Center (MCC)

- DFS specialists travel statewide to assist with, among other things, foreclosure prevention assistance to financially struggling New Yorkers and insurance assistance to residents affected by flooding and other natural disasters

DFS Student Protection Unit (SPU)

- Investigates potential consumer protection violations and distributes clear information that students and their families can use to help them make informed financial choices
- Conducted 72 workshops at schools, libraries, and community centers across the state in 2017

DFS Outreach Team

- Educates the public about how DFS can help New Yorkers deal with a variety of issues – from preventing elder financial exploitation to insurance policy issues to student loan information
- Provides scheduled presentations throughout New York State on Identity Theft and Elder Financial Abuse
- Answers questions on insurance, banking, mortgage, student loan, and breast cancer screening rights issues
- Attends the New York State Fair and conferences to provide consumer protection information

Holocaust Claims Processing Office (HCPO)

- Helps Holocaust victims and their heirs recover assets deposited in banks, unpaid proceeds of insurance policies, and artworks that were lost, looted or sold under duress
- Resolved 2,338 claims of 73 individuals in 2017

Consumer Examination Unit (CEU)

- Maintain and enhance consumer confidence in New York's banking system
- Ensure that regulated institutions abide by the State's consumer protection, Fair Lending and Community Reinvestment Act laws and regulations
- Increase consumer access to traditional banking services in under-served communities by effectively administering the Department's Banking Development District program and conducting outreach
- Harmonize the timing of FFCPD's examination and enforcement activities with those of the Department's federal counterparts

Enforcement Division

- DFS is a law enforcement agency
- Established in 2016 to provide stronger coordination within the Department and foster consistency of approach, ensuring that regulated entities comply with New York and federal laws and regulations
- Conducts civil and criminal investigations based on information learned from DFS exams and other sources
- Coordinates and conducts joint investigations with other domestic and international law enforcement agencies and regulators including the Department of Justice, District Attorneys, the Federal Reserve, Financial Conduct Authority, and others
- Takes enforcement actions, including via adjudicatory proceedings where necessary
- Conducts joint criminal investigations and refers possible criminal violations to criminal prosecutors
- In 2017, DFS created a new Investigations and Intelligence Division to develop investigative leads and intelligence in furtherance of the Department's efforts to enforce the Banking, Insurance and Financial Services laws

Compliance Division

- Established in 2016 to improve internal processes, move decision-making forward, and analyze possible compliance failures at regulated institutions
- Ensures that DFS staff meets the high standards that our agency promotes and that we have comprehensive and effective standards for the entities that we regulate
- Streamlines and modernizes DFS procedures to ensure efficient and effective supervisory activities
- Develops and delivers training for DFS employees
 - New professional Training Unit established in 2016
 - Designed and launched training programs to further build internal capabilities and organization-wide activities, including training examiners on the Department's cybersecurity regulation, anti money laundering and Bank Secrecy Act requirements, and DFS's new transaction monitoring regulation
 - Trains DFS staff on existing and new developments in the financial markets, as well as provides management training
 - Ensures DFS examiners have the credentials needed to perform their work, including through external training sources
- Manages processes for accreditation and other assessments of DFS fitness, including accreditation reviews by the NAIC and CSBS, and audits by other government bodies
- Oversees DFS self-assessment activities, internal controls and internal audit functions
- Develops new processes, systems and technology to modernize and improve DFS work and its interface with regulated entities to improve communications and streamline regulatory requirements on licensed entities

Capital Markets/Research Trends/Office of Financial Innovation

- Provides expertise in complex financial products (bonds, equities, credit, derivatives and commodities), enterprise risk management, financial analysis, internal controls and audit, fiduciary controls, regulatory accounting, and new financial products
- Works with the other Divisions in examinations of DFS regulated institutions to ensure fiscal soundness and prudent management practices
- Conducts target examinations on specified risk areas
- Leverages the business information that DFS gathers to identify emerging risks and macroeconomic trends for the benefit of DFS examiners throughout the agency
- Conducts specialty cybersecurity examinations
- Oversees Virtual Currency licensing, and supervision and examinations

Office of General Counsel

- Provides legal advice throughout the agency
- Coordinates and drafts regulations and legislation
- Defends the agency, working with the NYS Attorney General
- Conducts agency-wide CLE classes for DFS attorneys

Administration Division

- Oversees financial, human resources, facilities, and records management operations from offices statewide: Offices in New York City, Albany, Buffalo, Garden City, Syracuse, Oneonta, and Rochester
- Since 2016, has implemented streamlined processes and tighter agency controls resulting in:
 - Enhanced budgetary management
 - State-wide office modifications
 - Expanded training resources
 - Civil service modernization
- Developed and implemented a first-of-its-kind Financial Services Examiner Trainee Program which includes:
 - Administering a decentralized Civil Service examination which has resulted in over 1,500 applicants
 - Recruiting candidates from throughout the state at all experience levels
 - Creating an internal rotational structure for new examiners to gain experience in all aspects of regulating the financial services industry
 - On-boarding over 70 new Examiners throughout the agency to provide needed support and develop agency staff for the future

Our Priorities

- 1. Status as a Premier Global Financial Services Regulator**
- 2. Protect New Yorkers and Provide Access to Financial Services**
- 3. Safeguard New York's Financial Services Markets**
- 4. Promote Innovation and Keep Apace in Financial Services**
- 5. Enforce the Law**

Priority 1: DFS's Status as a Premier Global Financial Services Regulator

- Leadership roles in the National Association of Insurance Commissioners (NAIC) and the Conference of State Bank Supervisors (CSBS), and developed important partnerships with regulators across the country
 - Superintendent Vullo chairs the NAIC's Reinsurance Task Force, drafting a model law to comply with a complex international reinsurance treaty with the European Union
 - NAIC adopted a model cybersecurity law based on DFS's regulation
 - DFS leads efforts to promote a "best interest" standard as a member of the NAIC Life Insurance and Annuity Committee
 - Superintendent Vullo, a CSBS board member, led CSBS on a multistate Equifax cybersecurity examination, and advocating for state community banks and responsible regulation
 - Co-hosted with CSBS a nationwide financial technology forum for state banking regulators and financial services executives
 - Challenged (with CSBS) the OCC's action to charter nonbank financial institutions
 - Member of Financial Advisory Committee on Insurance (FACI)
- Ongoing collaboration with international regulators and global law enforcement authorities, through information sharing, meetings, and conferences
 - Memorandum of Understanding with the European Central Bank (ECB) for supervision and oversight of Eurozone banking institutions
 - Memorandum of Understanding with the Bank of Israel to enhance and strengthen cooperation with DFS
 - Memoranda of Understanding with other international regulators including Germany, UK, Canada, China, Taiwan and others
 - Hosting and participating in Supervisory Colleges for globally and systemically important financial institutions

Priority 2: Protect New Yorkers and Provide Responsible Access to Financial Services

- Addressing the impact of federal government actions and inactions on numerous fronts, including protecting New Yorkers' right to comprehensive health care coverage, women's reproductive rights and against discrimination based on pre-existing conditions
- Implementing paid family leave coverage
- Conducting regulatory and enforcement actions aimed at preventing money laundering and terrorist financing
- Issuing first-in-the-nation cybersecurity and transaction monitoring regulations
- Taking actions against predatory payday lenders and other unscrupulous actors
- Promulgating regulations to promote consumer protections and prudent practices in the insurance and banking industries
- Implementing New York's foreclosure protections laws
- Expanding and promoting the New York State Charter and New York's insurance industry
- Designating Banking Development Districts (BDDs) to provide access to community banks in low- and moderate-income areas throughout the state

Protect New Yorkers: Property & Casualty Insurance

- Prohibited insurers from using an individual's occupational status and/or educational level as unfairly discriminatory factors in setting automobile insurance rates
- Responding to climate change, directed insurers to update disaster response and recovery plans to ensure they are proactively prepared to address consumer needs before a disaster strikes
- Urged insurers to encourage commercial policyholders to utilize global positioning systems that specifically warn commercial operators of low bridges, overpasses and other hazards
- Limited insurer reimbursements for healthcare services performed outside the state to protect auto insurance policyholders from higher premiums under New York's no-fault insurance law
- Conducted market conduct examinations and investigations of insurers and excess line brokers to enforce compliance with New York's Insurance Law and regulations, issuing fines and referring matters to the Enforcement Division where necessary

Protect New Yorkers: Life Insurance

- Issued a new regulation adopting a "best interest" standard for those licensed to sell life insurance and annuity products in New York, in order to protect New York consumers from conflicted advice
- Issued new regulation protecting consumers – particularly senior citizens – from unjustified life insurance premium increases
- Took action to protect low- and middle-income consumers from unfair denials of life insurance policies for funeral, burial and other final expenses; and to ensure prompt claims payments to life insurance beneficiaries after a policyholder's death
- Curbed harmful annuity replacement practices that cost New Yorkers thousands of dollars in retirement income
- Ensuring insurers do not discriminate when underwriting life and disability insurance for New Yorkers who use pre-exposure prophylaxis (PrEP), used to reduce the risk of contracting human immunodeficiency virus (HIV)
- Ensuring life insurers do not discriminate in underwriting life and disability insurance due to a woman's history of maternal depression
- Established rate for paid family leave disability coverage, promulgated a regulation, drafted a model insurance rider and checklist for insurers, and approved 28 insurers for 2018 and 2019 ensuring a competitive market

Protect New Yorkers: Health Insurance

- Required coverage for all Essential Health Benefits without discrimination based on gender, age or pre-existing conditions, regardless of federal actions
- Required coverage for full contraceptive services without co-insurance, co-pays or deductibles, including over-the-counter emergency contraception, devices or other products and dispensing 12 months of contraceptives at one time, regardless of federal action
- Advised insurers that the federal Association Health Plan Rule does not preempt New York law
- Advised insurers and brokers that short-term limited duration health insurance plans are prohibited in New York State regardless of federal regulatory changes
- Expanded anti-discrimination protections for transgender individuals in accessing health insurance
- Required coverage of pre-exposure prophylaxis (PrEP), a combination of prescription drugs used to reduce the risk of contracting human immunodeficiency virus (HIV)
- Ensured coverage for comprehensive lactation support and counseling, as well as breastfeeding equipment and supplies without co-pays, coinsurance, or deductibles
- Required maternal depression screening coverage, including under the child's policy
- Ensured that New Yorkers have swift access to appropriate addiction treatment, as well as access to less-addictive types of opioids and non-opioid pain medications.
- Protected New Yorkers from inflated health insurance premium increases by reducing insurers' 2019 requested individual market rates by 64%, saving consumers \$314 million, and reducing requested 2019 small group plan rates by 50%, saving small businesses \$279 million
- Required medically necessary coverage for 3-D mammograms without co-pays, coinsurance, or deductibles
- Required coverage for medically necessary abortions without cost-sharing
- Ensured coverage for fertility treatment to all individuals, regardless of sexual orientation or marital status
- Ensured health insurers do not discriminate or deny coverage based on gender identity

Protect New Yorkers: Banking

- Encourage establishment of bank branches in areas across New York State to expand access to retail banking services and products for unbanked and underbanked consumers through the Banking Development District program
 - Village of Union Springs in the Town of Springport, Cayuga County
 - Village of Green Island, Albany County
 - Community Districts 4 & 6, Bronx
 - Village of Sylvan Beach in the Town of Vienna, Oneida County
 - Portions of Community Districts 2, 3 and 8, Brooklyn
- Support the development of medical marijuana and industrial hemp businesses in New York by encouraging New York State chartered banks and credit unions to consider establishing banking relationships with industrial hemp and medical marijuana-related businesses
- Examine New York State-chartered financial institutions for compliance with the State's banking consumer protection laws, Fair Lending and Community Reinvestment Act laws and regulations
- Issued guidance setting forth methodology for evaluating the designation of a New York State-chartered credit union as a "low-income credit union"
- Protected New York rent-stabilized and rent-regulated tenants by ensuring banks undertake enhanced due diligence to ensure landlords who harass tenants do not obtain loans
- Protected consumers from unfair auto lending practices to ensure indirect automobile lenders comply with New York State's Fair Lending Law
- Exercised the Superintendent's "Wild Card" authority to permit state-chartered banking organizations to exercise powers that are available to corresponding federally-chartered institutions
- Continued to promote New York's state banking charter by promptly approving new bank branches in a responsible manner

November 14, 2018



Protect New Yorkers: Real Estate Finance

- Issued guidance to banking institutions regarding lending activities to owners of multifamily residential buildings to ensure banks undertake enhanced due diligence to ensure that owners of rent stabilized multifamily residential buildings who have engaged in inappropriate practices including tenant harassment and unsafe living conditions do not obtain loans from banking institutions for the purchase or renovation of such buildings
- Drafted successful legislation providing that reverse mortgage borrowers or their surviving family members are entitled to a mandatory settlement conference to afford them a forum to discuss loss mitigation options and potentially allow for retention of the subject property
- Issued guidance warning consumers to exercise caution before entering into rent-to-own agreements following investigation of potential illegal unlicensed mortgage lending schemes targeting low income consumers

Priority 3: Safeguard Financial Services Markets

- Conduct financial, market conduct, and consumer compliance examinations
- Ensure adequacy of reserves and solvency of insurance companies
- Became AIG's groupwide supervisor following the insurer's de-designation as a federal Systematically Important Financial Institution (SIFI)
- Implemented a State Risk Adjustment Program to maintain stability in New York's individual and small group markets
- Review insurance premiums for reasonableness and non-discrimination
- Assess management for trustworthiness
- Draft and implement regulations to keep pace with evolving markets
- License and supervise virtual currency companies to ensure legal compliance and market integrity
- Ensure prudent market conduct of regulated entities by reviewing practices, promulgating regulations and ensuring compliance with law
- Review merger and acquisition transactions to protect competitive market and reduce anti-competitive or monopolistic practices

Priority 4: Promote Innovation and Keep Apace in Financial Services

DFS is committed to fostering innovation while ensuring responsible growth in a regulatory structure that protects markets and consumers at the same time

- Worked with New York's insurance industry on new underwriting methods to bring faster, less expensive insurance products to market while ensuring conformance to insurance standards and consumer protections
- Approved additional firms for virtual currency charters and licenses, denied applications that did not meet DFS's standards, and established robust policy, procedure and compliance standards
- Issued Online Lending Report to promote responsible innovation in a regulatory environment, while combatting unlicensed activity, predatory lending and unfair competition for community banks
- Supported multiple innovative automobile Usage Based Insurance and Transportation Network Company products brought to market by New York auto insurers
- Modernized the Department's Licensed Financial Services's application operations and ongoing regulation of all non-depository financial institutions doing business in New York, including through the Nationwide Multistate Licensing System and Registry platform
- Drafted successful legislation to allow life insurers to offer an accelerated death benefit rider without the requirement that they also be a qualified long-term care insurance carrier, to provide policyholders with an additional option to fund their long-term care expenses.
- Issued first-in-the-nation cybersecurity and transaction monitoring regulations
- Supported passage of legislation to enable DFS to adopt principle-based reserving for life insurers

Priority 5: Enforce the Law: Banking

DFS holds its regulated entities accountable for violations of the New York Banking, Insurance and Financial Services Laws to protect consumers and markets.

Since 2016, DFS's aggressive regulatory enforcement activities have identified numerous instances of illegal conduct in the financial services industry, resulting in the imposition of more than \$2.2 billion in penalties and the recovery of \$119.5 million in consumer restitution. Unlawful practices included violations of the Bank Secrecy Act and anti-money laundering laws, unlawful conduct in foreign exchange markets, and sanctions violations. Some examples of our efforts:

- **Deutsche Bank:** \$625 million
- **Credit Suisse AG:** \$135 million
- **Goldman Sachs:** \$54.7 million
- **BNP Paribas S.A.:** \$350 million
- **Habib Bank:** \$225 million
- **Mega Bank:** \$180 million
- **Agricultural Bank of China:** \$215 million

Enforce the Law: Property & Casualty

- Ordered Transamerica to pay \$580,000 in restitution and a \$762,700 fine for sending lapse notices without required information to policyholders
- Fined QBE Insurance \$750,000 for unlawfully issuing accident-only policies to college and university students
- Ordered Sentinel Insurance to pay \$1.6 million in restitution to policyholders overcharged for a required New York fire fee and pay a \$150,000 fine
- Investigated the NRA's illegal "Carry Guard" insurance program and entered into consent orders with an insurance broker and excess lines insurer with penalties in the amount of \$8.3 million
- Prohibited insurers from using an individual's occupational status and/or educational level as unfairly discriminatory factors in setting automobile insurance rates

Enforce the Law: Life Insurance

- Since 2016, provided more than \$94 million in restitution to life insurance policyholders and assessed more than \$26 million in penalties
- Fined Athene Life Insurance Company of New York and First Allmerica Financial Life Insurance Company \$50 million and ordered restitution of \$40 million for failure to provide required information to 15,000 policyholders, including premium notices, annual reports or cash surrender value notices, and annual privacy notices
- Fined William Penn Life Insurance Company \$6.3 million for engaging in improper reinsurance transactions in an effort to minimize reserves backing life insurance policies issued by the company
- Ordered Aflac Inc. to provide \$960,000 in restitution to New York consumers and pay a \$176,890 fine for failing to include proper disclosure language
- Ordered Selective Insurance to provide \$4.1 million in restitution to policyholders and pay a \$550,000 fine for overcharges for property and casualty coverage
- Ordered Lincoln National Corporation to provide \$50.7 million in restitution to life insurance beneficiaries and pay a \$1.5 million fine for lost insurance claims and unfair claims settlement practices.

Enforce the Law: Health

- Fined Cigna Health and Life Insurance Company \$2,000,000 for Insurance Law violations for the illegal sale of stop-loss insurance and unapproved health insurance policies that would otherwise have been part of New York's small-group market
- Fined Excellus Health Plans \$1,000,000 following a DFS examination that found that the insurer wrongly denied contraceptive coverage due to internal system and process errors, failed to promptly pay or deny claims, and failed to acknowledge or resolve consumer grievances within time frames required by law
- Commenced a comprehensive investigation of health insurer compliance with contraceptive coverage requirements under New York Insurance Law, following an undercover sting of 15 insurers, which identified 11 New York health insurers that provided consumers with incorrect information about contraceptive coverage
- Ordered health insurers that did not meet minimum loss ratio requirements required under New York's prior approval law to refund \$31.6 million to policyholders in 2017

Enforce the Law: Real Estate Finance

- Fined PHH Mortgage Corp. \$119,000 for failing to maintain a vacant and abandoned property
- Fined Nationstar Mortgage for failing to develop effective, scalable controls to keep pace with its rapid growth, secured \$7 million in restitution to New York borrowers, and obtained \$5 million donation of residential real property or first-lien mortgages to non-profit organizations
- Ordered Mortgage Research Center to pay \$604,000 in restitution to New York consumers, many of whom are veterans, for failing to refund credits to mortgage borrowers
- Fined PHH Mortgage \$28 million for violations of federal and New York laws designed to protect homeowners, including persistent shortcomings in mortgage origination and servicing practices

Enforce the Law: FFCPD

- Ordered Total Account Recovery, a payday loan servicer, to provide nearly \$12 million in loan forgiveness to consumers for illegal payday loans
- Fined Lloyd's of London and the United Nations Federal Credit Union \$1.47 million for offering, marketing and underwriting an unlicensed credit and debit card-based life insurance program for UNFCU members
- Fined Zenefits FTW Insurance Services \$1.2 million for engaging in insurance business in New York without required licenses
- Fined Blue Global, an online payday loan lead generator, \$1 million for selling sensitive personal information to approximately 180,000 New York consumers
- Ordered Future Income Payments LLC, a pension advance company, to provide refund checks for more than \$500,000 to retirees charged usurious interest rates
- Fined National Credit Adjusters, LLC, a payday loan collector, \$200,000, ordered the discharge of more than \$2.26 million in debt and restitution of \$724,577 for illegal payday loans made to New Yorkers
- Fined Webcollex LLC \$25,000 and ordered \$66,129 in refunds and the discharge of \$52,941 in debt to consumers affected by unlawful payday loan practices
- Trained DFS investigators and examiners in the field how to identify elder financial exploitation and facilitate referrals to Adult Protective Services where necessary
- In 2017, the Criminal Investigations Bureau opened 521 cases for investigation, leading to \$4.7 million in court-ordered restitution, resulting in 292 arrests and 226 convictions

Financial Operating Structure

Special Revenue Agency

- 100% of expenses are assessed to the Financial Services Industry
- 100% of all collected fines go into the General Fund

DFS FY 2018-2019 Budget

- \$373.961 million total assessed to the financial service industry for FY 2018-2019
- \$242.501 million total related to operations
 - 87% dedicated to staffing
 - 6% dedicated to leases
 - 4% dedicated to information technology
 - 3% dedicated to other expenses
- \$131.460 million related to suballocations
 - Funding for DOH, DHSES, AG, DOS, IG & DFS-Hosted Health Related Programs

Personnel Breakdown

Total FTEs

- Enacted Budget FY 2018-2019 FTEs – 1,382 FTEs
- Current Fill Level as of Nov 2018 – 1,369 FTEs

Types of Positions

- Over 86% of all filled positions are in the Competitive Jurisdictional Class
- Over 80% of all filled positions are Unionized
- Highly Educated Workforce (most being in NYC given financial services industry)
 - NYC = 79.9% of all FTEs
 - Albany = 18.8% of all FTEs
 - Other Locations = 1.3% of all FTEs
- Professional Staff v. Clerical/Administrative Staff
 - Professional Staff = 91.6% of all FTEs
 - Administrative Staff = 8.4% of all FTEs
- 92 FTEs in the DFS Consumer Assistance Unit (6.7% of all FTEs)

Occupational Breakdown (most populous areas)

- Examiners – 56.2% of all filled FTEs
- Attorneys – 8.4% of all filled FTEs
- Actuaries – 4.3% of all filled FTEs
- Investigators – 2.8% of all filled FTEs

Demographics (per Civil Service)

- Average Age is 51
 - Compared to 47 statewide
- Average Years of Service is 16
 - Compared to 14.4 statewide
- Between 50-60% of the Agency is Ethnically Diverse
 - Compared to 27% statewide

Titles and Compensation

- Titles – Follow the Department of Civil Service’s title structure and salary grade system
- Compensation – Follow the State’s Collective Bargaining Agreements and Civil Service Law
 - All employees received yearly contractual GSIs (General Salary Increases)
 - All eligible employees received yearly performance advances and longevity steps
- About 300 internal promotions since February 2016
- Merged the agency’s titles to implement the combination of two predecessor agencies

DFS Recruitment and Retention Strategies

- Significant investment in the Training Unit and the training programs available to staff, while maintaining a commitment to core, critical examiner-based training
- Continue to hire entry level staff to assist with the replacement of the workforce as attrition continues
- Use all appropriate lines available, to recognize and promote staff within the agency and hire staff from outside the agency to meet the needs of the changing financial services industries regulated by DFS and increased agency initiatives
- Continue the Human Resources Control Measures/Mechanisms put in place at the end of FY 2015-2016

Personal Service (PS) Management

FY 2015-2016 to 2016-2017

- Projected PS Growth was 3.6%
- Actual PS Growth was 5.4%
- Average Salary went from \$84,793 to \$92,116
- Superintendent Vullo started in February 2016

Measures Put in Place to Control PS at the End of FY 2015-2016

- In March 2016, reconfigured the Human Resources Structure to centralize hiring processes and ensure hiring and promotion decisions are based on agency needs and priorities
- Implemented Human Resources Control Measures/Mechanisms
- Created Compliance Division with enhanced Training Unit for greater workforce development efficiencies

FY 2016-2017 to 2017-2018

- Projected PS Growth was 3.6%
- Limited Actual PS Growth to 1.9%
- Average Salary went from \$92,116 to \$93,958 even with CBA raises

FY 2017-2018 to 2018-2019

- Projected PS Growth was 3.1%
- Average Salary went from \$93,958 to \$94,404
- Limited Actual PS Growth to 0.5%

Minimizing PS Growth Resulted in Higher FTEs Today (November 2018)

- Over the past several FYs, in the context of limited budgetary resources, DFS has been challenged to provide collectively-bargained salary increases without resorting to free-fall attrition. The Department has risen to this challenge.
- DFS implemented various and creative Human Resources Control Measures/Mechanisms in-place and has been extremely strategic in its hiring, thus accommodating all the salary increases and maintaining a comparable fill level year-to-year within authorized resources.
- Without this prescribed management of its personal service, DFS would only be able to sustain and pay for a workforce around 1,250 today. Therefore, because DFS is currently at 1,369 filled FTEs, the agency has saved over 100 filled positions since February 2016

Workforce Challenges

DFS Operational Staffing Difficulties

- The financial services industry is fast-paced, complex and rapidly changing
- DFS's legal and regulatory responsibilities require a highly educated and highly qualified professional workforce
- DFS is based in NYC, the financial capital of the world, because it is New York State's regulator of the financial services industry

Statewide Operational Matters

- DFS is not funded by the General Fund and is funded 100% by industry assessments
- Difficulty in recruiting/retaining qualified talent as candidates and current DFS employees have opportunities in the private sector and federal government agencies that offer higher compensation

DFS Workforce Demographics Difficulties

- 1/3 of DFS staff and over 50% of DFS senior and mid-level managers are retirement eligible now or within 3 years
- DFS continues to lose staff at a rate of 4 – 5 FTEs each pay period
- DFS continues to have a significant portion of the departures at the senior and mid-level leadership levels

Thank You

Financial Services Superintendent Maria T. Vullo