



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
BANKING AND INSURANCE**

FISCAL YEAR

2015 - 2016

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF BANKING AND INSURANCE

Budget Pages..... C-3, C-9, C-16, D-23 to D-29

Fiscal Summary (\$000)

	Expended FY 2014	Adjusted Appropriation FY 2015	Recommended FY 2016	Percent Change 2015-16
State Budgeted	\$56,757	\$64,013	\$64,013	—
Federal Funds	\$499	\$295	\$885	200.0%
<u>Other</u>	<u>\$1,412</u>	<u>\$440</u>	<u>\$490</u>	<u>11.4%</u>
Grand Total	\$58,668	\$64,748	\$65,388	1.0%

Personnel Summary - Positions By Funding Source

	Actual FY 2014	Revised FY 2015	Funded FY 2016	Percent Change 2015-16
State	0	0	0	—
Federal	4	2	5	150.0%
<u>Other</u>	<u>470</u>	<u>470</u>	<u>510</u>	<u>8.5%</u>
Total Positions	474	472	515	9.1%

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

Highlights

- The FY 2016 Budget Recommendation includes a \$65.34 million appropriation for the Department of Banking and Insurance, an overall increase of \$640,000 (1%) from the FY 2015 adjusted appropriation.
- Funding growth of \$640,000 is reflective of a \$590,000 (200%) increase in federal funds for Actuarial Services and a \$50,000 (11.4%) increase in "All Other Funds" attributable to Consumer Protection Services and Solvency Regulation, for professional services and salaries.
- The department's activities are entirely funded through revenue collected from fees and assessments imposed on the industries it regulates, and in certain years, federal funding.
- The FY 2016 Budget Recommendation anticipates a total of \$149.23 million in State revenue (pages C-3 and C-9) for the department, a net increase of \$9.37 million (6.7%) from the revised FY 2015 estimate of \$139.86 million.
- The net increase in departmental revenues of \$9.37 million is comprised of: \$10.83 million from Insurance - Licenses and Other Fees (25.2%); \$2.4 million from the Special Purpose Assessment (6.1%); \$991,000 from Insurance Fraud Prevention (3.4%); \$604,000 from Banking Assessments (4.5%); and \$50,000 from Small Employer Health Benefits (11.4%). These increases are offset by reductions in anticipated revenue as follows: \$5.5 million from fees collected by the New Jersey Real Estate Commission (55%) and \$48,000 from HMO Covered Lives (11.4%).
- The FY 2016 Budget Recommendation anticipates \$53.79 million in revenue from Insurance - Licenses and Other Fees, a \$10.83 million (25.2%) increase from FY 2015. The department has indicated that approximately \$8.0 million of the anticipated increase of \$10.83 million will be transferred from the "New Jersey Surplus Lines Insurance Guaranty Fund" to the General Fund as State revenue, subject to enabling legislation. The remaining \$2.8 million is from two nationwide settlement agreements, by the National Association of Insurance Commissioners, with certain life insurance companies that failed to properly use the United States Social Security Death Index to search for deceased life insurance policyholders in order to facilitate the payment of claims on life insurance policies.
- The \$5.5 million decrease in fees collected by the New Jersey Real Estate Commission is attributable to the fact that FY 2016 is not a renewal year in the two-year licensing schedule.
- The FY 2016 Budget Recommendation anticipates an increase of \$590,000 in federal funding for FY 2016. The department reports that it will have five positions funded through federal appropriations. The department has received federal funding in recent years for rate review, Health Care Exchange establishment, and consumer assistance related to the implementation of the Affordable Care Act.
- The FY 2016 Budget Recommendation (page D-27) includes an estimate of 515 funded positions in FY 2016. This is 43 more positions than the number filled in FY 2015 and

Highlights (Cont'd)

41 more than the actual number of positions in FY 2014. More than half of the new positions are for the Consumer Protection Services and Solvency Regulation and the Bureau of Fraud Deterrence program classes.

Background Paper:

- Captive Insurance – Overview p. 10

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2014	Adj. Approp. FY 2015	Recom. FY 2016	Percent Change	
				2014-16	2015-16
General Fund					
Direct State Services	\$56,757	\$64,013	\$64,013	12.8%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$56,757	\$64,013	\$64,013	12.8%	0.0%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$56,757	\$64,013	\$64,013	12.8%	0.0%
Federal Funds	\$499	\$295	\$885	77.4%	200.0%
Other Funds	\$1,412	\$440	\$490	(65.3%)	11.4%
Grand Total	\$58,668	\$64,748	\$65,388	11.5%	1.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2014	Revised FY 2015	Funded FY 2016	Percent Change	
				2014-16	2015-16
State	0	0	0	0.0%	0.0%
Federal	4	2	5	25.0%	150.0%
All Other	470	470	510	8.5%	8.5%
Total Positions	474	472	515	8.6%	9.1%

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	29.7%	30.5%	---	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2015</u>	<u>Recomm. FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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ECONOMIC REGULATION**ANTICIPATED REVENUE**

Real Estate Commission	\$10,000	\$4,500	(\$5,500)	(55.0%)	C-3
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The FY 2016 Budget Recommendation anticipates \$4.5 million in revenue from the New Jersey Real Estate Commission, a \$5.5 million (55%) decrease from FY 2015. This decrease can be attributed to the fact that FY 2016 is not a renewal year in the commission's two-year licensing schedule.

The New Jersey Real Estate Commission issues licenses to real estate brokers and salespersons, real estate schools, and course instructors, and establishes standards of practice for the real estate brokerage profession.

Insurance – Licenses and Other Fees	\$42,961	\$53,787	\$10,826	25.2%	C-3
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The FY 2016 Budget Recommendation anticipates \$53.79 million in revenue from Insurance-Licenses and Other Fees, a \$10.83 million (25.2%) increase from FY 2015. The department has indicated that approximately \$8.0 million of the anticipated increase of \$10.83 million will be transferred from the "New Jersey Surplus Lines Insurance Guaranty Fund" to the General Fund as State revenue, subject to enabling legislation. The remaining \$2.8 million is from two nationwide settlement agreements, by the National Association of Insurance Commissioners, with certain life insurance companies that failed to properly use the United States Social Security Death Index to search for deceased life insurance policyholders in order to facilitate the payment of claims on life insurance policies.

New Jersey Surplus Lines Insurance Guaranty Fund

The "New Jersey Surplus Lines Insurance Guaranty Fund" ("the Fund") was established in 1984 pursuant to the New Jersey Surplus Lines Insurance Guarantee Fund Act (N.J.S.A.17:22-6.70 et seq.). The original purpose of the Fund was to provide a safety net for policyholders and claimants of insolvent surplus lines companies. Each surplus line insurer was required to make an initial one-time payment of \$25,000 into the Fund. The original purpose of the law has since been modified and application limited to specific "covered claims." According to the department's response to OLS Discussion Points in FY 2015, the Fund contains approximately \$11.0 million. The department has indicated that approximately \$8.0 million is available for transfer to the State General Fund and the remaining \$3.0 million will be held in reserve as potential pay-outs for claims currently subject to on-going monitoring. The Fund is held and managed by the New Jersey Property-Liability Insurance Guaranty Association.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2015</u>	<u>Recomm.</u> <u>FY 2016</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Life Insurance Settlements

In 2011, the National Association of Insurance Commissioners (NAIC) established a multi-state task force to guide and coordinate the examination of unpaid claims by life insurance companies across the country. Life insurance companies were using the Social Security Administration’s Death Master File, a list of everyone who has died as reported to the United States Social Security Administration, to stop paying a deceased person’s annuity. However, the life insurance companies were not utilizing this list to locate deceased life insurance policyholders in order to facilitate the payment of claims on life insurance policies. Insurance companies are now utilizing the Death Master File to locate deceased policyholders and pay the rightful beneficiary of a life insurance policy or, in the event that the life insurance companies are unable to locate said beneficiary, remit the benefits to a state’s unclaimed property program.

The department has stated that New Jersey participates in the multi-state NAIC taskforce, which has reached multi-state settlement agreements at the conclusion of several life insurance company examinations. In addition to the multi-state settlement agreements, these companies have paid millions in state regulatory fines, which are distributed to participating states based on the percentage of the companies’ total written premiums on policies purchased in that state. New Jersey was awarded \$2.8 million from two settlement agreements of this nature.

HMO Covered Lives	\$421	\$373	(\$ 48)	(11.4%)	C-3
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The FY 2016 Budget Recommendation anticipates \$373,000 in revenue from HMO Covered Lives, a \$48,000 (11.4%) decrease from FY 2015. According to the department, this decrease can be attributed to a reduction in the number of HMO enrollees in the State.

Section 18 of P.L.2002, c.34 (C.26:2J-23) established a fee charged to HMOs, in the amount of \$1.50 per covered life per year, collected by the department. The revenue from this fee is used both for the administrative costs of the Department of Health (approximately \$100,000 a year) and as an offset to the special purpose assessment charged insurers pursuant to P.L.1995, c.156 (C.17:1C-19 et seq.).

The division monitors the compliance of HMOs with New Jersey rules through in-depth reviews and targeted examinations. The division investigates consumer complaints concerning HMOs and other carriers offering managed care health benefits plans.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2015</u>	<u>Recomm.</u> <u>FY 2016</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
FEDERAL REVENUE					
Patient Protection and Affordable Care Act	\$295	\$885	\$ 590	200.0%	C-17
FEDERAL APPROPRIATION					
Actuarial Services	\$295	\$885	\$ 590	200.0%	D-28

The FY 2016 Budget Recommendation reflects a \$590,000 (200%) increase in federal revenue (page C-17) attributable to the Patient Protection and Affordable Care Act. The Budget Recommendation matches this increase in federal funding with an equal increase in the appropriation for Actuarial Services (page D-28).

Patient Protection and Affordable Care Act

Since August 2010, the department has received federal Rate Review grants under the Patient Protection and Affordable Care Act, which were awarded to the State for implementing certain provisions of the Affordable Care Act. Pursuant to the Act, the U.S. Department of Health and Human Services is required to work with state insurance departments to review unreasonable rate increases for health benefits plans. On September 19, 2014, DOBI was awarded its fourth federal Rate Review grant, worth \$1.8 million. The initial 25 percent of the awarded federal grant money, approximately \$295,000, is accounted for in the adjusted appropriation for FY 2015. The increase of \$590,000 is attributable to the department anticipating more of the Rate Review Cycle IV grant funding during FY 2016. The Rate Review Cycle IV grant ends on September 18, 2016.

According to the department, this funding will be used to continue the services of a consultant, the Hay Group, to study the actuarial information that should be included in the rate filings. The Hay Group has been the consulting group during prior Rate Review Cycles. According to the Centers for Medicare and Medicaid Services website, the funding is intended to improve the efficiency of the submission and tracking of rates; track the number of consumer inquiries and complaints, which will be posted on the department's website; and study "specific rate review related elements that arise from the Affordable Care Act, including the Unified Rate Review Template, single risk pool, actuarial value, meaningful difference and the impact of risk mitigation programs such as risk adjustment, transitional reinsurance, and risk corridors." DOBI has utilized federal funding to hire three additional staff to support this project.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2015</u>	<u>Recomm. FY 2016</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
APPROPRIATED REVENUE					
Small Employer Health Benefits	\$440	\$490	\$ 50	11.4%	C-9
ALL OTHER FUNDS					
ANTICIPATED APPROPRIATIONS					
Consumer Protection Services and Solvency Regulation	\$440	\$490	\$ 50	11.4%	D-28

The FY 2016 Budget Recommendation anticipates \$490,000 in revenue from the Small Employer Health Insurance Assessment, a \$50,000 (11.4%) increase from FY 2015. According to the department, the increased revenue projection can be attributed to an increased assessment on Small Employer Health Insurance carriers. The increased assessment offsets the anticipated increase in the fringe benefit rate, which increases staffing costs for the department. The increase in revenue is matched by an equal increase in the anticipated appropriations for Consumer Protection Services and Solvency Regulation under "All Other Funds" on page D-28.

The Small Employer Health Benefits Program, enacted pursuant to P.L. 1992, c.162 (C. 17B:27A -17 et seq.), was established to provide small employers (those with 2 – 50 employees) with the option to purchase standardized health benefits plans. Pursuant to section 16 of P.L.1992, c.162 (C.17B:27A-32), the department charges an assessment on all Small Employer Health Insurance carriers for the reasonable and necessary organizational and operating expenses of the Small Employer Health Benefits Program board of directors.

Significant Language Changes

The FY 2016 Budget Recommendation does not contain any changes in language provisions for the Department of Banking and Insurance when compared to the FY 2015 Appropriations Act.

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

Background Paper: Captive Insurance - Overview

Overview

Captive insurance companies are insurance companies established with the specific objective of financing risk emanating from their parent group or groups.¹ Since the enactment in 2011 of New Jersey's Captive Insurance Law (N.J.S.A.17:47B-1 et seq.), the Department of Banking and Insurance (DOBI) has approved 17 final applications for captive insurance licenses. Prior to enactment of the Captive Insurance Law, captive insurance companies were not permitted to be domiciled in New Jersey. While attending the 2014 New Jersey Captive Insurance Summit, Commissioner of Banking and Insurance Kenneth Kobylowski indicated that four of the 17 approved captive insurance companies had re-domesticated to New Jersey from outside of the State.

The department asserted in Bulletin No.11-08 that the Captive Insurance Law "provides significant new opportunities for New Jersey businesses to better manage their own risk by insuring themselves through a New Jersey-based captive, instead of a captive domiciled in another state or by purchasing insurance in the commercial market." The addition of captive insurance companies to New Jersey is also intended to increase the number of professionals dedicated to the captive insurance market, such as accountants, actuaries, and managers, who may all become registered service providers with DOBI under the law and regulations. The department has held at least two Captive Insurance Summits to promote the captive insurance industry in New Jersey.

While New Jersey's captive insurance industry was just starting up, the New York State Department of Financial Services (NYDFS) released a report entitled "Shining a Light on Shadow Insurance," which detailed initial findings from the NYDFS' year long investigation of New York insurance companies' use of "shadow insurance," and called into question insurer practices related to the creation of a captive insurance subsidiary. The NYDFS acknowledged that its investigation and report were limited to New York based life insurance companies, but recommended that federal regulators and regulators in other states conduct similar investigations to document a more complete picture of captive insurers nationwide.

New Jersey's Captive Insurance Law includes provisions intended to permit oversight by DOBI. Annual reports on financial condition must be filed. Captive insurance companies are to be examined by the Commissioner of Banking and Insurance or by some competent person appointed by the commissioner during a visit that occurs at least once every three years. During this examination, the commissioner is obligated to thoroughly inspect and examine the affairs of the captive insurance company. The department is just completing its first examinations of three captive insurance companies in the State. However, DOBI has not disclosed which companies are being examined.

The Captive Insurance Law

The Captive Insurance Law took effect in May 2011, and permits a captive insurance company to be licensed by DOBI to do business in the State of New Jersey in any of the lines of insurance authorized in subtitle 3 of Title 17 of the Revised Statutes (R.S.17:17-1 et seq.) or Title 17B of the New Jersey Statutes (N.J.S.17B:17-1 et seq.), generally including contracts or policies of life insurance, health insurance, annuities, indemnity, property and casualty, fidelity,

¹ DOBI PRN 2011-192

Background Paper: Captive Insurance - Overview (Cont'd)

guaranty and title insurance, and reinsurance, so long as the captive meets certain requirements. The Captive Insurance Law regulates captive insurance companies, which include pure captive insurance companies, association captive insurance companies, sponsored captive insurance companies, and industrial insured captive insurance companies. Pure captives provide insurance for a single parent company. Association captives provide insurance coverage for multiple members of an association or group. Industrial captives are owned by organizations within the same industry and are established to address a specific insurance risk or problem.

Captive Insurers	2012	2013	2014	2015 (as of April 2015)	Total
Applications submitted					
Property & Casualty					
Pure	4	5	4	0	13
Association	0	0	1	0	1
Industrial	1	0	0	0	1
Sponsored Cell	0	0	1	0	1
Life & Health					
Pure	1	0	0	1	2
Sponsored Cell	0	1	1	0	2
Total					20
Licensed					
Property & Casualty					
Pure	2	5	4	0	11
Industrial	1	0	0	0	1
Association	0	0	1	0	2
Sponsored Cell	0	0	1	0	1
Life & Health					
Pure	1	0	0	0	1
Sponsored Cell	0	1	0	0	1
Total					17

Source: OLS Discussion Points, FY 2015-2016

Pursuant to the Captive Insurance Law, a separate premiums tax is collected from captive insurance companies, but the companies are exempted from paying the premiums tax paid by traditional insurers pursuant to N.J.S.A.54:18A-1 et seq. The tax is due on March 1 each year on the premiums the company earned in the previous calendar year. The minimum aggregate premiums tax to be paid by a company is established at \$7,500 and the maximum tax is \$200,000 per company (N.J.S.A.17:47B-12). (In New Jersey, traditional insurance companies pay a flat premiums tax rate, but are not required to make a minimum contribution. There is only a maximum limit on the percentage of total collected premiums that can be taxed (N.J.S.A. 54:18A-6).) Since inception of the Captive Insurance Law, DOBI has collected a total of \$1.56 million in premiums taxes as of this writing.

The Captive Insurance Law established the "Captive Insurance Regulation and Supervision Fund," within DOBI, for the purpose of providing funds for the Commissioner of Banking and Insurance to administer the law and for expenses incurred in promoting the

Background Paper: Captive Insurance - Overview (Cont'd)

captive insurance industry in the State (N.J.S.A.17:47B-13). All fees and assessments received by DOBI pursuant to the administration of the act and from reinsurers who assume risk solely from captive insurance companies are credited to the "Captive Insurance Regulation and Supervision Fund." Between the enactment of the Captive Insurance Law and April 2015, DOBI has collected \$1,370,675 in revenue and expended \$23,414. In response to OLS Discussion Points during the current budget process, DOBI estimated the annual administrative costs of the Captive Insurance Law to be \$278,000.²

New York State Report

In June 2013, the New York State Department of Financial Services (NYDFS) released a report entitled "Shining a Light on Shadow Insurance"³ which detailed the initial findings of the NYDFS' year long investigation of New York insurance companies' use of "shadow insurance," and called into question insurer practices related to the creation of a captive insurance subsidiary. The report details what it terms the risky practices of shadow insurance transactions. As the report explains, "a typical shadow insurance transaction" occurs when "an insurance company creates a 'captive' insurance subsidiary, which is essentially a shell company owned by the insurer's parent. The company then 'reinsures' a block of existing policy claims through the shell company, and diverts the reserves that it has previously set aside to pay policyholders to other purposes, since the reserve and collateral requirements for the captive shell company are typically lower." The report raises concerns that the "shadow insurance" could put the "stability of the broader financial system at greater risk" due to the ability of the parent companies to insure their risks through their weakly capitalized subsidiaries.

The NYDFS acknowledged that its investigation and report were limited to New York based life insurance companies, but recommended that federal regulators and state insurance commissioners conduct similar investigations to document a more complete picture of the full extent of what it termed "shadow insurance" nationwide.

Regulations, Financial Reports, and Commissioner Examinations

New Jersey's Captive Insurance Law was only two years old when the NYDFS report was released and, pursuant to that law, DOBI had already promulgated regulations that appear to address certain issues relating to sufficient reserves as raised in the NYDFS report (N.J.A.C. 11:28-1.1 et seq.). For example, all captive insurers are required to submit an irrevocable letter of credit with an application to form a new captive. An annual audit must be performed by an accountant who has been licensed by the State and provides a Certification of Loss Reserves and Loss Expense Reserves. Additionally, the State requires that captive insurance companies disclose the guarantee obligations of the insurer's parent company.⁴ Furthermore, New Jersey regulations specify that a captive insurer that is reinsuring life insurance policies or annuities must maintain reserves that are actuarially sufficient to support the liabilities incurred for reinsuring life insurance policies and annuities (N.J.A.C.11:28-1.21). Captive insurance companies are required to submit these financial reports annually to DOBI for review. DOBI indicated, in its response to OLS Discussion Points during the FY 2015 budget process, that

² Question 13 a-d., OLS Discussion Points, FY 2014-2015, Department of Banking and Insurance.

³ http://www.dfs.ny.gov/reportpub/shadow_insurance_report_2013.pdf

⁴ Question 13 b-b., OLS Discussion Points, FY 2014-2015, Department of Banking and Insurance.

Background Paper: Captive Insurance - Overview (Cont'd)

“reviews of the certified professional accountant reports have not shown any areas of concern regarding captives maintaining insufficient reserves for reinsurance obligations.”

In addition to the financial reports, the Commissioner of Banking and Insurance is required to visit and examine each captive insurance company every three to five years. These examinations allow the commissioner to thoroughly inspect and examine the captive insurance company's financial condition, the company's ability to fulfill its obligations, and whether it has complied with the provisions of the Captive Insurance Law. As of February 2015, DOBI has started to review three out of the 17 captives licensed in the State. The low number of captives being reviewed is attributable to the captive insurance industry only being four years old.

National Comparison

Approximately 30 states have become captive insurance domiciles in the United States. New Jersey's Captive Insurance Law is nearly identical to Vermont's Captive Insurance Law, which was enacted in 1981. Vermont is the country's leading onshore captive insurance domicile, hosting more than 1,000 licensed captive insurance companies, including 48 of the Fortune 100 and 18 of the Dow 30 companies.⁵ Vermont's premiums tax assessed on captive insurance companies is also substantially similar to New Jersey's.

Vermont publishes information relating to its captive insurance industry to its website. This information includes the captive company name, the type of captive the company is, who manages the company, the name of the parent company, and the industry in which the captive insurance company operates.⁶ Despite having substantially similar captive insurance laws, with substantially similar provisions concerning confidentiality, DOBI has interpreted the confidentiality aspects of the law differently than Vermont and does not publish comparable information on its website. DOBI has, however, issued several press releases providing the names of some captive insurance companies licensed in the State.

Another example of a domestic domicile for captive insurance companies is Tennessee, which enacted its Captive Insurance Law the same year as New Jersey.⁷ Since 2011, Tennessee has attracted more than 40 captive insurance companies, more than twice the number of captive insurance companies in New Jersey.⁸ While Tennessee requires captive insurance companies to have higher capital or surplus when applying for a license, its annual minimum and maximum aggregate tax to be paid by a captive insurance company is less. The lower annual minimum and maximum aggregate tax to be paid by captive insurance companies in Tennessee may be a contributing factor to Tennessee's success thus far in attracting the captive insurance industry.

⁵ <http://www.vermontcaptive.com/>

⁶ *Ibid.*

⁷ <http://www.state.tn.us/sos/rules/0780/0780-01/0780-01-41.20130228.pdf>

⁸ <http://www.tn.gov/insurance/captive/companies/shtml>

Background Paper: Captive Insurance - Overview (Cont'd)

Summary

The captive insurance industry in the State began in 2011. The intention of the Captive Insurance Law is to provide new opportunities for New Jersey businesses to better manage their own risk by insuring themselves through a New Jersey-based captive, instead of a captive domiciled in another state or by purchasing insurance in the commercial market. Despite captives being relatively new in New Jersey, other states have managed to attract more captives than New Jersey in the same four-year time frame. Some states benefit from being in the industry for a longer period of time, while other states impose lower annual minimum and maximum aggregate taxes than New Jersey, which may be contributing factors to the attractiveness of establishing a captive in those locales. The State has licensed 17 captive insurance companies and has collected \$1.56 million in premiums taxes since the inception of the Captive Insurance Law.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2016 budget are encouraged to contact:

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