

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 2006-07 workforce of 923 positions.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Insurance Department is funded by assessments on New York State based insurance carriers and by 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 \$194.1 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 \$24.1 million to the Department of State for costs associated with fire prevention efforts and enforcement of state building code regulations, \$34 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 \$4 million for the expansion of the Traffic and Criminal Software (TraCS) project which uses computer technology in State Police patrol cars to produce electronic tickets and accident reports. In addition, \$3 million for the Department of Law is recommended to support joint investigations related to broker/insurer compensation and pricing practices.

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 company denials of coverage. This technical expertise was utilized during the Hurricane Katrina disaster, as Department staff went to the Gulf Coast to assist in the financial and insurance-related needs of residents.

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.

INSURANCE

The September 11th attacks on the World Trade Center demonstrated the important role New York's insurance industry has in maintaining economic stability during times of tragedy. To ensure that the industry's ability to perform that role is strengthened, the Department established an Insurance Disaster Preparedness Unit to coordinate industry efforts to prevent and respond to natural, financial and terrorist disasters. Through this unit, the Department works with industry representatives to develop disaster preparedness and business continuity plans, fight money laundering activities and increase fraud detection capabilities.

These functions will be further enhanced by the new Special Investigations Unit. This team will provide legal resources to ongoing investigations and conduct inquiries into improper insurance and corporate practices. The Special Investigations Unit will also be the liaison to other state and federal agencies for insurance enforcement activities.

Reflecting the changing environment confronting the insurance industry, the Department has streamlined its regulatory and licensing process. Since 1994, the Department has reformed or rescinded over half its regulations, and eased the process by which companies are licensed and new insurance products approved. The Department continues to work closely with the Banking Department to assist Holocaust victims and their families to identify and recover assets from foreign financial institutions.

The Department also oversees and coordinates the State's Healthy New York Program, which provides qualified small businesses and low-income families and individuals with access to affordable health insurance.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2005-06	Appropriations Recommended 2006-07	Change	Reappropriations Recommended 2006-07
State Operations	177,819,000	194,148,000	16,329,000	0
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
Total	177,819,000	194,148,000	16,329,000	0

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

Full-Time Equivalent Positions (FTE)

Program	2005-06 Estimated FTEs 03/31/06	2006-07 Estimated FTEs 03/31/07	FTE Change
Administration			
Special Revenue Funds - Other	124	124	0
Consumer Services			
Special Revenue Funds - Other	159	159	0
Regulation			
Special Revenue Funds - Other	635	640	5
Total	918	923	5

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

Fund Type	Available 2005-06	Recommended 2006-07	Change
Special Revenue Funds - Other	177,819,000	194,148,000	16,329,000
Total	177,819,000	194,148,000	16,329,000

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

Program	Available 2005-06	Recommended 2006-07	Change
Administration			
Special Revenue Funds - Other	13,139,000	14,880,000	1,741,000
Consumer Services			
Special Revenue Funds - Other	12,212,000	12,298,000	86,000
Regulation			
Special Revenue Funds - Other	152,468,000	166,970,000	14,502,000
Total	<u>177,819,000</u>	<u>194,148,000</u>	<u>16,329,000</u>

**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2006-07 RECOMMENDED
(dollars)**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	14,880,000	1,741,000	9,080,000	996,000
Consumer Services	12,298,000	86,000	7,789,000	(50,000)
Regulation	166,970,000	14,502,000	49,062,000	2,776,000
Total	<u>194,148,000</u>	<u>16,329,000</u>	<u>65,931,000</u>	<u>3,722,000</u>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	5,800,000	745,000	0	0
Consumer Services	4,509,000	136,000	0	0
Regulation	45,102,000	1,712,000	72,806,000	10,014,000
Total	<u>55,411,000</u>	<u>2,593,000</u>	<u>72,806,000</u>	<u>10,014,000</u>