

Commissioner Marlene Caride
New Jersey Department of Banking and Insurance
Senate Budget and Appropriations Committee
Testimony on Fiscal Year 2020 Budget
Tuesday, April 30, 2019

Good afternoon Chairman Sarlo, Vice Chair Cunningham and members of the Senate Budget and Appropriations Committee. I am pleased to be here again, and to present the Fiscal Year 2020 budget for the Department of Banking and Insurance.

The budget is more than just a document – the state spending plan represents the priorities of state government and the programs and services provided to support the safety, health and wellbeing of New Jersey’s nine million residents. I want to thank you for your commitment to this effort, and for your continued work in the days and weeks ahead.

As you are aware, 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 FY2020 budget for the department totals \$64,013,000 (sixty-four million, thirteen thousand dollars) and has remained flat since Fiscal Year 2015. As you know, the department is funded by the industries it regulates.

Last year when the department came before you, we discussed our goals and the challenges we identified as we began our work to make sure that New Jersey residents receive the services and protections they deserve. I am pleased to share with this committee some of the work we have undertaken since that time.

Governor Murphy has made it a priority to address health care access for New Jersey residents and, in partnership with the Legislature, this administration has made significant progress.

In the last year, New Jersey has led the way nationally in protecting and improving access to quality affordable coverage and care.

New Jersey implemented two laws passed by the Legislature to implement a reinsurance program and continue a requirement to have health coverage in our state, following the repeal of the individual mandate at the federal level. Those two laws, signed by the Governor last May, resulted in a 9.3 percent reduction in premium rates in the individual market for 2019. Without these two laws, carriers indicated that rates would have increased by 12.6 percent.

We have also taken additional action to defend the benefits afforded to residents under the ACA. When the Trump Administration rolled back critical health coverage rules, we warned of the consequences of allowing the sale of skimpy health plans and of loosening the rules for Association Health Plans during the federal public comment period. While the rules did not preempt state laws that ban short-term limited duration plans and set standards for Association Health Plans in New Jersey, they serve to create confusion and contribute to destabilization of the market.

Along with Attorneys General in 10 states and the District of Columbia, New Jersey challenged the federal Association Health Plan rule and prevailed in federal district court. The decision, issued in March, protects New Jersey from having to expend additional resources to monitor for and address fraudulent plans that may have resulted from this rule.

In line with our commitment to promote access to health care and coverage, the state conducted the first coordinated public awareness campaign, Get Covered New Jersey, which was led by the department, during the open enrollment period from Nov. 1 to Dec. 15.

Faced with numerous challenges from the federal government, including an enrollment period cut in half by the current administration in Washington and millions of dollars for advertising and outreach slashed, the state leveraged the resources of state government, stakeholders and others as part of its strategy to promote the enrollment period and health care options available to consumers.

Figures from the U.S. Centers for Medicare and Medicaid Services show that 255,246 residents enrolled in coverage on the exchange during the six-week period, down 19,536 from 274,782 the prior year. This is only part of the enrollment picture, as we do not yet have final data from enrollment in plans that were not sold on the exchange. We will be watching this closely, as the department for the first time encouraged carriers to offer lower cost off-exchange silver plans to provide options to those who are not eligible for a subsidy. Final numbers are due to the department in May.

While the state has taken significant action to stabilize the health insurance market and to improve access to coverage for residents, we know there is more to do. We are now looking to build upon the foundation set last year.

Governor Murphy recently announced an effort to preserve critical ACA protections, such as coverage for people with pre-existing conditions, coverage for young adults until age 26, coverage for preventive services without cost sharing, coverage of essential health benefits, such as preventive health services and maternity care, among others, by putting them on our books in New Jersey. We look forward to working with the Legislature to move this initiative forward.

Also, he announced the state's next step to ensure residents have access to quality affordable health coverage will be to establish a State-Based Health Exchange for 2021.

We believe we can operate a state-based exchange and provide additional benefits to New Jersey residents with the funding we are currently sending to Washington to use the federal exchange, estimated to be over \$50 million dollars for 2019.

This funding will be better utilized right here in our state, where we can establish policies that create greater stability, access and improved protections against federal efforts to destabilize the market. We also have the benefit of lessons learned from states that already have their own exchanges and have operated them for years.

New Jersey is currently a rate review state, and last year we took over plan management of the exchange. Creating a state-based exchange is the right next step in the department's work. And we look forward to working hand in hand with the Legislature to make this a reality.

In total, the Department of Banking and Insurance oversees more than 300,000 state-chartered banks and state-chartered credit unions, insurance and real estate companies, as well as individual licensees.

The Department is committed to fair and consistent regulation to ensure an environment in which industry can succeed. A key priority of the department is consumer protection. The department aggressively pursues violations of the law discovered through the thousands of complaints received by the department annually; and, each year, it recovers millions for consumers and providers. To date in Fiscal Year 2019, we have recovered \$9.4 million for consumers, and collected \$7.4 million in fines for violations of the law.

We have also worked to provide proactive assistance to our residents through guidance issued to our regulated entities. Following the federal government shutdown in December, the department issued a bulletin urging banks, insurance companies and other entities regulated by the department to work with employees and their families during the time period they were unpaid.

We issued a similar request to regulated entities following the devastating fire at the Marcal paper mill in Elmwood Park that left hundreds of workers unemployed. We also responded along with state agency partners, and the state's federally-funded navigator, to provide health insurance information to employees who lost their jobs following the fire.

Last year, we recognized the importance of the department's work in helping to fill the gap left by the pullback of the federal Consumer Financial Protection Bureau. The department has begun meeting on an ongoing basis with the Division of Consumer Affairs and the Division on Civil Rights to coordinate oversight and enforcement efforts.

In addition to these efforts, the department is responsible for implementing a number of recently enacted laws that are critical to consumers – including those to address surprise billing and to ensure mental health parity in the state.

We are committed to ensuring New Jersey residents understand these laws and have access to the resources that they provide. The department is continuing implementation of the Out-of-Network law and, as announced, will conduct a Parity Listening Tour in the coming months to hear from families, advocates and providers on this important issue.

In closing, allow me to provide a brief overview of the insurance, banking and real estate markets in New Jersey:

In auto insurance, we have a total of 76 auto insurers doing business in New Jersey.

In homeowners insurance, we have 124 carriers in total selling policies in the state.

In the health sector, we have four carriers offering individual coverage, with three of them selling health insurance to New Jersey residents through the federal Marketplace, and four carriers offering small employer coverage.

On the banking side, total assets of New Jersey chartered banks increased from \$105.4 billion as of December 31, 2017 to \$111.5 billion as of December 31, 2018. Additionally, in 2018, Freehold Services Bank converted its charter from a federal charter to New Jersey.

In real estate, the total number of licensees in 2018 was 91,953. The total current number is 93,974.

In summary, New Jersey has competition in auto and home insurance, and 11 admitted carriers offering private flood insurance; in banking, our financial institutions, which provide financial services and lending options to our residents, are in sound condition; and our real estate licenses are trending upward.

We are proud of the work we are doing and committed to continuing to provide consistent regulation that contributes to an environment in which industry can succeed. We are also dedicated to continuing our work to ensure that residents of this state are protected and that they have access to the products and services they deserve.

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