

Acting Commissioner Marlene Caride
New Jersey Department of Banking and Insurance
Assembly Budget Committee Testimony on Fiscal Year 2019 Budget
Wednesday, April 18, 2018

Good morning Chairwoman Pintor Marin, Vice Chairman Burzichelli and members of the Assembly Budget Committee. I am pleased to be here, and to present the Fiscal Year 2019 Budget for the Department of Banking and Insurance.

First, let me say that as a former member of the Assembly, I know the importance of your work in this process and the time and dedication you put into reviewing the state budget.

The budget represents more than numbers on a piece of paper – it is a representation of our priorities as a state. The way we allocate resources, operate programs and manage responsibilities across departments is a reflection of our values. I want to thank you for your commitment to this effort.

I am proud to be part of an administration that understands New Jersey's most important asset is its residents, and one that is committed to creating a stronger and fairer state that will benefit generations to come.

As a former Assemblywoman, and now as Acting Commissioner of the Department of Banking and Insurance, I personally believe that it is our responsibility as public servants to protect the health, safety and wellbeing of our residents. I am dedicated to carrying out my responsibilities as Acting Commissioner in a way that aligns with those principles.

Before I discuss the Department, I want to introduce members of our staff who are here with me today: Banking Director Patrick Mullen, Insurance Director Peter Hartt and Chief Financial Officer Tom Gallagher.

The FY2019 budget for the department totals \$64,013,000, and has remained flat since Fiscal Year 2015. As you are aware, we are self-funded.

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.

Even though the Department is sufficiently funded, one of the biggest issues we are currently facing is staffing. In the last eight years, the Department lost 10 percent of its workforce through attrition. As the Department lost professionals – many with a high level of expertise – it was not permitted to fill the resulting vacancies. We are currently assessing the most critical areas of need and expect to hire.

Addressing the staff shortage will become increasingly important as the Department handles additional and more complex regulatory issues. Furthermore, this will be felt as the Department prepares for national accreditation in Calendar Year 2020 of both the Banking and Insurance divisions. Accreditation is an ongoing process that involves an intensive review of our operations leading into 2020.

Accreditation is critically important, as it ensures the department is following the best practices of the regulatory industry. It also allows for cooperation with other accredited jurisdictions, in terms of regulation and oversight of multi-state, national and international companies.

The Department of Banking and Insurance oversees more than 300,000 banks, insurance, and real estate companies, as well as individual licensees. This includes state-chartered banks and state-chartered credit unions, consumer finance licensees and licensed mortgage companies. It also includes individual mortgage loan originators, and individual real estate licensees.

In auto insurance, we have a total of 78 auto insurers doing business in New Jersey. This is up from 66 in 2011. We also have all of the top 10 auto insurers selling policies in our state.

In homeowners insurance, we have 121 carriers in total, including nine of the top ten national carriers doing business in our state.

In the health sector, we have five carriers offering individual coverage, with three of them selling health insurance to New Jersey residents through the federal Marketplace, and five carriers offering small employer coverage. Additionally, we have eight carriers with enrollment in the fully-insured large group market.

Our real estate license renewal rates are trending upward. This is an indication of a strengthening real estate market.

On the banking side, currently, 91% of state-chartered depository institutions are profitable, compared to 2008 when 57% of our institutions reported positive

earnings. Total assets increased from \$93.1 billion as of December 31, 2016 to \$105.4 billion as of December 31, 2017.

Since June 2011, nine banks have converted their charters from Federal to state charters, including one in 2017.

The Department is committed to fair and consistent regulation to ensure an environment in which industry can succeed. Our highest priority is consumer protection.

That means making sure consumers have access to insurance coverage as well as to lenders, and that they are educated about their options. It also means exercising vigilance in investigating consumer complaints, and holding companies accountable when they are not operating appropriately and in accordance with the law.

The Department handles thousands of consumer complaints each year and investigators in insurance, banking and real estate recover millions of dollars in restitution for residents annually. In FY2017, the Department recovered \$14.8 million for consumers. To date in FY2018, we have recovered \$12.8 million.

In FY2017, the Department collected \$6.5 million in fines. To date in FY2018, we have collected \$5.7 million in fines for violations.

The FY2018 total includes a \$2.5 million fine, the largest in nine years, for various insurance violations by UnitedHealthcare and its affiliates, including use of a non-designated provider of hemophilia services and supplies. The Department learned of this violation through consumer complaints.

We believe these enforcement actions send a clear message that the Department takes its mission to protect consumers very seriously and that we will aggressively pursue those who violate the law.

As a Department, I believe we have a responsibility to take action to increase protections for our residents in the face of challenges resulting from policies instituted in Washington, D.C.

Under the current administration in Washington, the Consumer Financial Protection Bureau has turned away from enforcing an array of consumer protection regulations, which the prior administration routinely pursued. The state will now have to look at options for protecting our consumers without the assistance of the CFPB. I look

forward to working with the Attorney General's Office, and with the Division of Consumer Affairs, in this regard.

Despite the debate at the federal level over health care, the Affordable Care Act has successfully resulted in hundreds of thousands of New Jersey residents obtaining health coverage. Enrollment remains a top priority of this administration.

Under the leadership of Governor Murphy, and in accordance with his Executive Order No. 4, we are developing a plan to improve outreach, education and access to affordable and quality health coverage for our residents. I look forward to discussing that plan in the very near future.

I believe the Department must take advantage of every opportunity to obtain federal funding, and to bring needed resources back from Washington to support programs and services in our state. I have directed my staff to proactively pursue grants and other funding opportunities at the federal level.

Innovation and technology have contributed to significant changes in industry, compelling us to contend with new areas of potential regulation. The Department has begun to look at the impact of virtual currency and the regulatory options for what has become a topic of increasing interest by regulators nationwide. Other emerging areas of regulation relate to the insurance of autonomous vehicles, as well as cyber insurance.

The Department continues its work in providing consumers and industry representatives with important information through alerts issued on various topics, such as preparing for hurricane season, improving cyber security, and enrolling in health insurance.

In February, we issued a bulletin announcing a special enrollment period for individual health benefits plans for people who relocated to New Jersey after they were affected by the recent hurricanes in Puerto Rico and the U.S. Virgin Islands. We provided this information to the media, and to the public through the governor's Commission on Puerto Rico Relief.

As part of our consumer protection and education efforts, the Department is instituting a new process to expand public involvement in the Department rulemaking process. In order to ensure that all those impacted, and particularly consumers, have an opportunity to provide input that helps to inform the development of regulations, the new process will allow any interested party to sign

up via a form on our website to be notified in advance of rulemaking, and to comment on proposals.

The role of the Department in regulating the banking, insurance and real estate industries is vitally important to the residents of this state, and I am proud that we have a hardworking and dedicated staff that is committed to the Department's mission.

Thank you for the opportunity to present the Department's budget, and I look forward to your questions.