



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
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KENNETH E. KOBYLOWSKI
Commissioner

July 9, 2015

Honorable Gary S. Schaer c/o
David J. Rosen
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625-0068

Dear Chairman Schaer:

Please accept the following response to your letter of May 20, 2015 requesting follow-up information with respect to the questions raised at the Department of Banking and Insurance budget hearing on May 18, 2015.

- With the increase of real estate agents, does the department, through the Real Estate Commission, have an adequate number of investigators to ensure that the industry is properly being monitored or was there a decrease in investigators during the time that the real estate market was in a period of recovery that now needs to be addressed? If through the Real Estate Commission there does need to be additional investigators added, how many would you believe the department needs to add?

Response: The Department monitors staffing levels relative to the number of Real Estate salespersons to be served and the number and status of investigations. At the present time, the staffing is adequate.

- In keeping with this line of questioning concerning an increase in the number of real estate licensees in New Jersey, beyond the investigations unit at the Real Estate Commission, is the commission properly staffed in other units such as licensing or education? If additional staffing is needed in these or other sections of the Real Estate Commission, what would that entail in terms of the department's budget and number of staff members needed?

Response: Staffing for the licensing section was increased as a part of our planning for this year's license renewal. Currently staffing is adequate for both sections.

- Does the Department of Banking and Insurance have any programs to assist homeowners who may be affected by increased flood insurance rates caused by recent changes to federal law?

Response: The Department assists New Jersey Residents with referrals to the National Flood Insurance Program (NFIP) when we are contacted with questions or concerns about federal flood rates. Also, the Department's website lists insurers that write flood insurance on a private basis (not on behalf of the NFIP). Rates for this privately sold flood insurance may be lower than rates for the federal program. The State has implemented a number of recovery programs, including RREM and the HMGP Elevations Program to assist homeowners with elevating their homes above the base flood elevation in order to mitigate risk and reduce flood insurance costs.

- Would there be any measures you would recommend that the State Legislature could consider to assist families who may now be priced out of their homes, not because of their mortgages or property taxes, but because the cost of their flood insurance policies has simply become unaffordable?

Response: This appears to be a matter primarily for policymakers at the federal level, since the NFIP is a federal program and the cost of coverage is determined at the federal level. However, as noted above, the State has implemented a number of recovery programs, including RREM and the HMGP Elevations Program to assist homeowners mitigate risk and reduce flood insurance costs.

- What are the cost drivers that contribute to NJ premiums?

Response: The federal government does not provide detailed information on its rate making methodology.

- With Tesla's announcement that they will have self-driving cars in the US market by this summer, what budgetary impacts do you foresee in the coming years on collection of auto insurance premiums as this technology expands?

Response: The department believes this is too early to predict.

- What steps can be taken by the department to provide cost-savings through the increased use of electronic form filings?

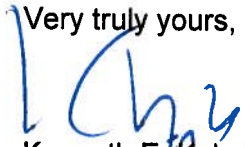
Response: For several years the Department has required rates, rules, and forms to be filed electronically via the National Association of Insurance Commissioner's (NAIC) State Electronic Rate and Form Filing (SERFF) system, which have provided cost savings. No further savings from this initiative are anticipated at this time, although we continue to explore innovative uses of technology to drive costs savings.

- How does the department ensure network adequacy? Are there regular department audits? Do you see a network problem in mental/behavioral health services (e.g. addiction or autism), in particular?

Response: The Department currently reviews the adequacy of carriers' networks on an annual basis and has the ability to request interim and specialized reporting pursuant to various statutes and rules. See N.J.S.A. 17B:27A-54; N.J.S.A. 17:48E-13.2 and -35.15; N.J.S.A. 26:2S-18; N.J.A.C. 11:24-1 et seq.; N.J.A.C. 11:24A-1 et seq.; and N.J.A.C.

11:24B-2 et seq. These provisions include specific standards for network adequacy with regard to hospitals, PCPs, and specialists. See N.J.A.C. 11:24A-4.10 and 11:24-6.2.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'K. Kobylowski', is written over the typed name.

Kenneth E. Kobylowski
Commissioner