

New York State
**Insurance
Department**



NEWS RELEASE

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FOR IMMEDIATE RELEASE

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EDITORS: FOR YEAR END STORIES

NEW YORK STATE INSURANCE DEPARTMENT IN 2008: A YEAR OF ACCOMPLISHMENTS

Faced with rapidly changing economic conditions, the New York State Insurance Department in 2008 demonstrated flexibility and innovation in regulation, combining core principles of consumer protection, transparency and industry support to help the industry manage through the worst fiscal crisis since the Great Depression and protect the jobs and economic contribution this vital industry offers to New York. The Department's accomplishments include:

National:

- Working with the NY Fed and Treasury on the AIG rescue plan. Chairs the NAIC 50-state committee charged with overseeing the sale of AIG insurance companies.
- Implemented a three-point plan to stabilize the financial guaranty market. Facilitated the injection of \$11 billion in new capital, rapidly licensed new Berkshire Hathaway and Macquarie units and proposed new regulation for financial guaranty insurers.
- Proposed new regulation for credit default swaps that led to a national discussion and proposed federal regulation.
- Was awarded the third ever 2008 "Esprit de Corps Award" by the National Association of Insurance Commissioners (NAIC) for accomplishments including being "an outstanding ambassador for state-based insurance regulation."
- Testified multiple times before federal and state legislators, including before committees of both houses of Congress, on credit default swaps, the rescue of AIG, regulatory reform, bond insurance and long term care insurance; among other issues.
- Chairs the NAIC Committee charged with overseeing and proposing regulation of life and annuities. Accomplishments include preventing companies from unfairly denying life insurance to travelers.

International

- Signed Memoranda of Understanding with various foreign regulatory authorities, including Bermuda, France, United Kingdom and Germany, allowing for international cooperation in regulation and regulatory enforcement.
- Participated in the Financial Stability Forum.

Regulatory reform

- Gave agents, brokers and insurers one year to accomplish contract certainty – having all terms and coverage of a policy or contract agreed on at or close to inception and having this sealed in writing – to help avoid situations like that which led to the World Trade Center insurance dispute.
- Proposed to allow similar reinsurers to be treated similarly in regards to collateral requirements, regardless of country of domicile. This prompted the NAIC to move toward a similar system nationally.
- Proposed new regulation for catastrophe reserves which has lead NAIC to revisit the matter nationally.
- Instructed all insurers in New York that same sex marriages legally performed elsewhere should be treated the same as any other legal marriages.
- Excess Line Modernization Effort – Held hearing on updating the Export List and drafted pending amendment which updates the Export List and increases minimum capital requirements for Excess Line Insurers.
- Held a series of hearings on broker compensation aimed at creating new regulations on broker compensation and disclosure
- Held a series of hearings on life settlements aimed at discovering consumer concerns surrounding this unregulated area and proposing regulations encompassing the industry.
- Developed new state pension fund regulations to further safeguard the approximately \$150 billion in assets in that fund.
- Adopted and implemented a new \$80 million pooling mechanism in the individual and small group health insurance markets to spread risk and make insurance more affordable.
- Adopted a regulation to prohibit coverage for drugs, procedures or supplies for the treatment of erectile dysfunction when provided to a person registered as a sex offender.
- Developed a regulation to clarify an external appeal agent’s liability in order to ensure the continued functioning of the consumer and provider right to external appeal of health plan coverage denials.
- Provided industry guidance on pre-existing conditions protections for consumers covered under disability policies.
- Modified the loss ratio reporting requirements for health insurance policies to increase transparency and enhance consumer protection.
- Held a seminar with the health insurance industry and posted additional product outlines on our web site to assist the industry with product filing and compliance.
- Adopted a regulation to require health insurers to provide consumers with information regarding expanded mental health benefits.

Crisis Management

- Working with the NY Fed and Treasury on the AIG rescue plan.
- Chair the NAIC 50-state committee charged with overseeing the sale of AIG insurance companies.
- Continued implementing the three-part plan for bond insurers, including securing more new capital and a new entrant into the market.
- Increased oversight of insurance companies’ securities lending programs, including issuing a Circular Letter warning about risk management and controls over such programs.
- Issued Circular Letter #25 on stress testing and scenario analysis and began on-site inquiries into companies stress testing and scenario analysis.

- Reminded the insurance industry that it should not improperly use problems at AIG or any other firm to try to convince policyholders to switch companies.
- Delivered MDNY HMO into liquidation while maintaining supervision of final operations.

Consumer protection

- Forced insurance companies to restore home insurance for policyholders on Long Island who had their policies improperly not renewed because they had not also bought life or auto policies from the same company.
- Instructed insurers with pending rate filings to examine the effect of the reduction in vehicle miles driven on projected costs, reducing projected increases to New Yorkers by half a billion dollars.
- Consumer recoveries from insurance companies for the period September to November were \$7.5 million.
- Established Senior Protection Unit to help this vulnerable population.
- As of the middle of December, received 64,546 complaints and closed 63,385 for 2008, compared 55,109 complaints in 2007.
- Developed, negotiated and implemented new legislation effective in 2008 which enhances health insurance consumer protections by limiting health plan denials, establishing additional appeal rights, providing requirements for continuity of coverage and increasing disclosure.
- Negotiated additional managed care protections to be proposed in legislation including provider contract protections, expanded grievance procedures, access to care requirements, provider appeal rights and credentialing rights.
- Drafted and implemented legislation to continue the 115% sole proprietor premium differential in order to further the continued availability of sole proprietor health insurance options.
- Held a public hearing to address out-of-network provider billing and excessive charges for emergency care.

Settlements and enforcement actions

- Oxford settlement – \$50 million in refunds secured for NY businesses for overpayment of health insurance premiums.
- Waiver of coinsurance investigation resulted in restitution to taxpayers of \$9 million in overpayments.
- Fraud prevention activity has increased, with arrests up year over year.
- HealthNow – stipulation and fine of \$1,050,000 for failure to comply with health insurance benefit mandates.
- CDPHP – stipulation and fine of \$600,000 for failure to comply with health insurance explanation of benefit requirements.

Special programs

- Helped to develop a program to increase the access of women- and minority-owned businesses to surety bonding and thus construction contracts. Received the top award from the Jamaica Business Resource Center and honored by the Association of Minority Enterprises of New York for this program.
- Distributed more than \$100 million in "stop-loss" funds to Healthy New York and the direct pay markets, thereby reducing health insurance rate increases to individuals.

- Distributed more than \$90 million in Timothy's Law funds, helping small businesses pay for increased mental health coverage.

Workers' Compensation Reform

- Drafted and negotiated legislation for the restructuring of the rate-making process for workers' compensation insurance designed to increase price competition and transparency. The legislation became law on January 31, 2008.
- Insurance rates decreased for the second year in a row. Costs for 2009 were reduced by about 5%, resulting in a 2-year reduction of about 25% from the 2007 pre-Reform rates.
- Created a streamlined process for contested claims that is substantially reducing the time for claim resolution and thus speeding the delivery of benefits and reducing costs.

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