

**New Jersey Department of Banking and Insurance  
Commissioner Richard J. Badolato**

**Testimony**

**Senate Budget and Appropriations Committee**

**April 20, 2017**

Good afternoon, Chairman Sarlo and members of the Budget and Appropriations Committee.

Thank you for inviting the Department to testify today.

I would like to introduce members of my staff who are seated here with me:

- Banking Director Patrick Mullen;
- Insurance Director Peter Hartt; and
- Chief Financial Officer Tom Gallagher.

The Department'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.

The Department licenses:

- More than 300,000 banking, insurance and real estate licensees;
- This includes more than 1,400 insurance companies, 67 state chartered banks, 13 state chartered credit unions, more than 3,250 consumer lenders, 15,588 mortgage loan originators, along with 90,223 real estate licensees and more than 200,000 insurance producers.

When these licensees succeed, it's good for both consumers and the economy, as it expands consumer choices and encourages new employers to enter the state.

For example, in auto insurance, we now have all of the top 10 auto insurers, and a total of 82 auto insurers, doing business in New Jersey. This provides greater

competition, downward pressure on premiums and more choices for consumers.

We have seen similarly good results in the homeowners market. We now have nine of the top ten national carriers and 115 carriers in total. We have more options in coastal areas than ever before, despite the immense damage and costs of Superstorm Sandy, and we continue to have stability in premiums.

Over the past seven years 33 traditional insurance companies have entered the homeowners market. We now have a total of 110 carriers specifically covering coastal areas. In addition there are more choices in the surplus lines market, which further adds to the capital investment of insurers in our state and the robustness of choices for consumers. We are also seeing the beginnings of new choices for private flood insurance, instead of complete reliance on the National Flood Insurance Program.

In the Life & Health sector, we have seen gains in some areas and significant losses in others, though total Domestic Gross Written Premiums in Life & Health have

risen \$3.25 billion in five years and Total Assets of those companies have grown by almost \$77 billion.

We have also seen success on the banking side, despite the challenges our state-chartered institutions continue to face following the recession that began nine years ago.

The majority of the banks DOBI regulates continue to be well capitalized and are in sound financial condition.

Currently, 90% of state-chartered depository institutions are profitable, which represents a significant improvement over 2008 when only 57% of our institutions reported positive earnings.

Another positive sign is that in as little as six years, the Total Assets of our state chartered institutions has grown by more than \$36 billion.

The Department continues to be an attractive – and less expensive - alternative to Federal regulation. Since June 2011, eight banks have converted their charters from

Federal to state charters. We expect more conversions in the future.

Looking broadly at the markets DOBI regulates we see a trend of financial stability and growth over the past six years.

The Department also has a dedicated staff committed to assisting New Jersey residents receive the insurance and financial services protections they deserve under the laws you helped create and establish. DOBI is completely committed to consumer protection and education.

Our consumer center handles thousands of complaints and inquiries each year. Investigators in insurance, banking and real estate handle hundreds of issues and return millions of dollars to consumers in the form of restitution from a broad variety of disputes. In FY 17 to date, Department consumer recoveries stand at over \$4.7 million. We anticipate that number will increase by fiscal year end.

Still, overall complaints filed with the Department have decreased.

We continue to provide consumer assistance to those recovering from Superstorm Sandy. Since the event, the Department has handled over 11,000 requests for assistance. Most Sandy complaints and inquiries filed with DOBI are resolved and the number of calls and requests for assistance has dropped significantly. The Department has recovered a total of nearly \$11.5 million for Sandy victims.

We continue to urge residents to be vigilant about the next disaster which is not a question of if, but when. We will be rolling out another consumer alert campaign this May in coordination with the National Association of Insurance Commissioners (NAIC) to remind New Jerseyans how to prepare for a disaster.

We are also participating with NAIC in a new nationwide system to help people locate a lost life insurance policy. Those searching for a lost life insurance policy or annuity

sold in New Jersey can enter their information on a one-page form and submit it electronically to find valid policies or annuity contracts. This is a very important service because often people do not know where to turn when searching for a lost life insurance policy and now they have an easy to use and efficient system to access the information they need to file for benefits.

In our ongoing efforts to educate consumers, the Department continues its focus on financial literacy programs for seniors, high school and college students. In addition, we regularly provide consumer alerts on a variety of issues, such as advice about auto coverage when utilizing ride-sharing and how to prepare for hurricane season.

The Department also has a number of buying guides to assist consumers when purchasing annuity products, auto, homeowners or health insurance.

Overall, DOBI is succeeding at fulfilling its mission and continues to be on the right path for the more than eight million New Jerseyans that it serves every day.

It is a tremendous honor and a privilege to serve as Commissioner of the Department of Banking and Insurance. I truly enjoy serving the people of New Jersey and working with a dedicated and talented staff as we carry out our mission.

Thank you. I would be happy to take your questions.