Good afternoon, Chairman Prieto.

Thank you for inviting the Department of Banking and Insurance to testify today.

Before I begin, I would first like to introduce the members of the Department’s staff who are seated here with me today:

- Acting Insurance Director Peter Hartt; and
- Chief Financial Officer Tom Gallagher.

**DOBI’S MISSION**

Let me start with a little background about the Department. DOBI’s mission is to regulate the banking, insurance and real estate industries in a manner that protects and educates consumers
and promotes the growth, financial stability, and efficiency of those industries.

To give you an idea of the scope of what we do, the Department licenses:

- More than 267,795 banking, insurance and real estate licensees;
- And regulates the conduct of more than 1,200 insurance companies, 81 state chartered banks and 19 state chartered credit unions.

Within the last two years the Governor signed pieces of legislation that established an interstate insurance compact, reformed New Jersey’s reinsurance and surplus lines laws, and established New Jersey’s captive insurance market. I will delve more into those shortly.

By cutting burdensome regulations we helped make New Jersey a place where businesses want to be. Toward that end, two of the nation’s largest property and casualty insurers have decided to start doing business in New Jersey.
We have admitted over 57 new insurers into the state and extended new business lines to over 64 others. We have had one federally chartered financial institution convert to a New Jersey state charter, and talks continue with others.

**COMMISSIONER’S BIO**

Before I speak about this year’s budget, I want to tell you a little bit about myself.

I served as chief of staff for the Department of Banking and Insurance for approximately two years as well as Acting Director of Banking since last October before being nominated by Governor Christie in January to serve as Commissioner. During my time at the Department I have had the pleasure of working with many of you on various issues and I thank you for your efforts.

I would like to give you an update on where we stand now because of the recently enacted laws that I mentioned earlier.
Captive insurance legislation allowed the formation and licensure of captive insurance companies in the state.

The New Jersey Captive Law became effective May 23, 2011 and in only six weeks New Jersey had licensed its first captive insurance company. Captives can provide more cost-effective insurance coverage for affiliated entities and the ability to insure a company at an affordable price in New Jersey is yet another reason for companies to do business here.

Interest in New Jersey’s captive law has been high. With a significant presence of major corporations in New Jersey the potential for growth is good. To date we have licensed three captive insurers, another is in the application process and at least five firms are currently performing actuarial feasibility studies (a substantial and expensive step) which are an integral part of a captive’s admissions package.
The Reinsurance and Surplus Lines Stimulus Enhancement Act provides incentives for surplus line carriers to domesticate in New Jersey and conduct surplus lines business here as well as providing incentives for non-U.S. reinsurers to write business in the state due to lower collateral requirements.

Our reinsurance law and pending regulation parallels the NAIC model, achieving uniformity with other states.

We have heard from many interested parties whom we will continue dialogue with on this matter. We expect to begin receiving applications soon.

The reinsurance law also helps domestic companies because it provides a wider range of possible reinsurers. Since reinsurers will be tying up less capital, it may also eventually result in lower rates for consumers.

Before the revisions to the surplus lines law, insurers could only sell policies in New Jersey if
they were located out of state. This gave companies no incentive to domesticate in New Jersey.

Due to the demand for surplus lines in the State, it made sense for us to reap the economic benefits that occur when a company is located in New Jersey.

Since the passage of the surplus lines law we have already had one surplus lines company redomesticate to New Jersey.

The Interstate Insurance Compact makes New Jersey a member of a national commission that focuses on uniform contract and filing standards.

Consumers now have roughly 500 product options available to them, and New Jersey insurance companies enjoy a more streamlined process for approvals as a direct result of this. Furthermore, New Jersey is a lead state in the Compact and we sit on the Management Committee and the Products Standards Committee where we develop uniform standards.
for products used nation-wide, allowing New Jersey to have a prominent voice.

I look forward to continuing to work with you on promoting the growth of the State’s banking, insurance and real estate industries and protecting New Jersey consumers.

**FY ‘13 BUDGET**

That brings us to the Fiscal Year 2013 budget.

As you know, DOBI is entirely funded through assessments on the businesses it regulates. However we are still vigilant at cutting waste and operating as efficiently as possible.

The Department’s FY 2013 proposed budget is $63.450 million, a decrease of about $100,000 from the current fiscal year.

The decrease is a reduction in our equipment account. However, this reduction will not negatively impact the Department as we have recently undertaken upgrades of our computer
and phone systems resulting in less of a need in FY 2013. This decrease will not affect the day to day operations at DOBI whether it is regulating licensees or serving consumers. This reduction in expenditures will result in $100,000 in savings to the industries that the Department regulates.

All other portions of DOBI’s budget remain unchanged from FY 2012.

**WRAP UP**

As I said earlier, I appreciate your time and I look forward to working with you.

I am happy to take your questions.