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**ANNUAL REPORT
OF THE
SUPERINTENDENT OF INSURANCE
TO THE
NEW YORK LEGISLATURE**

CALENDAR YEAR 1994



**GEORGE E. PATAKI
GOVERNOR**

**EDWARD J. MUIHL
SUPERINTENDENT OF INSURANCE**

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STATE OF NEW YORK
INSURANCE DEPARTMENT
160 WEST BROADWAY
NEW YORK, NEW YORK 10013

GEORGE E. PATAKI
Governor

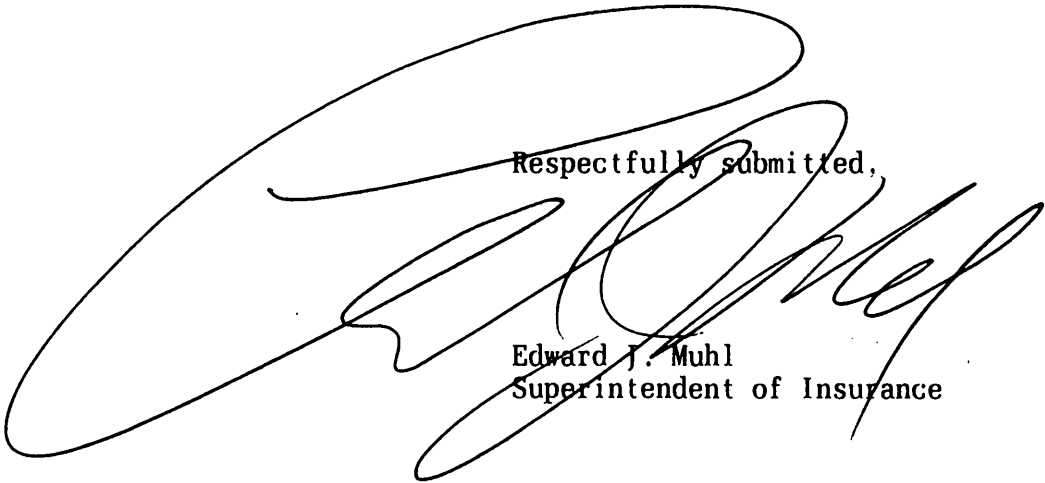
EDWARD J. MUHL
Superintendent of Insurance

May 15, 1995

To the Legislature:

The Annual Report of the Superintendent of Insurance for the year ending December 31, 1994 is herewith submitted in accordance with Section 206 of the Insurance Law.

Respectfully submitted,


Edward J. Muhl
Superintendent of Insurance

**ONE HUNDRED THIRTY-SIXTH
ANNUAL REPORT
OF THE
SUPERINTENDENT OF INSURANCE**

A Report to the Legislature
for the Year Ending
December 31, 1994

**EDWARD J. MUHL
SUPERINTENDENT OF INSURANCE**

It should be noted that data in this report are subject to small table-to-table variations. Such variations are attributable to the fact that data are retrieved at various times throughout the year.

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MAJOR DEVELOPMENTS

1994

NEW ADMINISTRATION

Governor-elect George E. Pataki indicated in December 1994 that Edward J. Muhl, Senior Vice-President of the Reliance Group, was his choice to succeed Salvatore R. Curiale as New York's Superintendent of Insurance. In addition, Gregory Serio, Chief Counsel to the Senate Standing Committee on Insurance, would be appointed the Department's First Deputy Superintendent and General Counsel.

Mr. Muhl came on board January 18 as Acting Superintendent and was confirmed unanimously by the State Senate on February 14. One of the Superintendent's first acts was to reach out to the insurance community to obtain its appraisal of the Department's existing regulatory structure.

Responses from the insurance community were used in preparing the Department's evaluation of existing regulations which was submitted to Governor Pataki on April 5. The Governor had called for such an evaluation via Executive Order No. 2 issued just a few days after he assumed office.

The Order also called for a 90-day moratorium (later extended to 180 days) on the issuance of new rules and regulations by State agencies. Exceptions were permitted in limited circumstances, such as for rules that relax current regulatory burdens or the regulations that respond to emergencies affecting the public's health, safety or welfare.



Edward J. Muhl

LIFE INSURANCE ISSUES

Investigations of Life Insurers

Allegations of improper sales practices and other unethical and illegal conduct kept the life insurance industry in the headlines in 1994. Concerns about these practices' impact on New York consumers led the Department to investigate a number of life insurers during the year.

* A multi-state investigation into the sales practices of MetLife resulted in a \$20 million fine. The \$20 million was apportioned among all affected states; New York's share was \$2.7 million. In addition, the company agreed to implement a restitution plan for consumers who were misled into believing they had purchased retirement plans when in fact they had bought whole life insurance policies.

* The Equitable Life Assurance Society of the U.S. and two of its subsidiaries paid fines totaling \$550,000. Moreover, one of the subsidiaries, Equitable of Colorado, agreed to settle all premium tax liabilities on policies that the company claimed were sold outside New York State but the Department determined were not. The Department estimated that this tax liability might be as high as \$1.4 million.

* New York Life Insurance Company signed a stipulation and paid a \$100,000 fine for subsidizing ineligible agents under training programs. As part of the company's agreement with the Department, the stipulation was read in its entirety at the company's annual meeting of the Board of Directors. In addition, some agents of the company are under investigation by the Department for allegedly representing life insurance products as retirement plans. New York City police, fire and sanitation workers were allegedly targeted by the agents. New York Life is conducting an audit of these agents under the supervision of the Department.

* Connecticut Mutual Life Insurance Company instituted a program in 1987 to replace fixed loan rate policies with variable loan rate policies. As an incentive to make the exchange, the company provided each insured with an opportunity to receive a term insurance product with a waiver of premiums for a period of ten years. The Department discovered that agents received commissions and other compensation on these policies under a plan that had not been filed for approval with the Superintendent. The company was fined \$100,000.

* National Benefit Life Insurance Company paid a \$500,000 fine for submitting to the Department false pre-licensing education certificates for 80 of its agents. In addition, the company used illustrations and other sales material that the Department found to be objectionable.

In a Circular Letter dated January 31, 1994 the Superintendent directed the life insurance industry to immediately undertake a series of measures designed to uncover illegal marketing and sales practices in New York State. The Circular Letter directed the companies to take the following actions:



1. Review company advertising files and practices for the past three years to ascertain compliance with Department Regulation 35-A which governs advertisement of life insurance and annuity contracts with special attention to determining whether the companies' systems of control over content, form and method of dissemination of all advertising are adequate.

2. Review procedures for notifying the Department regarding agent terminations. Companies are required notify the Department when they terminate any of their agents and must provide the full facts related to the reason for termination.

3. Examine company complaint files to determine patterns of abuse or regionally based problems, in addition to a review to determine whether the company has established an internal consumer services unit as requested in a previous Insurance Department Circular Letter.

4. Review internal audit procedures to ensure that adequate procedures are in place to provide for current evaluations of compliance with all statutes and regulations dealing with sales, advertising, product approvals and filing requirements in all jurisdictions in which the company conducts business. A reporting mechanism should be in place to ensure that senior officers and board members are made aware of any significant findings of such internal audits.

In addition, in early April 1995 the New York Insurance Department joined a multi-state task force with New Jersey, Pennsylvania and Illinois investigating allegations of "churning" and other improper life insurance company sales practices. The first inquiry will be a probe of churning allegations against the Prudential Life Insurance Company. Churning occurs when a policyholder is persuaded to turn in or borrow from the cash value of an existing policy in order to purchase a new policy. This practice in most cases benefits the agent or the insurance company selling the new coverage and is generally not in the best interest of the consumer. At the same time the Department is working on a regulation that would set standards for life insurance illustrations.

Viatical Settlement Companies

Many individuals with catastrophic or life-threatening illnesses are turning to viatical settlement companies for financial help. A viatical settlement company makes a lump sum payment to a life insurance policyowner in return for having the policy's death benefits assigned to that company. Until legislation was enacted in 1993, these companies were not subject to regulation in New York.

In July 1994, the Department issued Regulation 148, implementing new standards governing viatical settlement companies to protect individuals with life-threatening illnesses who are considering signing over their life insurance policy benefits. The consumer protection measures include the requirement that viatical settlement companies and viatical settlement brokers become licensed by the Insurance Department. In addition, viatical settlement companies must now obtain approval from the Department for all settlement agreement contracts, submit detailed financial reports to the Department, provide full disclosure (such as the alternatives to entering into an agreement and the possible tax consequences) to potential applicants, and allow consumers the opportunity to rescind the transaction within 15 days of receiving their proceeds.

Lifetime Options, Inc., A Viatical Settlement Company, of Arlington, Virginia, the first company to meet these new standards, became licensed in February 1995. Eleven other companies applied for licensure by an October 4, 1994 deadline. By meeting the deadline, these 11 companies may continue to operate as viatical settlement companies until a decision is reached regarding their licensing applications. Those companies applying after the October 4 deadline will be treated as new corporations and may not conduct business until their applications are approved and they are licensed by the Department.

In addition, while 8 viatical settlement brokers have applied for licensing, none has thus far been licensed. However, six filed their applications by the October 4 deadline and are therefore permitted to act as viatical settlement brokers until the Superintendent makes a determination on their applications.

Synthetic GICs

The Department issued Circular Letter No. 9 in August 1994 informing all licensed life insurers, financial guaranty insurers and accredited life reinsurers that so-called synthetic guaranteed investment contracts (synthetic GICs) cannot be offered by New York-licensed companies. It is the Department's opinion that such contracts constitute financial guaranty insurance of a type not authorized for sale in New York State.

Traditional guaranteed investment contracts are purchased by contractholders (*e.g.*, pension plans) seeking fixed returns. With GICs, a contractholder deposits funds with an insurance company for a designated period of time. The insurer in turn agrees to return the principal plus interest at the end of the contract period.

GIC funds can be directed to an insurer's general account or to a separate account. In either case, the underlying assets are **owned by the insurer** and subject to cash-flow testing or asset maintenance requirements set forth in New York regulations.

With synthetic GICs, the contractholder--**not the insurer**--retains ownership of the assets. Such assets are typically placed in a trust account controlled by an investment manager, for the benefit of the contractholder. The life insurer provides a guarantee of principal and interest, which protects individual accounts (e.g., pension plan participants) from market downswings.

With such guarantees in place, an investment manager may not exercise the same fiduciary restraints over investments that would be exercised if the contractholder or participants bore the full risk of loss. Without asset ownership, an insurer cannot adequately control the risk attributable to the guarantees provided or ensure that assets satisfy prudent investment guidelines. Since insurers called upon to honor their synthetic GIC guarantees would fund such obligations through general account assets, the general account policyholders ultimately bear the risk of the synthetic GIC product.

HEALTH INSURANCE ISSUES

With the failure of the 103rd Congress to pass any meaningful health care reform on the national level in 1994, and the likelihood that the 104th Congress will maintain the *status quo*, the issue of the availability and affordability of health insurance will continue to be addressed at the state level. New York has taken a number of important steps in recent years to make health insurance more accessible to all its residents.

Open Enrollment/Community Rating

The New York State Legislature passed the open enrollment/community rating law in 1992. The provisions of the law became effective in April 1993. The legislation requires all health insurers of small group and individuals to offer coverage to any applicant, regardless of age, sex, occupation or prior health history. That's the open enrollment part. In addition, rates for such coverage must be based on an insurer's entire pool of small group or individual business in a particular territory. And that's the community rating part.

Another key feature of the law is "portability," which means no New Yorker who changes jobs need fear serving a new pre-existing condition waiting period if one was served under a substantially similar policy. Perhaps most importantly, the law ensures that individuals continue to have access to health insurance, and therefore, health care, as they become sick or grow older.

In August, an industry-funded actuarial report was published by Milliman & Robertson (M&R) which purported to show a 500,000 drop in the number of insureds as a result of New York's reforms. However, while the report used census data from 1992, M&R did not wait for the 1993 census data before publication of its report.

When 1993 census data became available in October, the numbers revealed that New York State's 1993 uninsured rate remained unchanged from 1992. Indeed, the data showed that in every year for the four-year period prior to the implementation of the community rating reforms, the percentage of uninsureds in New York steadily grew. In 1988, the percentage was 10.7; in 1989,



11.8 percent; in 1990, 12.1 percent; in 1991, 12.3 percent and in 1992, 13.9 percent.

However, the Census Bureau's 1993 state-by-state survey of those persons not covered by health insurance showed that the percentage of New Yorkers with no health insurance did not change from 1992. In fact, the survey showed that while New York's rate remained stable, the nation-wide average rose from 15 percent in 1992 to 15.3 percent in 1993. In addition, the uninsured rate went up in 27 states and in every state surrounding New York, including New Jersey, Connecticut, Massachusetts, Pennsylvania and Vermont.

At the end of 1994, about 13 commercial carriers still remained in the small group market. In addition, virtually every health maintenance organization authorized to do business in the State must offer individual coverage under the law.

Empire Blue Cross/Blue Shield

Empire Blue Cross/Blue Shield, with 5.4 million subscribers, has traditionally been the insurer of last resort in New York State. Following 1993, a year in which Empire saw its financial condition deteriorate and significant changes in its management, the company began to show signs of improvement. Nonetheless, Empire requested an overall average increase of 8.8% for its individual and small group community-rated subscribers to be effective April 1, 1994.

Following public hearings in March, then-Superintendent Curiale denied the request based on the company's improved finances. Empire had a \$96.8 million underwriting gain on its individual and small group contracts in 1993 and finished the year with \$231 million in surplus.

A Department Examination Report on Empire, released on March 17, 1994, focused on Empire's financial condition, management shortcomings and deficiencies relating to the company's system of internal controls from January 1, 1988 through December 31, 1991. However, a review of relevant events through mid-1993 was also contained in the report. In addition, the report cited the company for a lack of cooperation during the examination process.

The report made 52 specific recommendations based on the findings contained in the report. Many of the issues raised by the report were being addressed by the company's new management and board of directors. However, the report indicated that the company still had serious problems that required immediate attention.

In early 1995, Empire again requested a rate increase for its 727,000 individual, small group and Medicare supplement community-rated subscribers. This time, newly appointed Superintendent Edward J. Muhl scaled back the request and demanded that the company achieve significant cost savings, become more efficient, and expand its product line to include managed care programs.

The decision limited the overall average increase to 15.7%, which cut Empire's original request by 28% or \$50 million. This decision also capped the highest increase at 21.8%, half of Empire's initial 43% rate request, and capped Medicare supplement increases at 9%. The increases became effective March 1, 1995.

The modified increases, necessary to help Empire remain solvent, were granted after Empire had rejected a recommendation by the Department to develop a managed care program that would offer prescription drug and other benefits that would be attractive to its customers.

In his rate decision, Superintendent Muhl informed Empire that cost savings could be



achieved in a number of very specific ways, namely, detection of fraud, reduction of administrative expenses and restructuring of its experience-rated business so that the premiums generated would make a contribution to surplus.

In the area of administrative expenses, the Superintendent made particular note of the payment of executive bonuses at a time when Empire was struggling to find a new marketplace identity. Empire reported that its board approved bonuses of \$617,000 in 1993 and \$556,000 in 1994. The Superintendent has expressed his support for a bill that would provide him with more control over the compensation of officers of certain nonprofit insurers.

Following his decision, Superintendent Muhl met with the Department's market conduct examiners at Empire's New York City offices and instructed them to review every aspect of the company's compliance with laws, rules, regulations and business practices.

PROPERTY/CASUALTY INSURANCE ISSUES (OTHER THAN AUTO)

Insurers were hit hard by catastrophic losses in 1994, to the tune of \$13 billion. The Los Angeles earthquake in January, which accounted for \$9 billion in losses, as well as late-year floods in Texas and other natural disasters, combined to make 1994 the second worst year on record. Only 1992 scored worse results with catastrophic losses totaling \$23 billion.

Some statistics worthy of note:

- * 21 of the 25 largest insured catastrophes in the United States have occurred in the past decade;
- * 16 of those 25 involved a combination of wind (hurricane) and water (flooding);
- * 5 of the 6 largest insurance catastrophes have occurred in the past five years;
- * nearly 50% of all catastrophe-related insured claims since 1949 were paid since 1990.

There was a surge in mergers and acquisitions throughout American industry during 1994, with a record \$339.4 billion in such transactions during the year. Insurers came in third (behind telecommunications/media and the drug industry) in volume of activity, accounting for \$22.6 billion.

Shorelining

In light of the increasing number of such natural disasters, insurers began to take a hard look at the extent of their exposure and many began tightening underwriting standards or refusing coverage to homeowners in New York's coastal areas, particularly on Long Island. In an effort to address a problem of dwindling availability, the Department took steps to ensure that meaningful coverage was available for coastal homeowners while at the same time recognizing the risks to insurers. In the fall of 1993, the Department developed criteria to be used by insurers in applying windstorm deductibles and in creating "wrap-around" policies (*i.e.*, policies in which the New York Property Insurance Underwriting Association, a.k.a. the FAIR Plan, would provide the fire and extended coverage of a homeowners policy, while insurers would provide the liability and theft portion).

In addition to a toll-free hotline, the Department also established a Coastal Market Assistance Program (C-MAP) and a Coastal Market Assistance Reference Table (C-MART) to

match consumers in shore areas with insurers in the voluntary market.

On another front, the Department moved to prevent insurers from raising homeowners insurance rates unless they could clearly demonstrate that they had suffered losses. Travelers Insurance Company had filed for a 4.1% state-wide average rate increase in September 1993 but sought an average 17% for its policyholders in Nassau County and 22.5% for its Suffolk County customers. The Department had rejected the Travelers proposal as excessive and ordered the company to keep its previous rates.

A Department analysis of the company's filing revealed that the rate increases were based not on past claims, but rather on elevated reinsurance costs and catastrophic loading factors projecting the possibility of a "Hurricane Andrew" type storm hitting Long Island. While some insurers raised similar concerns and others stopped issuing new policies in shoreline communities on Long Island, no company was allowed to use the extreme methodologies and assumptions incorporated in the Travelers filing.

Superintendent Muhl met with Suffolk County Executive Robert J. Gaffney, State Senator Owen Johnson (R-C, Babylon) and other local officials at the Suffolk County offices in Hauppauge in April 1995 to discuss continuing problems and possible solutions relating to the availability of homeowners insurance for county residents who live near the shore. The Superintendent also met with the Independent Insurance Agents (IIA) and the Professional Insurance Agents (PIA) to discuss these issues.

Some homeowners on Long Island who live within a mile of the shore have continued to experience difficulty securing homeowners insurance protection. This has resulted because a number of insurers have begun to limit coverage due to concerns over the potential of a large storm causing widespread damage to homes.

A footnote to the homeowners insurance availability problems: Flood-related damage is routinely excluded from homeowners insurance policies, a fact that homeowners are often unaware of. However, legislation passed in 1994 requires that insurers must now provide a clear notice to their homeowners, apartment, co-op and condominium insurance policyholders, advising them that such policies do not provide coverage for loss caused by mudslide or flood, and that such coverage is available through the National Flood Insurance Program.



The new law requires that the notice be prescribed or approved by the Superintendent of Insurance and provided upon the issuance of first renewal of such policies. This will ensure the information provided to policyholders is succinct, informative and does not tend to alarm or entice policyholders into purchasing unnecessary coverage.

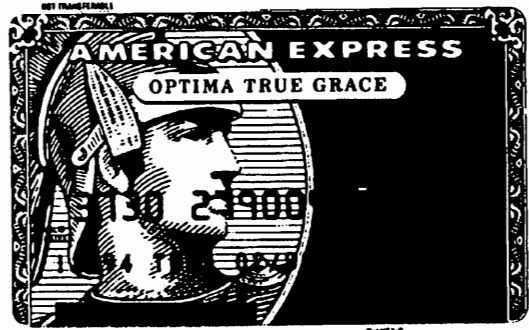
Credit Card Bill

With the enactment of legislation in March 1994, New York became the first state to issue insurance safeguards for consumers who obtain certain coverages--such as extended warranties or theft insurance--through their credit cards. For years, banks, retailers and credit card companies had been offering group property insurance coverage to their customers. These programs typically provided insurance coverages for products purchased using a credit card, debit card or checking

account. Such coverages included extended warranties, theft and physical loss insurance and collision damage insurance.

The new law, which was designed and drafted by the Insurance Department, requires card issuers and banks to provide consumers with certificates of insurance that fully describe their coverages. Under the law, consumers must now be notified in the event coverages are cancelled or nonrenewed. Moreover, a coverage for a specific purchase must remain in effect for the designated period even if the group policy providing such coverages is cancelled or nonrenewed.

Another feature of the law requires card issuers and banks to offer coverages that are bona fide insurance products, purchased through insurance companies licensed in the State of New York. Many of the programs designed prior to the new law were not underwritten by licensed insurers. Consumers can now be assured that these policies and rates have been reviewed by the Insurance Department. In addition, the Department is authorized to handle complaints through its Consumer Services Bureau.



Workers' Compensation Insurance

The Superintendent approved a 1.7% *decrease* in workers' compensation insurance rates effective October 1, 1994, the first time since 1986 that the Department approved an overall decrease. The New York Compensation Insurance Rating Board (NYCIRB) had requested a 1.5% decrease.

This 1.7% decrease was the result of a reduction in the mandated assessments used to fund certain types of workers' compensation benefits as well as a slight improvement in the workers' compensation loss experience in 1993 compared with 1992.

The Department had approved a 14.4% increase in workers' compensation rates effective October 1, 1993. However, this rate increase was reduced by an average of 5.3% effective April 1, 1994 as a result of legislative reforms.

AUTO INSURANCE ISSUES

Assigned Risk Plan Depopulation Initiatives

Two new initiatives, designed to build on previous Department programs to reduce the number of drivers in the New York Automobile Insurance Plan, were undertaken in 1994. These new initiatives, a Take-Out Credit and a Depopulation Pooling Mechanism, will provide further opportunities for good drivers to become insured in the voluntary market rather than through the Automobile Insurance Plan, more commonly called the Assigned Risk Plan. The Insurance Department has worked with insurance companies and agents and brokers in recent years to help ensure that only motorists with poor driving records end up in the Assigned Risk Plan.

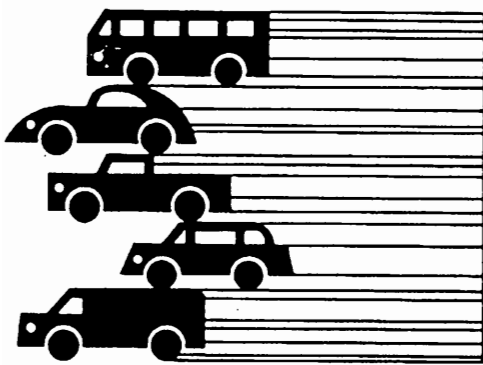
New York State drivers who own or lease vehicles must purchase automobile insurance in New York State. For those who cannot find coverage in the voluntary market because of poor driving or for other reasons, the Assigned Risk Plan is the insurer of last resort. All auto insurance companies must participate in the Plan, with each carrier assigned a percentage of Plan drivers based on that insurer's share of the voluntary market.

Two major programs were previously implemented to depopulate the Plan. The first, a

Territorial Credit Program, provides auto insurers with incentives to voluntarily cover drivers in inner-city areas, particularly New York City. For every driver taken out of the Plan and voluntarily covered in ZIP Codes in which the percentage of drivers in the Plan is greater than average, an insurer can reduce its future Assigned Risk Plan assignments. For example, in the Bronx a carrier's credit can be 4-for-1, 3-for-1 or 1-for-1, depending on the ZIP Code in which that carrier has voluntarily insured a motorist.

The second program, a Take-Out Process, makes it easier for insurance companies to establish relationships with so-called "storefront" brokers located in inner-city neighborhoods. Because most insurers have been reluctant to establish ongoing relationships with storefront brokers, the only market for consumers served by these brokers has been the Assigned Risk Plan. The Take-Out Process provides storefront brokers with greater access to insurance companies.

With the new initiatives, a one-time Take-Out Credit has been established. This is an additional incentive designed to enhance the Territorial Credit Program. These Take-Out Credits are applied when an insurer writes a policyholder already in the Assigned Risk Plan in ZIP Codes identified as the most underserved by insurers in the voluntary market. Unlike the Territorial Credit Program, which credits an insurer two years after a policy has been written in the voluntary market, these Take-Out Credits are applied *immediately* to an insurer's *premium* quota. The amount of the



Take-Out Credit, awarded on a one-for-one basis, is 100% of the Plan premium that would have been charged had the Plan policy been renewed.

Under the second of the two new initiatives, a Depopulation Pooling Mechanism was created to enable more companies to participate in the Territorial Credit Program. The Depopulation Pool allows carriers that write primarily in the ZIP Codes selected for the Territorial Credit Program and Take-Out Credit Program to contract with a group of companies that do not have a major presence in these ZIP

Codes. This "lead" carrier underwrites the policy, but will "reinsure" a portion of the business to Pool members for credits towards reducing their Assigned Risk Plan quotas.

The lead carrier will receive credits based on the percentage of the business it retains, while the credits applied to each reinsurer's quota will be based on its share of the Pool. For example, a lead carrier may write 100 new drivers, cede 80% of the business to a pool of 10 other insurers, with each carrier taking 8% of the total business.

The territories affected by these amendments include certain ZIP Codes within Mount Vernon and Yonkers, Queens, the Bronx, Brooklyn and Manhattan. The amendments became effective January 1, 1994.

The Department submitted its first biennial report on the Assigned Risk Plan to the Governor and the Legislature on May 1, 1994. The report was mandated by legislation enacted in 1992. The report offered several suggestions to help reduce the number of good drivers in the Plan (*e.g.*, Variable Commission Structure and Careful Driver Credits).

No-Fault Managed Care Option

The Department held public hearings in July 1994 to discuss proposed rules implementing a no-fault managed care option for motorists. Legislation adopted in 1993 permits automobile insurance companies to offer the option of a no-fault managed care program to policyholders. The law is intended to reduce costs while maintaining the quality of medical and other health care services by providing managed care alternatives for those injured as a result of automobile accidents. Those

covered under managed care programs agree to receive medical care from a health care provider network named by the insurance company or obtain pre-authorization from the insurer before seeking nonemergency treatment. No-fault automobile insurance premiums will be lower for those policyholders who agree to participate.

The proposed rules provide various consumer protections and establish strict standards for health care provider networks. For example, consumers must review and sign a detailed, three-page disclosure statement listing the advantages and drawbacks associated with a managed care approach. In addition, the Insurance Department must review and certify any managed care organization before it is allowed to provide care to auto accident victims under an insurer's managed care program.

The proposal also establishes procedures to assure that only licensed health care providers make judgments regarding the propriety of treatment. A quality assurance program must be established to identify potential and actual problems in the administration of managed care programs.

Insurance company representatives who testified at the July hearing favored the option and generally supported the Department's proposed regulation. Testimony was also heard from a number of opponents of the proposal, the most outspoken of which was the New York State Trial Lawyers Association.

The proposed regulation resulted from a series of meetings with consumer groups, the trial bar, health care providers, insurance companies and other interested parties. The final regulation will be promulgated in 1995.

Gap Insurance

To anyone leasing a motor vehicle, the purchase of gap insurance is a prime consideration. Without gap insurance, the person leasing a vehicle (*i.e.*, the lessee) that is totaled or stolen could end up with a financial obligation to the leasing firm (*i.e.*, the lessor) that far exceeds any insurance settlement. This is because the lessee's ultimate financial obligation often exceeds the actual cash value of the vehicle, as determined by the vehicle's physical damage insurer. A "gap" of thousands of dollars is not uncommon under leasing arrangements, particularly in the early years of an agreement.

Lessors often sell what they call "gap insurance" to cover the difference between the lessee's total obligation and the car's actual cash value. The lessor, however, is actually selling a waiver that eliminates the lessee's obligation in the event of a total loss or theft.

Legislation enacted in 1994 as part of the Omnibus Consumer Protection and Banking Act of 1994 (Chapter 1 of the Laws of 1994) adds gap insurance as a new kind of insurance. The new law authorizes motor vehicle gap insurance for lessees as well as motor vehicle lessor insurance for lessors that sell gap waivers. The law also authorizes motor vehicle gap insurance for borrowers and lenders under credit transactions, such as loan agreements. Gaps exist under a loan agreement when at the time of the loss the size of the outstanding loan balance exceeds the actual cash value of the motor vehicle.

As of June 30, 1995, a lessor will not be able to sell a waiver on consumer leases unless an appropriate gap insurance policy is purchased from a licensed property/casualty insurer. Lessors or lenders that fail to comply with the new requirements of Chapter 1 would be conducting an insurance business without a license in violation of the Insurance Law. Gap insurance may be



sold in New York only by insurers authorized to write the coverage.

It should be noted that although gap insurance is sold primarily in connection with leases and loans on motor vehicles, the legislation also authorizes gap insurance for leases and loans on other personal property.

No-Fault Delayed Payment Fines

The Department issued a circular letter in 1992 reminding insurers of their obligations to pay no-fault arbitration awards within the required 30 days and advising them that penalties of \$250 may be imposed for each offense. As a result of an ongoing investigation into a significant number of consumer complaints about late payments, the Department collected fines totaling \$315,000 during 1993 and \$173,000 in 1994.



INSURER LIQUIDATION

The Department went to court in August 1994 seeking an Order of Liquidation for the Schenectady-based United Community Insurance Company (UCIC). UCIC wrote \$59.5 million in direct premiums in 1993. The company had been under the control of the Department since early July when UCIC's board of directors consented to Department supervision through a court-approved rehabilitation plan. As of this writing, the matter remains in the courts.

In October 1994, an Order was entered in New York County placing Galaxy Insurance Company in liquidation. A relatively small domestic property/casualty insurer with \$14.1 million in 1993 direct premium written, Galaxy was placed in liquidation due to inadequate policyholder surplus.

I. GENERAL REVIEW OF NEW YORK STATE INSURANCE BUSINESS

A. LIFE INSURANCE AND COMPANIES BUREAU

1. Licensed Life Companies

There were 139 life insurance companies licensed to transact business in New York State at December 31, 1994.

Total admitted assets of licensed life insurers amounted to approximately \$1.1 trillion at December 31, 1993, a ten-year gain of 135.2%. Bonds totaled \$493.1 billion; stocks \$35.6 billion; mortgage loans \$155.8 billion; real estate \$34.5 billion; policy loans \$46.6 billion, and short-term holdings \$19.8 billion. Other admitted assets totaled \$273.6 billion.

2. Domestic Life Companies

Domestic life insurance companies had admitted assets of \$385.9 billion at December 31, 1993, an increase of 124.4% since 1983. Insurance in force at December 31, 1993 of \$2.6 trillion represents an increase of 112.3% since December 31, 1983.

3. Savings Bank Life Insurance

There were 29 banks issuing savings bank life insurance at the close of 1994. Total ordinary and group life insurance in force at December 31, 1994 amounted to \$22.9 billion. Admitted assets totaled \$1.1 billion.

4. Organizations Under Life Insurance and Companies Bureau Supervision

The Life Insurance and Companies Bureau supervised 425 organizations as of December 31, 1994. These organizations consisted of: 139 licensed life insurance companies--88 domiciled in New York and 51 foreign; 50 fraternal benefit societies--8 domiciled in New York, 41 foreign and 1 United States Branch of a Canadian Society; 29 life insurance departments of New York mutual savings banks; 13 retirement systems--5 private pension funds and 8 governmental systems; 8 governmental variable supplements funds; 88 segregated gift annuity funds; 24 employee welfare funds and 74 accredited reinsurers.

Table 1
ADMITTED ASSETS
 Life Insurance Companies Licensed in New York State
 Selected Years, 1983-1993

(dollar amounts in billions)

Admitted Assets	1993	1992	1988	1983
Total	\$1,059.0	\$971.9	\$748.8	\$450.3
Percent increase from 1983	135.2%	115.8%	66.3%	---
Type of asset				
Bonds	\$493.1	\$441.1	\$320.5	\$164.0
Stocks	35.6	31.7	25.2	18.9
Mortgage loans	155.8	172.3	177.7	113.8
Real estate	34.5	31.2	21.6	12.0
Policy loans/liens	46.6	43.8	38.6	40.3
Short-term holdings	19.8	16.5	15.0	11.9
Other	273.6	235.3	150.2	89.4

Source: New York State Insurance Department

Table 2
TOTAL LIFE INSURANCE IN FORCE
 Life Insurance Companies Licensed in New York State
 Selected Years, 1983-1993

(dollar amounts in billions)

Class of Business	1993	1992	1988	1983
Total insurance in force	\$6,494.4	\$6,084.6	\$4,551.4	\$3,138.6
Percent increase from 1983	106.9%	93.9%	45.0%	---
Ordinary	\$3,228.1	\$2,986.9	\$2,220.8	\$1,451.3
Group	3,190.6	3,022.0	2,244.8	1,616.5
Credit	67.7	67.6	77.3	59.6
Industrial	8.0	8.1	8.5	11.2

Source: New York State Insurance Department

Table 3
SOURCE OF INCOME
Life Insurance Companies Licensed in New York State
Selected Years, 1983-1993

(dollar amounts in millions)

Source of Income	1993		1988		1983	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Total	\$229,587.5	100.0%	\$182,185.7	100.0%	\$91,846.0	100.0%
Premiums, group life	11,039.7	4.8	7,344.4	4.0	5,937.3	6.5
Premiums, group annuities	51,860.0	22.6	46,408.5	25.5	10,612.0	11.6
Premiums, accident & health	29,790.2	13.0	23,655.4	13.0	18,261.1	19.9
Other premiums	64,379.0	28.0	41,472.9	22.8	24,523.7	26.7
Supplementary contracts	5,357.5	2.3	3,976.3	2.2	2,456.0	2.7
Net investment income	60,531.0	26.4	53,487.7	29.4	31,030.0	33.8
Other income	6,630.1	2.9	5,840.5	3.2	- 974.1*	-1.1

* The negative figure for 1983 is the result of reinsurance

Source: New York State Insurance Department

Table 4
LIFE INSURANCE IN FORCE IN NEW YORK STATE
Life Insurance Companies Licensed in New York State
Selected Years, 1983-1993

(dollar amounts in billions)

Insurance In Force	1993	1992	1988	1983
Total	\$766.9	\$740.4	\$589.2	\$351.4
Percent increase from 1983	118.2%	110.7%	67.7%	---
Class of business				
Ordinary	\$458.5	\$431.9	\$319.8	\$170.9
Group	297.7	296.6	251.6	168.0
Credit	9.7	10.9	16.8	11.4
Industrial	1.0	1.0	1.0	1.1

Source: New York State Insurance Department

Table 5
ADMITTED ASSETS, INSURANCE IN FORCE IN NEW YORK STATE
Domestic Life Insurance Companies
Selected Years, 1983-1993

(dollar amounts in billions)

Domestic Life Companies	1993	1992	1983
Admitted assets	\$385.9	\$354.4	\$ 172.0
Percent increase from 1983	124.4%	106.0%	---
Insurance in force	\$2,556.7	\$2,430.5	\$1,204.5
Percent increase from 1983	112.3%	101.8%	---

Source: New York State Insurance Department

Table 6
 SAVINGS BANK LIFE INSURANCE
 New York State
 Selected Years
 1984-1994

(dollar amounts in millions)

SBLI	1994	1993	1989	1984
Number of issuing banks	29	31	46	51
Ordinary insurance issued during year:				
Policies	13,087	15,215	19,809	34,837
Amount	\$327.0	\$411.0	\$447.6	\$339.9
Ordinary insurance in force end of year:				
Policies	430,243	438,974	470,604	503,873
Amount	\$5,930.0	\$5,941.2	\$5,667.0	\$4,931.9
Group life insurance in force end of year:				
Amount	\$16,932.6	\$16,915.6	\$10,893.7	\$4,367.3
Total admitted assets	\$1,092.8	\$1,045.5	\$844.6	\$629.3

Source: New York State Insurance Department

5. Licensed Fraternal Benefit Societies

At the close of 1994, there were 50 fraternal benefit societies licensed to do an insurance business in New York State. Of this number, 8 were domestic, 41 were foreign and 1 was an alien society. In the ten-year period ending December 31, 1993 the admitted assets of licensed societies rose \$26.4 billion to a total of \$37.7 billion, an increase of 234%. Insurance in force rose \$126.8 billion to \$196.6 billion, an increase of 182%.

6. Private Retirement Systems

At the close of 1993, five private retirement systems were under the supervision of the Insurance Department.

The five systems, which are private pension funds of certain nonprofit organizations, were made subject to Insurance Department regulation by special legislative enactments. At the end of 1993, the assets of these five private pension funds totaled approximately \$63.8 billion. The following table shows data for selected years from 1983 to 1993:

Table 7
PRIVATE PENSION FUNDS
REGULATED BY INSURANCE DEPARTMENT
Selected Years, 1983-1993

(in millions)

Private Pension Funds	1993	1992	1988	1983
Total admitted assets	\$63,770.7	\$55,308.7	\$33,093.2	\$16,450.1
Payments to annuitants and beneficiaries	\$2,193.2	\$2,115.9	\$ 1,742.7	572.1

Source: New York State Insurance Department

7. Public Retirement Systems

The eight actuarially funded public retirement systems under the supervision of the Insurance Department at the close of 1993 are governmental systems that provide retirement, death and disability benefits to the employees of New York State and those of its political subdivisions that have elected to provide such benefits for their employees. The aggregate assets of the eight governmental systems as of the end of their respective fiscal years ending in 1993 were approximately \$149 billion. During the period from 1983 to 1993, the assets of these retirement systems increased at the compound rate of 11.4% per year.

The governmental retirement systems cover a total of 1.7 million active and retired members. The number of active employees in the public retirement systems in 1993 increased by 10% over the 1983 level, while the number of retired employees increased by 41% in the same period. This points up the need for the maintenance of adequate actuarial reserves.

The New York City Administrative Code provides for eight nonpension funds known as variable supplements funds. They are financed by the transfer of earnings from the equity portfolios of the New York City Police and Fire Departments' Pension Funds, and the New York City Employees' Retirement System. The variable supplements funds provide retirement benefits in addition to those received from the pension funds, and are under the supervision of the Insurance Department. The assets of the variable supplements funds totaled \$1.6 billion as of June 30, 1993, up 28% from the prior year.

During 1993 and 1994, legislation was enacted, pursuant to negotiations between New York City and the Superior Officers of the Police and Fire Departments, to substitute a fixed graduated supplemental pension in place of the former variable supplements payments. As a result, the City will guarantee the additional pensions (as a supplement to their regular pensions) on a graduated scale up to \$12,000 per annum. This applies to all eligible members of both Departments, as well as the Housing Police and Transit Police, so that by the end of 1994, the variable benefit had been eliminated from all of the eight variable supplements funds, and had been replaced by the series of fixed guaranteed payments.

The Legislature during 1994 enacted about 35 bills that were directly related to the Public Retirement Systems. Twenty percent of these were special interest bills designed to correct administrative oversights that had adversely affected the pensions of certain individual members. It appears that the enactment of Chapter 437 of the Laws of 1993 has reduced the number of such special interest bills by providing the Retirement Systems with the authority to deal with some of these problems administratively.

The following table shows data for the public employee retirement systems, excluding the variable supplements funds, for selected years from 1983 to 1993:

Table 8
PUBLIC RETIREMENT SYSTEMS AND PENSION FUNDS
REGULATED BY INSURANCE DEPARTMENT
Selected Years, 1983-1993

(in millions)

Public Retirement Systems and Pension Funds	1993	1992	1988	1983
Total admitted assets	\$148,591.4	\$134,724.7	\$92,821.6	\$ 50,339.1
Payments to annui- tants and benefi- ciaries	\$7,086.9	\$6,838.1	\$4,874.3	\$2,858.5

Source: New York State Insurance Department

8. Segregated Gift Annuity Funds for Charitable Organizations

Seventy-eight charitable annuity societies held permits under Section 1110 of the Insurance Law at the end of 1993. In return for, or conditioned upon, the receipt of gift funds, such organizations agree to pay an annuity to the donor, or a nominee. These agreements must provide to the issuer, upon the death of the annuitant, a residue equal to at least one-half the original gift or other consideration for such annuity. In the past ten years, admitted assets of these funds increased by 201.7% and the annual payments increased by 216.7%.

Table 9
SEGREGATED GIFT ANNUITY FUNDS
Selected Years, 1983-1993

(in millions)

Segregated Gift Annuity Funds	1993	1992	1988	1983
Total admitted assets	\$328.5	\$246.1	\$141.0	\$108.9
Annual payments to annuitants	\$24.7	\$19.3	\$ 12.2	\$7.8

Source: New York State Insurance Department

9. Employee Welfare Funds

Twenty-four employee welfare funds covering 122,586 employees were being supervised by the Department at the close of 1993. These funds are jointly administered by management and labor representatives. The employee welfare funds cover government employees for benefits financed by contributions from New York governmental authorities. Government employee welfare funds were not pre-empted by the federal Employee Retirement Income Security Act of 1974 (ERISA).

Contributions to employee welfare funds amounted to \$238.9 million in 1993. Benefits paid totaled \$220.1 million and included life insurance; medical, surgical and hospital coverage; major medical coverage; optical, dental and prescription drug plans; disability insurance, and legal services. Administrative expenses totaled \$13.2 million representing 5.5% of contributions and 6.0% of benefits.

10. Examinations of Insurers Conducted in 1994

Table 10
EXAMINATIONS CONDUCTED BY THE LIFE INSURANCE
AND COMPANIES BUREAU
1994

	<u>Total</u>	<u>Regularly Scheduled</u>		<u>Special</u>	<u>Other</u>	
		<u>In</u> <u>1994</u>	<u>Prior to</u> <u>1994</u>		<u>On</u> <u>organi-</u> <u>zation</u>	<u>Increase</u> <u>in capital</u> <u>and other</u>
Total	51	44	2	3	2	0
Life insurance companies	31	24	2	3	2	0
Life insurance departments of mutual savings banks	6	6	0	0	0	0
Fraternal benefit societies	5	5	0	0	0	0
Retirement systems and pension funds	0	0	0	0	0	0
Segregated gift annuity funds of charitable organizations	9	9	0	0	0	0
Welfare funds	0	0	0	0	0	0

11. Auditing of Financial Statements

a. Audit and Analysis

As of December 31, 1994, 372 companies licensed to do business in New York State, as detailed below, were required to file their 1994 Annual Statements for audit and analysis:

Life - NY	88
Life - Other States	51
Accredited Reinsurers	74
Fraternal - NY	8
Fraternal - Other States	41
Fraternal - Canadian, U.S. Branch	1
Charitable Annuities	88
Retirement Systems	<u>21</u>
Total	<u>372</u>

In addition to a financial analysis, which includes but is not limited to solvency, investment portfolio, reinsurance, etc., the annual statements are audited for overall integrity; compliance with NAIC requirements for completing the blank; and compliance with Department statutes, regulations and rules. Questions that arose during the audits of the statements were resolved with the companies.

The Bureau revised the computer crosschecks used in the audit of the life and accident & health, New York supplement, separate account and fraternal benefit society annual statements to reflect changes in the blanks and to meet current needs and requirements.

The revised instructions were provided to the Insurance Regulatory Systems Bureau to enable that Bureau to prepare the crosschecks.

As a result of the audits, some filed statements were adjusted to bring reported figures into compliance with New York requirements. The adjustments resulted in a change of surplus for 7 companies. The total changes resulted in a net decrease in surplus in the amount of \$ 31,634,850. Changes were due to reinsurance with companies unauthorized in New York State.

b. New York Supplements to the Annual Statements

New York Supplements to the life and accident & health annual statement and the fraternal benefit society annual statement were developed for use beginning with the 1986 annual statement filing.

The supplements for 1994 were updated to meet current needs and requirements. Copies of the supplements were furnished to the printer, Brandon Insurance Service, and copies were distributed to all life companies and fraternal benefit societies licensed to do business in New York State.

c. Valuations of Securities

In most instances, this Department adheres to rules promulgated by the National Association of Insurance Commissioners in its Book of Valuations of Securities, pertaining to the valuation of bonds and stocks reported in the annual statement.

Valuations were calculated for the capital stock of 158 insurance company subsidiaries and 516 non-insurance subsidiaries. Valuations were also computed for 4 insurance company bonds and 64 noninsurance subsidiary bonds.

The bonds reported by all licensed insurers were reviewed to determine amortizability and market value. The accuracy of market values reported for preferred and common stocks listed in the annual statements were verified.

d. Public Inspection of Records

The Bureau provides public access to various Insurance Department documents and insurance related materials. In 1994, 295 annual statements, 167 quarterly statements and 2 reports on examination were reviewed. Information was also made available from such source materials as the National Association of Insurance Commissioners' Book of Valuations of Securities and Best's Insurance Reports.

12. Real Estate Review

During 1994, the Real Estate Section staff reviewed portions of real estate and mortgage portfolios of the Phoenix Home Life Insurance Company, Metropolitan Life Insurance Company, Columbian Mutual Life Insurance Company, Sun Life Insurance Company, Polish National Alliance of Brooklyn, U.S.A. and the Independent Order of Foresters (United States Branch). A special review of the mortgage portfolio of the Workmen's Benefit Fund was also conducted.

Five projects involving home or branch office acquisition in the amount of \$33,500,000 were recommended for approval.

Recommendations were made relating to holding company transactions, leasehold and capital improvement costs and transferred asset valuation.

13. Actuarial Submissions and Reviews

The Bureau's actuarial staff reviews submissions made by licensed life insurance companies to secure the Insurance Department's approval of redistributed commission scales, persistency production bonus plans, expense allowance plans, and other forms of agent compensation. The actuarial staff also follows up allegations that company practices are not in compliance with the law and Department policy.

The Bureau's actuaries are preparing proposals to revise a number of areas in Section 4228 of the Insurance Law, the basic part of the law governing agent compensation. The actuaries are looking into a number of proposals dealing with nontraditional methods of compensating agents who sell life insurance and annuities. During 1994 the actuaries became more active in implementing the policy that prevents a company from simultaneously paying both a training allowance and an expense allowance to a new inexperienced agent. The actuaries informed each of the domestic and foreign life companies about the policy of not paying additional compensation on funds left with the company as settlement options, etc.

In addition, the actuaries provide ongoing support to the Agency, Product Regulation and Administration Unit which has been conducting audits of the agency operations of nondomestic companies, and follows up on certain examination findings.

During 1994 the Bureau fined New York Life Insurance Company \$100,000 for paying training allowances to ineligible agents and fined Connecticut Mutual Life Insurance Company \$100,000 for the payment of unapproved compensation.

14. Agency Operations Unit

The Life Bureau's Agency Operations Unit conducts examinations of the agency practices of foreign life insurance companies. These agency audits deal primarily with the levels of compensation paid to a company's sales force, such as commissions, expense allowances and training subsidies which are restricted by Section 4228 of the New York Insurance Law. Domestic insurers are routinely audited for compliance with Section 4228 as part of the regular statutory examinations conducted by the Bureau. The goal of these examinations is to produce a level playing field among domestic life insurers and foreign insurers by assuring that foreign insurers are conducting their agency operations in compliance with New York Insurance Law and regulations.

15. Financial Indicators

The risk-based capital formula and model act that was adopted by the National Association of Insurance Commissioners (NAIC) and the New York Legislature went into effect for the December 31, 1993 annual statement filings.

The risk-based capital levels reported in the 1993 annual statements filed by licensed insurers did not disclose inadequate capitalization by the reporting companies.

16. National Association of Insurance Commissioners (NAIC)

The Life Insurance and Companies Bureau represents New York State on a number of NAIC Committees. In 1994 the Bureau participated in the work of the Financial Analysis Research and Development Group; the IMR/AVR Study Group; the Financial Analysis, Model Investment Law, Codification, Invested Assets and the Separate Accounts Working Groups among others.

A representative of the Life Insurance and Companies Bureau participated in the NAIC Examiner Team Project. The position held by that representative was Project Director. The Examiner Team analyzes the annual statements of those companies that fail a significant number of the Insurance Regulatory Information System (IRIS) ratios to determine what degree of regulatory attention is required.

17. Surplus Notes

Since mutual life insurance companies do not have access to the equity markets, the issuance of surplus notes pursuant to the provisions of Section 1307 of the Insurance Law is the only way for a mutual life insurance company to enhance surplus. Statutory accounting rules allow the net proceeds from the sale of such notes to be included as part of the insurer's surplus. The notes are unsecured obligations of the insurer and are subordinate in right of payment to all existing and future indebtedness, policy claims and other creditor claims. All payments of principal and interest on outstanding notes require prior approval of the Superintendent. During 1994 the Life Insurance and Companies Bureau approved the issuance of a surplus note by Mutual Life Insurance Company of New York.

18. Metropolitan Life Insurance Company

An investigation of questionable sales practices by Metropolitan Life Insurance Company was conducted in conjunction with other states.

As a result of from the investigation New York and most other states agreed to proposed fines and a national restitution plan for policyholders. The plan of restitution worked out by the Department was the basis for the settlement of a class action suit brought by policyholders in federal court in Florida. A fine of \$2,672,331 was paid to the Department.

19. National Benefit Life Insurance Company

The Life Insurance and Companies Bureau in conjunction with the Health and Life Policy Bureau conducted an investigation into the sales practices of National Benefit Life Insurance Company. The company's sales philosophy is that it is advantageous for the insurance buyer to purchase term insurance rather than the more expensive permanent forms of life insurance, investing the difference elsewhere.

Upon review, some of the company's sales material was found objectionable. The sales material has been revised to eliminate this Department's objections.

In addition to the above, it was determined by the Department's Licensing Services Unit that the company submitted certificates of appointment to the Department with pre-licensing education certificates which purported to evidence that applicants for licensure had completed a proper course of pre-licensing education when in the exercising of due diligence they could have known there were certain deficiencies in these courses.

A monetary penalty of \$500,000 was imposed by the Department and paid by the Company on account of the above noted infractions.

B. PROPERTY COMPANIES BUREAU

1. Entities Under Property Companies Bureau Supervision

The Property Companies Bureau had regulatory authority over 1,488 insurer and noninsurer entities as of December 31, 1994.

The Bureau regulated 860 insurer entities comprised of:

- 14 Accident & health insurers;
- 49 Accredited reinsurers;
- 19 Advance premium co-operatives;
- 32 Assessment co-operatives;
- 12 Financial guaranty insurers;
- 48 Nonprofit health insurers and health maintenance organizations*;
- 12 Joint underwriting associations;
- 7 Medical malpractice insurers;
- 1 Medical Malpractice Insurance Association;
- 17 Mortgage guaranty insurers;
- 2 New York Insurance Exchange members;
- 1 New York Property Insurance Underwriting Association (FAIR Plan);
- 626 Property/casualty insurers; and
- 20 Title insurers

The Bureau oversaw the operation of 45 risk retention groups in 1994. It supervised 272 reinsurance intermediaries, 14 insurer-controlling producers, and 297 managing general agents.

The Property Companies Bureau received 25 applications for licensing and four applications for accreditation during 1994. Twenty-two insurers were newly licensed, including three domestic stock companies; one domestic mortgage guaranty and three foreign mortgage guaranty insurers, one foreign mutual insurer and 14 foreign stock insurers. In addition, four insurers were accredited, including two stock insurers and two alien insurers. At the close of the year, seven domestic stock companies, one domestic reciprocal insurer and 40 foreign stock companies had licensure applications pending with the Department. In addition, nine applications for accreditation were still outstanding.

The Property Companies Bureau also received two applications for accident and health insurance licenses and two applications for Article 43 health service corporation licenses in 1994, all of which are still pending.

Article 47 of the New York Insurance Law, enacted in 1994, permits the formation of municipal cooperative health benefit plans. Seventeen municipal cooperative plans were submitted and are pending.

* These include 16 health, hospital service, medical and dental expense indemnity corporations, two Article 43 of the Insurance Law health maintenance organizations (HMOs) and 30 Article 44 of the Public Health Law HMOs.

2. Property and Casualty Business

a. Premium Volume and Surplus to Policyholders.

Net premiums written during 1993 by all New York-licensed property and casualty insurers aggregated \$177,103 million of which 71% represents stock company writings. The following discussion of underwriting and investment results deals with the country-wide business of New York-licensed companies.*

Table 11
NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS
Property and Casualty Insurers Licensed in New York State
1989-1993

(dollar amounts in millions)

Year	Stock Companies				Mutual Companies			
	No. of Cos.	Net Premiums Written (during year)	Surplus/Policyholders (end of year)	Ratio of Premiums to Surplus	No. of Cos.	Net Premiums Written (during year)	Surplus/Policyholders (end of year)	Ratio of Premiums to Surplus
1989	493	\$114,783	77,480	1.5	79	\$46,892	34,723	1.4
1990	506	118,816	80,373	1.5	79	45,026	34,651	1.3
1991	526	121,434	92,721	1.3	79	47,300	39,104	1.2
1992	531	120,338	90,885	1.3	78	49,460	37,689	1.3
1993	539	126,064	101,796	1.2	79	51,039	42,130	1.2

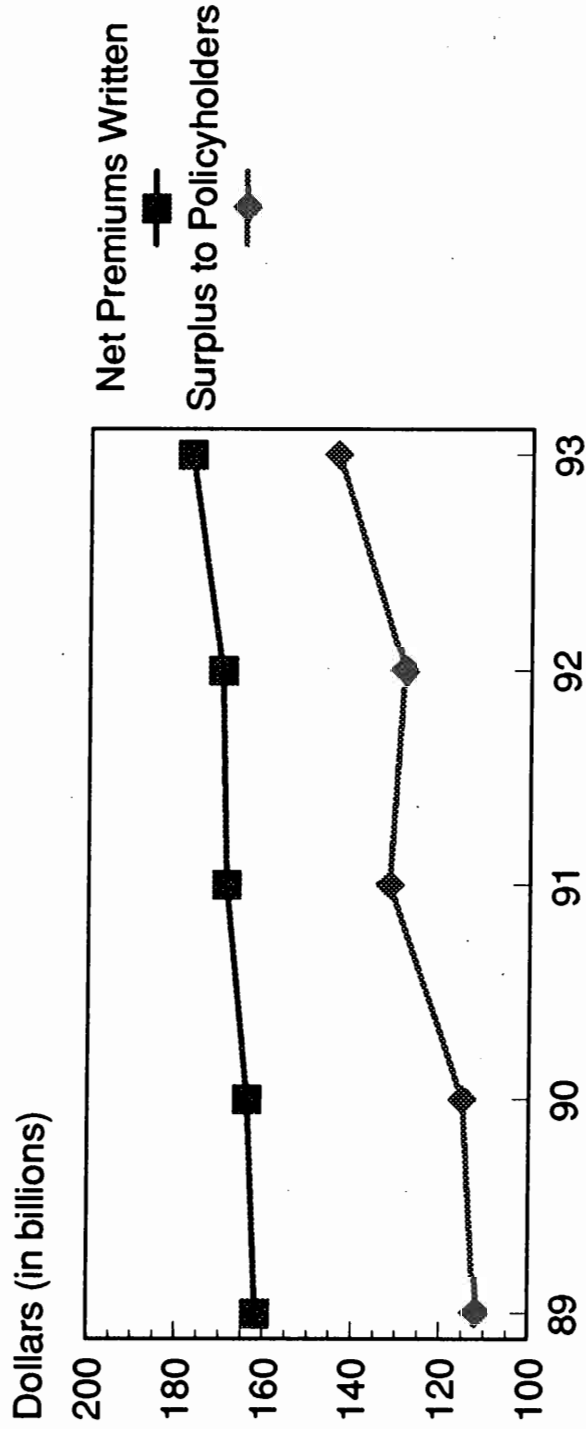
Source: New York State Insurance Department

* Unless otherwise noted, tables and related data refer to the nation-wide operations of insurers authorized to do business in this State. Data for stock insurers includes United States branches of alien insurers. Data for mutual insurers includes the State Insurance Fund, the Medical Malpractice Insurance Association and reciprocals. Data for medical malpractice companies is included with the data for stock insurers or mutual insurers, as appropriate. Data for accident and health insurers, financial guaranty insurers, mortgage guaranty insurers, title insurers, co-operative fire insurers, municipal cooperative health benefit plans, and New York Insurance Law Article 43 and Public Health Law Article 44 corporations is summarized separately.

Net U.S. Prem Written & Surplus to Policyholders

P&C Insurers Licensed in New York State*

1989-1993



Source: Annual Statements filed by insurers

* excludes A&H companies

b. Underwriting Results

Results for 1993 show a net underwriting loss of \$11,730 million for stock companies and \$2,171 million for mutual companies. For 1992, stock companies showed a net underwriting loss of \$25,078 million, while mutual companies experienced a net loss of \$5,030 million.

Table 12
UNDERWRITING RESULTS
 Property and Casualty Insurers Licensed in New York State
 1989-1993

(dollar amounts in millions)

Year		<u>Stock Companies</u>		<u>Mutual Companies</u>	
		Number of Companies	Amount	Number of Companies	Amount
1989	Underwriting gains	92	\$ 501.0	11	\$ 916.3
	Underwriting losses	380	11,707.2	66	3,767.0
	No gain or loss	21	0.0	2	0.0
1990	Underwriting gains	91	\$ 461.9	17	\$ 155.7
	Underwriting losses	385	11,898.9	62	4,169.1
	No gain or loss	30	0.0	0	0.0
1991	Underwriting gains	93	\$ 446.0	13	\$ 319.7
	Underwriting losses	406	12,249.9	66	2,831.3
	No gain or loss	27	0.0	0	0.0
1992	Underwriting gains	88	\$ 333.9	11	\$ 66.4
	Underwriting losses	417	25,411.6	67	5,096.0
	No gain or loss	26	0.0	0	0.0
1993	Underwriting gains	126	\$ 830.4	15	\$ 363.2
	Underwriting losses	389	12,560.9	64	2,534.5
	No gain or loss	24	0.0	0	0.0

Source: New York State Insurance Department

c. Investment Income and Capital Gains

Investment income and net capital gains for stock and mutual companies from 1989 to 1993 are as follows:

Table 13
INVESTMENT INCOME AND CAPITAL GAINS
 Property and Casualty Insurers Licensed in New York State
 1989-1993

(in millions)

Year		Stock Companies	Mutual Companies
1989	Net investment income	\$19,038.0	\$ 5,530.9
	Realized capital gains	3,541.5	536.5
	Unrealized capital gains	<u>3,367.8</u>	<u>2,801.9</u>
	Net gain from investments	<u>\$25,947.4</u>	<u>\$ 8,869.4</u>
1990	Net investment income	\$19,091.3	\$ 5,927.8
	Realized capital gains	2,118.2	359.8
	Unrealized capital gains	<u>-3,170.9</u>	<u>-947.3</u>
	Net gain from investments	<u>\$18,038.6</u>	<u>\$ 5,340.3</u>
1991	Net investment income	\$20,939.8	\$ 6,357.5
	Realized capital gains	2,960.1	588.0
	Unrealized capital gains	<u>7,139.9</u>	<u>3,977.2</u>
	Net gain from investments	<u>\$31,039.8</u>	<u>\$10,922.7</u>
1992	Net investment income	\$20,716.8	\$ 6,454.4
	Realized capital gains	6,810.7	1,221.2
	Unrealized capital gains	<u>-1,131.3</u>	<u>-2,544.1</u>
	Net gain from investments	<u>\$26,396.2</u>	<u>\$ 5,131.5</u>
1993	Net investment income	\$19,241.8	\$ 6,283.6
	Realized capital gains	5,894.9	1,511.5
	Unrealized capital gains	<u>1,937.5</u>	<u>1,249.4</u>
	Net gain from investments	<u>\$27,074.2</u>	<u>\$ 9,044.5</u>

Source: New York State Insurance Department

d. Underwriting and Investment Exhibit

During 1993, dividends to stockholders amounted to \$6,332 million; for the same period, dividends to policyholders aggregated to \$1,917 million. The aggregate contribution to surplus for 1993 was \$5,027 million compared with \$4,653 million for 1992.

Table 14
 AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT
 Property and Casualty Insurers Licensed in New York State
 1992 and 1993

(in millions)

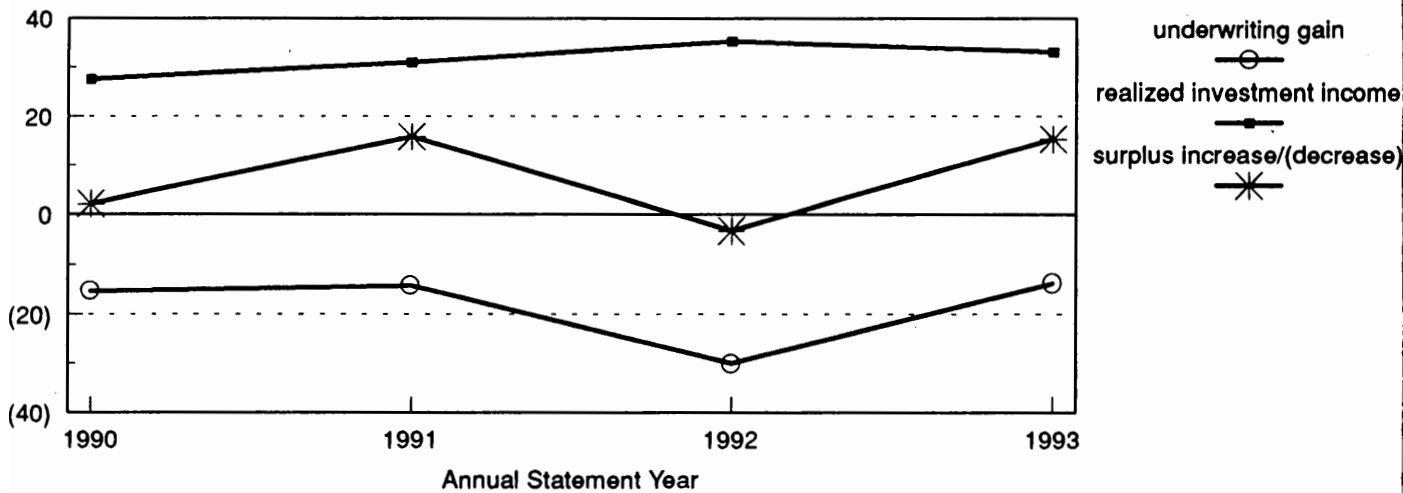
	<u>1993</u>		<u>1992</u>	
	Stock Companies	Mutual Companies	Stock Companies	Mutual Companies
Net gain or loss from:				
Underwriting	\$-11,730.5	\$-2,171.3	\$-25,077.7	\$-5,029.6
Investments	25,136.7	7,795.1	27,527.4	7,675.6
Other income	<u>-171.0</u>	<u>274.9</u>	<u>-971.4</u>	<u>222.9</u>
Net gain or loss	\$ 13,235.2	\$ 5,898.7	\$ 1,478.3	\$ 2,868.9
Less:				
Dividends to policyholders	809.2	1,107.4	877.3	1,089.1
Federal income taxes incurred	<u>1,837.2</u>	<u>995.0</u>	<u>-420.1</u>	<u>358.9</u>
Net income	\$ 10,588.8	\$ 3,796.3	\$ 1,021.1	\$ 1,420.9
Surplus changes other than net income:				
Dividends to stockholders				
- Cash	\$ -6,262.6	\$ 0.0	\$ -7,314.7	\$ 0.0
- Stock	-69.0	0.0	-32.9	0.0
Net remittance to/from home office	<u>-52.0</u>	<u>0.0</u>	<u>85.3</u>	<u>0.0</u>
Total dividends and remittance	\$ -6,383.6	\$ --	\$-7,262.3	\$ --
Unrealized capital gains	1,937.5	1,249.4	-1,131.4	-2,544.1
Changes in statutory over case basis	-134.2	-5.0	11.9	9.1
Miscellaneous items	-340.1	-596.3	759.7	-334.4
Contributions to surplus	<u>5,030.3</u>	<u>-3.8</u>	<u>4,652.0</u>	<u>1.4</u>
Total other sources	\$ 109.9	\$ 644.3	\$-2,970.1	\$-2,868.0
Net increase or decrease in surplus	<u>\$ 10,698.7</u>	<u>\$ 4,440.6</u>	<u>\$-1,949.0</u>	<u>\$-1,447.1</u>

Source: New York State Insurance Department

Operating Results

Licensed Property & Casualty Insurers
New York State, 1990-1993

Dollars (in billions)



Source: Annual Statements filed by Insurers

*excludes A&H companies

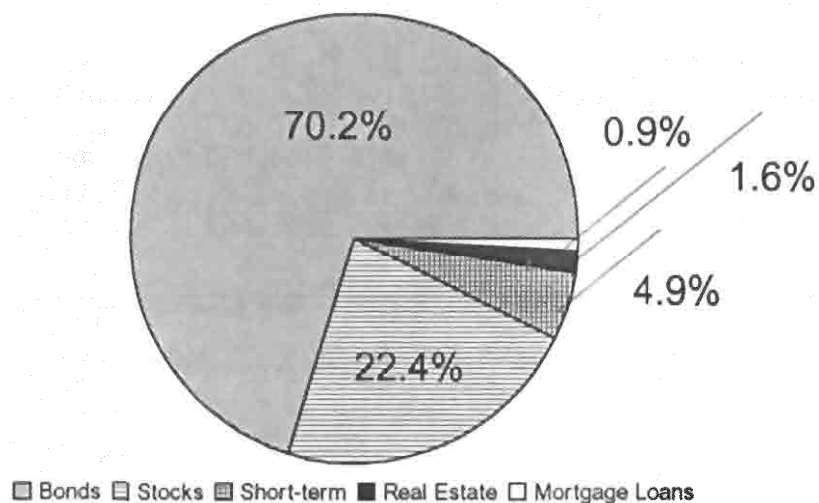
Table 15
PERCENT DISTRIBUTION OF INVESTMENTS
 Property and Casualty Insurers Licensed in New York State
 1989-1993

	1993	1992	1991	1990	1989
<u>Stock Companies</u>					
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	72.2	71.0	70.9	69.5	68.8
Stocks	19.8	20.0	20.9	20.1	21.9
Mortgage loans	1.2	1.5	1.9	2.2	2.2
Real estate	1.1	1.2	1.1	1.1	0.9
Short term	5.7	6.3	5.2	7.1	6.2
<u>Mutual Companies</u>					
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	64.7	63.3	66.3	68.0	65.8
Stocks	29.6	29.6	29.1	26.9	28.2
Mortgage loans	0.2	0.3	0.3	0.2	0.1
Real estate	2.7	2.6	2.5	2.5	2.3
Short term	2.8	4.2	1.8	2.4	3.6

Source: New York State Insurance Department

Distribution of 1993 Investments

P&C Insurers Licensed in New York State



Source: Annual Statements filed by insurers
 *excludes A&H companies

e. Property and Casualty Companies

From 1989 to 1993, aggregate net premiums written increased 10%; admitted assets rose 26%; unearned premium and loss reserves increased 23%; and other liabilities increased 38%. Capital and surplus to policyholders increased by 28%.

Table 16
 SELECTED ANNUAL STATEMENT DATA
 Property and Casualty Insurers Licensed In New York State
 1989-1993

(dollar amounts in millions)

	1993	1992	1991	1990	1989
<u>Stock Companies</u>					
Number of insurers	539	531	526	506	493
Net premiums written	\$126,064	\$120,338	\$121,434	\$118,816	\$114,783
Admitted assets	391,336	374,528	361,668	333,207	315,937
Unearned premium & loss reserves	256,747	249,720	240,080	226,385	213,074
Other liabilities	32,793	33,924	28,867	26,449	25,383
Capital	2,993	2,864	2,648	2,041	1,983
Surplus funds	98,803	88,021	90,073	78,332	75,497
<u>Mutual Companies</u>					
Number of insurers	79	78	79	79	79
Net premiums written	\$ 51,039	\$ 49,460	\$ 47,300	\$ 45,025	\$46,892
Admitted assets	135,716	126,972	120,929	109,352	103,497
Unearned premium & loss reserves	83,443	80,090	73,481	68,585	63,025
Other liabilities	10,143	9,194	8,344	6,116	5,749
Surplus to policyholders	42,130	37,689	39,104	34,651	34,723

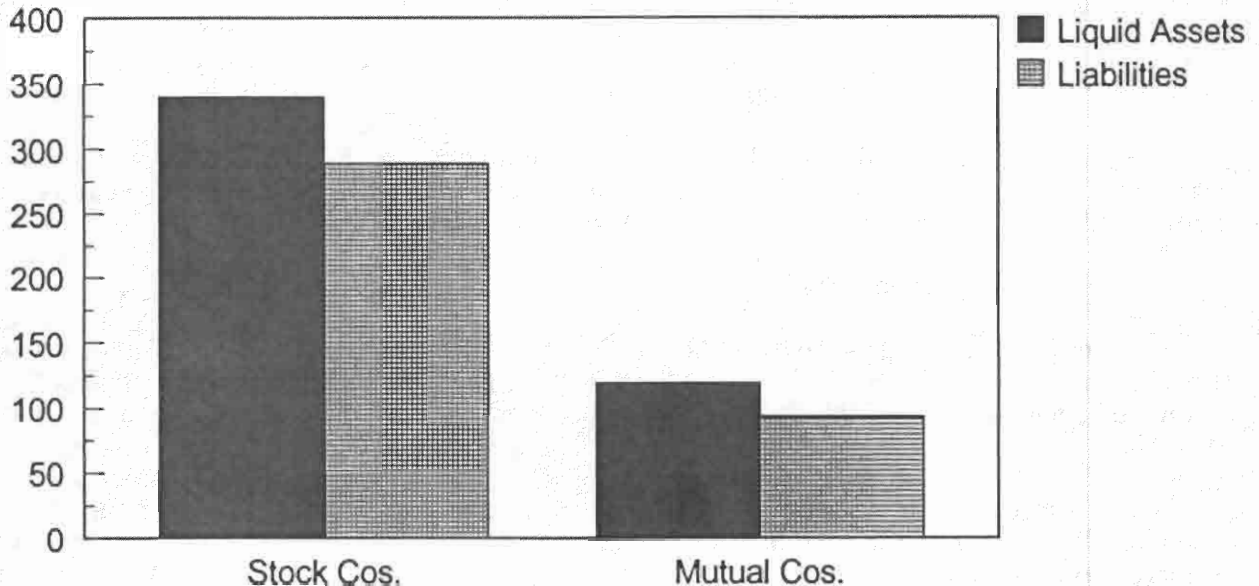
Source: New York State Insurance Department

Liquid Assets & Liabilities

P&C Insurers Licensed in New York State*

1993

Dollars (in billions)



Source: Annual Statements filed by insurers

*excludes A&H companies

Liquid Assets include cash, investments, interest, dividends and real estate income due and accrued (Annual Statement lines 8a and 15)

f. Audit and Analysis

The 1993 annual statements of the companies authorized to transact business in the State of New York were filed for audit and analysis in 1994, as were those of reinsurers accredited in this State. Questions arising during the audits were resolved with the companies. As a result of the audits, some filed statements were adjusted to bring reported figures into compliance with New York requirements.

All property/casualty insurers are required to file quarterly statements, which include a loss reserve development schedule. Insurers licensed pursuant to Section 6302 of the New York Insurance Law (NYIL) are also required to file a supplemental schedule of special risks. Approximately 2,300 quarterly statements were received, reviewed for completeness and accuracy, and the financial data analyzed.

g. Valuations of Securities

In most instances, the Property Companies Bureau utilizes the rules promulgated in the National Association of Insurance Commissioners' Book of Valuations of Securities with respect to valuations of bonds and stocks for annual-statement purposes.

Valuations were calculated to ascertain if any adjustments to the surplus to policyholders of 285 licensed insurers were necessary with respect to shares they held in 638 insurers and 453 noninsurance subsidiaries. A total of 1,376 separate valuations were developed during 1993. Where applicable, the respective annual statements were revised to properly reflect the not-admitted assets and the corresponding reduction in surplus.

The bonds reported by all licensed insurers were reviewed to determine amortizability and marketability. The accuracy of the market values for preferred and common stock listed in the annual statements was also verified.

h. State Insurance Fund

All purchases and sales of bonds by the State Insurance Fund are subject to the approval of the Superintendent. During 1994, the State Insurance Fund acquired bonds totaling \$1,747 million and sales of bonds totaling \$557 million.

Upon review, the Property Companies Bureau recommended the approval of acquisitions totaling \$1,322 million and sales totaling \$381 million. Acquisition of \$425 million and sales of \$176 million in bonds are currently under review. In 1993, the Bureau recommended approval of acquisitions totaling \$1,745 million and sales totaling \$409 million.

i. CPA-Audited Financial Statements

NYIL Section 307(b) requires licensed insurers to file an annual financial statement, certified by an independent certified public accountant (CPA), on or before May 31 of each year. CPA-audited financial statements were received and reviewed for 707 companies. There were nine companies entitled to exemption from the filing requirements.

j. Public Inspection of Records

The Property Companies Bureau provides public access to various Insurance Department documents pursuant to the Freedom of Information Law (FOIL). In 1994, 387 FOIL requests to review and copy records maintained by the Bureau were received from members of the public.

k. Holding Company-Related Transactions

Pursuant to Article 15 of the NYIL and Department Regulation 52, the Property Companies Bureau is responsible for the review and approval of transactions within holding company systems. During 1994, 142 transactions were reviewed and approved by the Bureau. These included, but were not limited to, 75 reinsurance agreements, five management or service agreements, four notice of acquisition of control of insurers, and five requests for sales, purchases or transfers of assets.

3. Accident and Health Insurance

Ten stock and four mutual companies were licensed principally to transact accident and health insurance at year-end 1993.

Table 17
PERCENT DISTRIBUTION OF INVESTMENTS
Accident and Health Insurers
1989-1993

	1993	1992	1991	1990	1989
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	75.0	75.2	71.4	71.8	73.2
Stocks	18.8	18.0	18.5	18.4	18.2
Mortgage loans	1.0	1.2	1.4	1.4	1.0
Real estate	3.4	3.8	4.1	4.7	4.9
Short term	1.8	1.8	4.6	3.7	2.7

Source: New York State Insurance Department

Table 18
SELECTED ANNUAL STATEMENT DATA
Accident and Health Insurers
1989-1993

(dollar amounts in millions)

	1993	1992	1991	1990	1989
Number of insurers	14	17	17	17	16
Net premiums written	\$3,175.0	\$3,088.4	\$2,917.9	\$2,536.0	\$2,356.7
Admitted assets	4,394.5	4,079.7	3,787.4	3,288.6	3,043.0
Unearned premium & loss reserves	916.6	867.6	829.2	687.9	620.3
Other liabilities	1,992.7	1,885.7	1,795.5	1,577.3	1,525.9
Capital	8.6	10.5	9.8	9.8	6.2
Surplus	1,476.6	1,315.9	1,152.9	1,013.6	890.6
Ratio of premiums written to capital and surplus	4.0	2.3	2.5	2.5	2.6

Source: New York State Insurance Department

4. Financial Guaranty Insurance

NYIL Article 69 made financial guaranty insurance a separate kind of insurance effective May 14, 1989. Previously, financial guaranty insurance had been written under the fidelity/surety line of business.

Section 1113(a) was amended to add paragraph 25, "Financial Guaranty Insurance." Financial guaranty insurance, briefly, is a surety bond, insurance policy, indemnity contract or similar guaranty under which loss is payable upon proof of occurrence of financial loss.

Permissible guaranties include the failure of any obligor on any debt instrument to pay when due, principal, interest, premium, dividend or purchase price when such failure is the result of a financial default or insolvency in the following categories:

- asset-backed securities;
- consumer debt obligations;
- corporate obligations;
- industrial development bonds;
- installment purchase agreements;
- municipal obligation bonds;
- partnership obligations;
- special revenue bonds; and
- utility first mortgage obligations.

Financial guaranty insurance may be written only by an insurer empowered to write financial guaranty business as described in Section 1113(a). Property/casualty insurers cannot be empowered or licensed to transact financial guaranty insurance; however, property/casualty insurers that had been writing financial guaranty insurance prior to the implementation of Article 69 must conform to the applicable transition rules set forth in Section 6907. Dependent upon their surplus to policyholders, property/casualty insurers may continue to write financial guaranty coverages for periods of nine months, one year, five years or eight years from the effective date of Article 69.

In addition to being licensed for financial guaranty insurance, a financial guaranty insurer may also transact surety insurance (Section 1113(a), paragraph 16,C,D,E and F), credit insurance (Section 1113(a) paragraph 17A) and residual value insurance (Section 1113(a), paragraph 22).

Each financial guaranty insurer is required to maintain a surplus to policyholders of \$65 million. If also licensed to write surety, credit or residual value insurance, the financial guaranty insurer is required to maintain additional surplus for these lines in accordance with the provisions of Section 4103.

As of December 31, 1994, there were six domestic and six foreign financial guaranty insurers licensed in New York.

Table 19
NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS
Financial Guaranty Insurers Licensed in New York State
1989-1993

(dollar amounts in millions)

Year	Net Premiums Written (during year)	Surplus to Policyholders (end of year)	Ratio of Premiums to Surplus
<u>Domestic Companies</u>			
1989	\$286.3	\$1,404.1	0.20
1990*	553.4	1,711.4	0.32
1991	478.0	1,986.5	0.24
1992	665.7	2,190.3	0.30
1993	823.4	2,558.1	0.32
<u>Foreign Companies</u>			
1989	\$153.7	\$ 927.0	0.17
1990*	2.4	879.7	†
1991	180.8	1,003.3	0.18
1992	282.4	1,205.6	0.23
1993	350.9	1,367.5	0.26
<u>Total Companies</u>			
1989	\$ 440.0	\$2,331.1	0.19
1990	555.8	2,591.1	0.21
1991	658.5	2,989.8	0.22
1992	948.1	3,395.9	0.28
1993	1,174.3	3,925.6	0.30

* In January 1990, Municipal Bond Investors Assurance Corporation (MBIA CORP.), a domestic insurer, acquired all the outstanding shares of MBIA Insurance Corporation of Illinois (MBIA Illinois). MBIA Corp. assumed \$157.7 million of net premiums written from MBIA Illinois.

† Less than 0.05

Source: New York State Insurance Department

Table 20
UNDERWRITING RESULTS
 Financial Guaranty Insurers Licensed in New York State
 1989-1993

(dollar amounts in millions)

Year		Total Companies		Domestic Companies		Foreign Companies	
		Number	Amount	Number	Amount	Number	Amount
1989	Underwriting gains	2	\$ 41.3	1	\$29.7	1	\$11.6
	Underwriting losses	9	89.0	5	42.2	4	46.8
1990	Underwriting gains	3	\$ 40.9	3	\$40.9	--	--
	Underwriting losses	8	43.4	3	17.4	5	\$26.0
1991	Underwriting gains	6	\$115.9	3	\$78.2	--	\$37.7
	Underwriting losses	5	22.2	3	13.0	2	9.2
1992	Underwriting gains	6	\$183.0	3	\$114.4	3	\$68.6
	Underwriting losses	6	35.6	3	24.0	3	11.3
1993	Underwriting gains	6	\$357.1	3	\$244.7	3	\$112.4
	Underwriting losses	6	76.3	3	49.4	3	26.9

Source: New York State Insurance Department

Table 21
INVESTMENT INCOME AND CAPITAL GAINS
 Financial Guaranty Insurers Licensed in New York State
 1989-1993

(in millions)

Year		Total Companies	Domestic Companies	Foreign Companies
1989	Net investment income	\$356.8	\$215.8	\$141.0
	Realized capital gains	15.7	9.7	6.0
	Unrealized capital gains	<u>2.1</u>	<u>-0.9</u>	<u>3.0</u>
	Net gain from investments	<u>\$374.6</u>	<u>\$224.6</u>	<u>\$150.0</u>
1990	Net investment income	\$386.9	\$260.3	\$126.6
	Realized capital gains	9.2	6.1	3.1
	Unrealized capital gains	<u>-7.3</u>	<u>-7.3</u>	<u>9.0</u>
	Net gain from investments	<u>\$388.8</u>	<u>\$259.1</u>	<u>\$129.7</u>
1991	Net investment income	\$410.0	\$278.0	\$132.0
	Realized capital gains	48.5	30.7	17.8
	Unrealized capital gains	<u>25.4</u>	<u>21.7</u>	<u>3.7</u>
	Net gain from investments	<u>\$483.9</u>	<u>\$330.4</u>	<u>\$153.5</u>
1992	Net investment income	\$454.3	\$304.0	\$150.3
	Realized capital gains	86.6	48.8	37.8
	Unrealized capital gains	<u>36.3</u>	<u>28.8</u>	<u>7.5</u>
	Net gain from investments	<u>\$577.2</u>	<u>\$381.6</u>	<u>\$195.6</u>
1993	Net investment income	\$538.2	\$364.5	\$173.7
	Realized capital gains	114.5	70.6	43.9
	Unrealized capital gains	<u>-24.9</u>	<u>-12.0</u>	<u>-12.9</u>
	Net gain from investments	<u>\$627.8</u>	<u>\$423.1</u>	<u>\$204.7</u>

Source: New York State Insurance Department

Table 22
AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT
Financial Guaranty Insurers Licensed in New York State
1990-1993

(in millions)

	1993	1992	1991	1990
Net gain or loss from:				
Underwriting	\$ 280.8	\$ 147.4	\$ 93.7	\$ -2.4
Investments	653.6	540.9	458.5	396.0
Other income	<u>6.7</u>	<u>4.9</u>	<u>5.3</u>	<u>5.1</u>
Net gain or loss	\$ 941.1	\$ 693.2	\$ 557.5	\$ 398.7
Less:				
Dividends to policyholders	-78.0	--	--	--
Federal income taxes incurred	<u>204.8</u>	<u>151.0</u>	<u>127.6</u>	<u>84.6</u>
Net income	<u>\$ 658.3</u>	<u>\$ 542.2</u>	<u>\$ 429.9</u>	<u>\$ 314.1</u>
Surplus changes other than net income:				
Dividends to stockholders				
- Cash	\$ --	\$ -78.0	\$ -73.5	\$ -150.0
- Stock	-128.0	-88.8	--	-5.0
Net remittance to/from home office	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total dividends and remittance	\$ -128.0	\$ -166.8	\$ -73.5	\$ -155.0
Changes in statutory over case basis	--	--	--	--
Miscellaneous sources	-185.1	-127.3	-163.3	-133.6
Contributions to surplus	<u>184.5</u>	<u>157.9</u>	<u>205.6</u>	<u>234.5</u>
Total other sources	<u>\$ -128.6</u>	<u>\$ -136.2</u>	<u>\$ -31.2</u>	<u>\$ -54.1</u>
Net increase or decrease in surplus	<u>\$ 529.7</u>	<u>\$ 406.0</u>	<u>\$ 398.7</u>	<u>\$ 260.0</u>

Source: New York State Insurance Department

Table 23
 PERCENT DISTRIBUTION OF INVESTMENTS
 Financial Guaranty Insurers Licensed in New York State
 1989-1993

	1993	1992	1991	1990	1989
<u>Domestic Companies</u>					
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	89.8	89.6	85.5	87.2	83.7
Stocks	7.6	7.4	7.2	6.2	3.1
Mortgage loans	--	--	--	--	--
Real estate	1.3	0.7	0.6	0.8	0.7
Short term	1.3	2.3	6.7	5.8	12.5
<u>Foreign Companies</u>					
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	92.0	89.9	89.3	91.1	90.6
Stocks	3.0	6.7	6.7	3.4	2.6
Mortgage loans	--	--	--	--	--
Real estate	--	--	--	--	--
Short term	5.0	3.4	4.0	5.5	6.8
<u>Total Companies</u>					
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	90.8	89.7	86.6	88.3	86.3
Stocks	5.8	7.1	7.1	5.3	2.9
Mortgage loans	--	--	--	--	--
Real estate	0.7	0.5	0.4	0.5	0.4
Short term	2.7	2.7	5.9	5.9	10.4

Source: New York State Insurance Department

Table 24
 SELECTED ANNUAL STATEMENT DATA
 Financial Guaranty Insurers Licensed In New York State
 1990-1993

(in millions)

Year		Total Companies	Domestic Companies	Foreign Companies
1990	Exposure	\$400,922.0	\$291,935.0	\$108,987.0
	Net premiums written	555.8	553.4	2.4
	Admitted assets	5,769.5	4,024.2	1,745.3
	Unearned premium & loss reserves	2,328.5	1,734.7	593.8
	Other liabilities	850.0	578.4	271.6
	Capital	128.0	18.0	110.0
	Surplus funds	2,463.1	1,693.4	769.7
1991	Exposure	\$479,657.6 ^r	\$349,600.0 ^r	\$130,057.6 ^r
	Net premiums written	658.8	478.0	180.8
	Admitted assets	6,752.4	4,700.5	2,051.9
	Unearned premium & loss reserves	2,656.2	1,978.0	678.2
	Other liabilities	1,106.4	736.0	370.4
	Capital	128.0	18.0	110.0
	Surplus funds	2,861.8	1,968.5	893.3
1992	Exposure	\$581,348.8	\$419,711.2	\$161,637.6
	Net premiums written	948.1	665.7	282.4
	Admitted assets	7,994.4	5,479.6	2,514.8
	Unearned premium & loss reserves	3,216.3	2,355.8	860.5
	Other liabilities	1,382.2	933.5	448.7
	Capital	191.0	55.5	135.5
	Surplus funds	3,204.9	2,134.8	1,070.1
1993	Exposure	\$643,252.7	\$462,956.3	\$180,296.4
	Net premiums written	1,174.3	823.4	350.9
	Admitted assets	9,436.4	6,454.1	2,982.0
	Unearned premium & loss reserves	3,685.4	2,673.9	1,011.5
	Other liabilities	1,825.1	1,222.1	603.0
	Capital	203.5	68.0	135.5
	Surplus funds	3,722.1	2,490.1	1,232.0

^r Revised

Source: New York State Insurance Department

5. Mortgage Guaranty Insurance

Thirteen foreign companies were licensed to transact mortgage guaranty business in New York at year-end 1993.

Table 25
SELECTED ANNUAL STATEMENT DATA
Mortgage Guaranty Insurers
1989-1993

(dollar amounts in millions)

	1993	1992	1991	1990	1989
Number of companies	13	12	12	11	11
Net premiums written	\$1,412.7	\$1,142.5	\$ 938.0	\$ 804.3	\$ 696.1
Assets	5,423.6	4,815.3	4,035.2	3,491.4	3,218.6
Liabilities	3,617.4	3,005.2	2,508.0	2,072.1	1,769.7
Capital and surplus	1,806.2	1,810.1	1,527.2	1,419.3	1,448.9

Source: New York State Insurance Department

Table 26
PERCENT DISTRIBUTION OF ASSETS
Mortgage Guaranty Insurers
1989-1993

	1993	1992	1991	1990	1989
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	78.6	73.0	78.5	73.0	75.3
Stocks	12.4	14.0	9.8	9.5	8.7
Mortgage loans	0.2	0.3	0.5	0.6	0.7
Real estate	0.5	1.8	1.3	1.7	2.3
Short term	2.3	3.9	5.6	9.8	7.2
Cash	0.3	0.1	-0.1	0.2	-0.4
Premiums and fees receivable	-0.4	0.1	--	-0.1	-0.1
Other assets	6.1	6.8	4.4	5.3	6.4

Source: New York State Insurance Department

6. Title Insurance

Nine domestic and eleven foreign companies were licensed to write title insurance in this State at the close of 1993. The statutory reinsurance reserve of domestic title insurers approximated \$62.3 million as of December 31, 1993.

Table 27
SELECTED ANNUAL STATEMENT DATA
Domestic Title Insurance Companies
1989-1993

(dollar amounts in millions)

	1993	1992	1991	1990	1989
Number of Companies	9	9	9	8	10
Net premiums written	\$244.7	\$226.8	\$177.9	\$169.2	\$182.0
Admitted assets	228.2	197.6	183.1	\$184.0	193.3
Liabilities	111.1	101.1	91.4	85.5	75.0
Capital	9.2	8.9	9.1	8.9	8.6
Surplus	107.9	87.6	82.6	89.6	109.7

Source: New York State Insurance Department

Table 28
PERCENT DISTRIBUTION OF ASSETS
Domestic Title Insurance Companies
1989-1993

	1993	1992	1991	1990	1989
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Bonds	64.0	64.6	64.3	67.3	37.4
Stocks*	4.8	6.4	2.8	2.4	3.5
Mortgage loans	2.2	3.5	4.7	3.8	0.7
Real estate	2.6	2.4	2.0	1.6	1.4
Cash	15.0	8.2	9.9	17.7	52.2
Premiums and fees receivable	1.8	1.6	1.7	1.5	2.0
Other assets	9.6	13.3	14.6	5.7	2.8

* Includes investment in savings and loan associations.

Source: New York State Insurance Department

7. Advance Premium and Assessment Co-Operatives

At year-end 1994, there were 19 advance premium companies and 32 assessment co-operative companies under Property Companies Bureau supervision. During 1994, examinations of 12 companies were conducted.

The total number of assessment co-operative companies decreased by one during 1993, due to a conversion to advance premium status, and the net premium volume of such companies increased by 9.4%. That conversion as well as the demutualization of a former advance premium company resulted in the total number of advance premium companies remaining static over the year. The net premium volume of advance premium companies decreased by approximately 2%.

Table 29
SELECTED ANNUAL STATEMENT DATA
Advance Premium and Assessment Co-Operative Companies
1989-1993

(dollar amounts in millions)

Year	Total	Advance Premium Companies	Assessment Co-Operative Companies
1989			
Number of companies	59	19	40
Total assets	\$585.6	\$457.0	\$128.6
Net premiums written	303.7	253.8	49.9
Surplus funds	237.9	160.3	77.6
1990			
Number of companies	57	20	37
Total assets	\$648.4	\$512.4	\$136.0
Net premiums written	346.1	293.0	53.1
Surplus funds	251.4	169.8	81.6
1991			
Number of companies	56	20	36
Total assets	\$715.8	\$571.8	\$144.0
Net premiums written	372.3	319.8	52.5
Surplus funds	272.8	185.1	87.7
1992			
Number of companies	54	20	34
Total assets	\$790.7	\$637.1	\$153.6
Net premiums written	409.3	353.7	55.6
Surplus funds	293.4	200.1	93.3
1993			
Number of companies	53	20	33
Total assets	\$834.8	\$671.2	\$163.6
Net premiums written	408.6	347.8	60.8
Surplus funds	307.1	209.7	97.4

Source: New York State Insurance Department

8. New York Insurance Exchange, Inc.

Effective July 6, 1989, the regulation of the New York Insurance Exchange, Inc. (the Exchange), the NYIE Security Fund, Inc., and the Exchange Underwriting Members was transferred to the Property Companies Bureau.

In November 1987, the Exchange Members voted to suspend writing new and renewal business. No business has been written on the Exchange since that time. As of December 31, 1994, six Underwriting Members were in liquidation, one in its domiciliary jurisdiction and five in New York. All but two of the Exchange's Underwriting Members have withdrawn by assumption.

9. Special Risk Insurers (Free Trade Zone)

Calendar year 1994 was the 16th full year of operation for the companies licensed as special risk insurers pursuant to Section 6302 of the Insurance Law. There were 132 licensed companies as of December 31, 1994. Net premiums written during the year amounted to an estimated \$355.4 million, bringing the net premiums written since inception to over \$3.1 billion

Net Premiums written (in millions) since inception are as follows:

1978 - 1985	\$639.2
1986	175.7
1987	204.6
1988	230.9
1989	252.4
1990	257.7
1991	306.2
1992	323.5
1993	340.7
1994	355.4 (estimated)

10. Risk Retention Groups

On October 27, 1986, the Liability Risk Retention Act of 1986, a significant federal statute affecting the insurance industry, was enacted. Generally, the legislation permits the organization and operation of risk retention groups and purchasing groups for the purpose of providing or obtaining commercial liability insurance coverage.

The Property Companies Bureau regulates risk retention groups. The Property and Casualty Insurance Bureau regulates purchasing groups.

A risk retention group is an insurance company owned by its members and organized for the purpose of assuming and spreading among the members all or a portion of their risk exposure. These insurers are exempt from most state insurance laws, other than those of the domiciliary state.

As of December 31, 1994, 45 risk retention groups had notified the Department of their intention to do business in New York under the provisions of the federal legislation. (An additional 16 risk retention groups filed notices of intent that were subsequently withdrawn. Ten other risk retention groups are in liquidation, receivership or dissolution in other states.)

In calendar year 1993, 44 risk retention groups filing financial statements with this Department reported total direct premiums written of \$383.0 million and total net premiums written of \$169.6 million. These risk retention groups reported direct premiums written of \$46.3 million in New York State during this same period.

11. Examinations of Insurers Conducted in 1994

Table 30
EXAMINATIONS CONDUCTED BY THE PROPERTY COMPANIES BUREAU
1994

	Total	Regularly Scheduled Financial Examinations		Other Financial Examinations		
		Initiated		Special	On organi- zation	Increase in capital and other
		In 1994	Prior to 1994			
Total	120	70	41	1	3	5
Fire and marine, casualty and surety, including accident and health companies	90	56	29	0	1	4
Hospital, medical and dental plans	23	9	11	1	1	1
Other insurers and related organizations*	5	4	1	0	0	0
Title and mortgage companies	2	1	0	0	1	0

* Includes Underwriting Members of the New York Insurance Exchange, Inc.

12. Municipal Cooperative Health Benefit Plans

Chapter 689 of the Laws of 1994 developed Article 47, "Municipal Cooperative Health Benefit Plans." The law establishes minimum reserves and surplus as well as filing and reporting requirements to ensure the stability and solvency of municipal and school district cooperative health plans.

The new requirements apply to plans that provide health insurance benefits on a shared funding basis among two or more municipal corporations which include cities, counties, towns, villages, school districts and libraries. The requirements of the law do not apply to individual municipal corporations that have established employee health benefit plans or to joint-administered employee funds subject to Article 44 of the Insurance Law which covers "Employee Welfare Funds."

Currently, 17 cooperative plans have advised the Department that they may qualify under the Article. These cooperative health plans represent over 200 school districts, municipalities and library associations. No Certificates of Authority have been issued at this time because the information originally furnished did not provide sufficient data to ascertain ability to perform.

13. Article 43 and Article 44 Corporations*

a. Subscriber Rate Changes

The Property Companies Bureau received nine premium rate increase applications from Article 43 corporations (including one HMO) for their community-rated contracts and riders with requested effective dates in 1994. The rates approved were lower than requested for three of the applications and higher than requested for one application. Two applications were denied and the rates requested on three of the applications were approved as submitted.

In addition, the Insurance Department received 29 applications for subscriber rate adjustments from Article 44 HMOs. The approved rates for 12 of the applications were lower than requested and higher than requested for two applications. The remaining 15 were approved as submitted.

*Article 43 of the Insurance Law governs various nonprofit health insurers and Article 44 of the Public Health Law governs health maintenance organizations (HMOs).

Table 31
 SUBSCRIBER RATE CHANGES
 Insurance Law Article 43 Corporations
 1994

Insurance Company	Average Percent Requested	Average Percent Approved	Effective Date
Blue Cross/Blue Shield of Utica-Watertown	6.6%	4.7%	1/01/94
Blue Cross and Blue Shield of Western New York, Inc.			
Albany	12.3	12.0	1/18/94
Buffalo	8.8	8.5	1/18/94
Blue Cross of the Rochester Area, Inc.	10.3	9.5	1/01/94
Blue Cross of the Rochester Area and Blue Shield of the Rochester Area (Jointly Underwritten Contracts)	9.7	9.7	1/01/94
Blue Shield of the Rochester Area	1.4	0	--
Capital Area Community Health Plan, Inc. (HMO)	7.5	7.5	1/01/94
Empire Blue Cross and Blue Shield			
Albany Division	8.9	0	--
Mid-Hudson Division	8.1	0	--
New York City Division	8.9	0	--
Group Health Inc.	9.9	11.0	7/01/94
Preferred Assurance Co. Inc.	8.0	8.0	6/01/94

Table 32
SUBSCRIBER RATE CHANGES
Public Health Law Article 44 Corporations
1994

Insurance Company	Average Percent Requested	Average Percent Approved	Effective Date
I) Not-For-Profit Corporations:			
*Blue Care Plus (Blue Cross & Blue Shield of Utica-Watertown, Inc.)	7.9%	7.9%	1/01/94
*Blue Choice (Blue Cross of Rochester Area, Inc.)	6.0	6.0	1/01/94
Capital District Physicians Health Plan	3.4	0.4	1/01/94
ChoiceCare Long Island	7.8	7.7	1/01/94
*Community Blue (Blue Cross and Blue Shield of Western New York)	0.4	1.3	1/18/94
*Community Health Plan/Hudson Valley Region (Capital Area Community Health Plan, Inc.)	8.1	8.1	1/01/94
**Health Care Plan, Inc.	4.9	4.9	1/01/94
**Health Services Medical Corp. of Central NY, Inc.	6.0	6.0	1/01/94
*HIP/HMO (Health Insurance Plan of Greater New York) Non-Medicare Contracts Rider	4.0	4.0	7/01/94
Medicare Contracts	6.4	3.1	7/01/94
Independent Health Association, Inc. Hudson Valley Division	4.7	4.7	1/01/94
Western NY Division	1.6	1.6	1/01/94
Kaiser Foundation Health Plan of NY	5.7	5.4	1/01/94
Managed Health, Inc.	10.1	10.1	1/01/94
Mohawk Valley Physician's Health Plan, Inc.	6.9	6.9	1/01/94
Rochester Area HMO, Inc.	5.7	5.7	1/01/94

Insurance Company	Average Percent Requested	Average Percent Approved	Effective Date
II) For-Profit Corporations:			
CIGNA Health Plan of New York, Inc.	0.3%	0.1%	7/01/94
HMO-CNY, Inc.			
Independent Prepaid Health Plan	4.7	4.7	1/01/94
Foundation Health Plan	4.9	4.9	1/01/94
MetLife HealthCare Network of NY, Inc.	5.6	-1.4	8/01/94
Oxford Health Plans (NY), Inc.	6.9	6.9	1/01/94
	8.0	8.0	10/01/94
Patients' Choice, Inc.	5.0	4.6	1/01/94
Physicians Health Services of NY, Inc.	5.5	5.5	1/01/94
	2.3	1.3	7/01/94
Prudential Health Care Plan of NY, Inc.	-0.7	-2.2	7/01/94
Sanus Health Plan of Greater NY, Inc.	-4.0	-4.0	4/01/94
	0.8	-2.3	10/01/94
Travelers Health Network of NY, Inc.			
New York City	8.6	8.6	1/01/94
Syracuse	5.5	5.5	1/01/94
U.S. Healthcare, Inc.	6.8	3.7	4/29/94
Wellcare of NY, Inc.			
Hudson Valley Region	7.9	7.9	1/01/94
Mid-Hudson Region	8.9	8.9	1/01/94
Capital Region	5.5	7.9	1/01/94
Combined Average	7.5	8.0	
Hudson Valley Region	6.2	3.7	10/01/94
Mid-Hudson Region	6.5	8.9	10/01/94
Capital Region	5.5	8.8	10/01/94
Combined Average	6.2	5.7	

*Indicates the HMO is a line of business of the corporation named in parenthesis.

**Indicates the HMO is licensed also as an Insurance Law Article 43 corporation.

b. Growth of Article 43 and Article 44 Corporations:

The following tables show aggregate figures on assets, liabilities, surplus funds, premium income and membership for years 1989-1993:

TABLE 33
HEALTH SERVICE CORPORATIONS*
Selected Data, New York State
1989-1993

(in millions)

	1993	1992	1991	1990	1989
Admitted Assets	\$4,216.6	\$4,075.8	\$4,093.9	\$3,868.7	\$3,359.3
Liabilities	3,513.8	3,707.0	3,689.7	3,341.2	2,911.1
Surplus Funds	\$702.8	\$368.8	\$404.2	\$527.5	\$448.2
Net Premium Income					
Hospital	\$6,445.3	\$7,393.0	\$7,578.1	\$7,118.3	\$6,350.3
Medical/Dental	4,133.3	4,030.1	3,541.8	3,148.0	2,703.8
Number of Contracts & Riders in Force:					
Hospital	5.4	5.9	6.7	7.0	7.1
Medical/Dental	2.5	5.1	4.6	4.4	4.4

* Insurance Law Article 43 health service corporations are permitted by the provisions of Section 4301(e) of the Insurance Law to provide coverage for hospital service and medical and dental care. They are also granted certain additional powers to permit the development of comprehensive health care plans.

Source: New York State Insurance Department

TABLE 34
 MEDICAL & DENTAL EXPENSE INDEMNITY CORPORATIONS
 Selected Data, New York State
 1989-1993

(in millions)

	1993	1992	1991	1990	1989
Admitted Assets	\$68.3	\$58.0	\$53.8	\$45.4	\$44.2
Liabilities	38.9	37.1	35.4	30.5	29.6
Surplus Funds	\$ 29.4	\$ 20.9	\$ 18.4	\$ 14.9	\$ 14.6
Net Premium Income	\$146.4	\$148.2	\$152.9	\$146.3	\$139.3
Number of Contracts in Force	0.2	0.4	0.4	0.4	0.5

Source: New York State Insurance Department

TABLE 35
 HEALTH MAINTENANCE ORGANIZATIONS
 THAT ARE A LINE OF BUSINESS OF A
 HEALTH SERVICE CORPORATION*
 Selected Data, New York State
 1989-1993

(in millions)

	1993	1992	1991	1990	1989
Net Premium Income	\$1,939.9	\$2,045.1	\$1,722.6	\$1,412.2	\$1,167.0
Participants	1.6	1.5	1.4	1.4	1.4

* Figures shown in this Table are included in the corresponding figures shown in Table 33.

Source: New York State Insurance Department

TABLE 36
HEALTH MAINTENANCE ORGANIZATIONS
THAT ARE NOT A LINE OF BUSINESS
Selected Data, New York State
1989-1993

(in millions)

	1993	1992	1991	1990	1989
Admitted Assets	\$1,225.6	\$844.1	\$672.4	\$549.6	\$399.0
Liabilities	805.7	589.5	478.9	413.5	310.5
Surplus Funds	419.9	254.6	193.5	136.1	88.5
Net Premium Income	2,697.3	2,213.0	1,787.4	1,344.6	1,012.7
Participants	2.2	1.8	1.5	1.3	1.2

Source: New York State Insurance Department

C. HEALTH AND LIFE POLICY BUREAU

1. Review of Life and Accident and Health Policy Forms

The Health and Life Policy Bureau processed 14,989 life, annuity and accident and health policy forms in 1994, including 176 fraternal benefit society certificate forms, constitutions, by-laws, articles of incorporation and amendments thereto. The number of forms processed in 1994 reflects a 17.3% increase over the number of forms processed in 1993.

Table 37
LIFE AND ACCIDENT & HEALTH POLICY FORMS PROCESSED
1994

<u>Total</u>	
Individual Life	1,963
Individual Annuity	618
Individual Accident & Health	1,101
Group Life	373
Group Accident & Health	5,420
Combination Group Life and Health	482
Blanket	733
Article 43 Organizations	691
HMO	1,138
Credit Life	377
Credit Accident & Health	111
Credit Unemployment	22
Variable Life and Annuity	439
Fraternals	176
Group Annuity	1,324
Funding Agreements	18
Pre-Paid Legal	3

Of the 14,989 total, 7,524 forms were approved for use both in and out of state; 2,782 forms were either disapproved or withdrawn; 4,446 forms were filed for use in states other than New York; and 237 forms or memoranda explaining variable contract language were filed for reference purposes. The number of forms approved in 1994 reflects an increase of 36.5% over the number of forms approved in 1993.

2. Review of Accident and Health Rate Filings

The 1,142 rate filings processed by the Bureau consisted of 350 individual accident and health, and 792 group or blanket accident and health filings. The number of rate filings processed in 1994 reflects an increase of 18.3% over the number of rate filings processed in 1993.

3. Pre-filings, Inquiries and Complaints

In conjunction with the policy form and premium rate review process, the Bureau processes pre-filings and responds to inquiries and complaints. The Bureau processed 127 pre-filings of policy form submissions in 1994, and provided written answers to 515 inquiries concerning policy forms or related issues and 78 inquiries relating to premium rates.

4. Community Rating and Open Enrollment

Chapter 501 of the Laws of 1992 and the regulations promulgated pursuant thereto became effective for the most part on April 1, 1993. In conjunction therewith, commercial insurers, health maintenance organizations and Article 43 not-for-profit corporations were required to submit in-force statistics as of September 30, 1992; March 31, 1993; April 1, 1993; and as of the beginning of each quarter thereafter. Due to reporting lags and data corrections, the most current statistics that are reasonably complete are as of July 1, 1994. As has been the case with previous reporting periods, the July 1994 data is subject to significant adjustment due in part to the need by one Article 43 corporation to provide statistics in the proper data reporting format.

Prior to April 1, 1993, all health maintenance organizations and Article 43 corporations (various Blue Cross and Blue Shield organizations and Group Health Incorporated) had been community rating for years. In terms of market share approximately 64% of the small group and individual markets were community rated and the remaining 36% of the market was written by commercial carriers on a noncommunity-rated basis. As of July 1, 1994, the HMOs and Article 43 corporations had a 70.2% market share and the commercial insurers had a 29.8% market share. The data further shows that during the 21-month period between September 30, 1992 and July 1, 1994 the market share for health maintenance organizations increased from 13.8% to 27.6%. Article 43 corporations' market share decreased from 50.2% to 42.6%. However, the market share for all Article 43 corporations other than Empire Blue Cross/Blue Shield increased from 15.1% to 18.3%. Empire's market share decreased from 35.1% to 24.2%.

Enrollment as reported by insurers and HMOs has declined in both the individual and small group markets. Prior to April 1, 1993, the effective date of Chapter 501, the number of insured units that reflects both single individuals and family coverages is as follows:

Type of Coverage	9/30/92	3/31/93
Small Group	987,007	913,233
Individual	410,059	385,078
TOTAL	1,397,066	1,298,311

Thus, during the six months prior to the effective date of the community rating law there was a decrease of 98,755 units.

The number of insured units in the small group and individual markets as of January 1, 1994, April 1, 1994 and July 1, 1994 is as follows:

Type of Coverage	1/1/94	4/1/94	7/1/94
Small Group	924,546	923,738	889,662
Individual	336,017	330,835	320,294
TOTAL	1,260,563	1,254,573	1,209,956

Thus, during the first nine months after the community rating law became operative there was a decrease of 37,748 units, a decrease of 5,990 units in the next three month period, or a total of 43,738 units during the first year after the effective date of Chapter 501, less than half the decrease for the six months prior to the effective date of the law. However, the decrease of 44,617 units in the three months period between April 1, 1994 and July 1, 1994 exceeds the decrease of the prior 12 months. The total decrease of 88,355 units for the first 15 months of operation of the new law is less than the decrease of 98,755 units for the six-month period prior to the effective date of the law.

The actuarial firm of Milliman & Robertson, Inc., published in mid-1994 a report entitled The Impact of Guaranteed Issue and Community Rating in the State of New York. The report concluded that between the period March 1, 1993 to January 1, 1994 the number of persons covered by individual and small group contracts decreased by 500,000. Subsequently, the consulting firm revised downward its estimate to 405,000 persons after discussions with the Insurance Department on the methodology employed. However, based on the data received by the Department, the total decrease in insured units between March 31, 1993 and January 1, 1994 was 37,748. Assuming a range of 1.5 to 2.0 lives per insured unit, the decrease in the number of insured persons was between 53,622 and 75,496 for a reporting period one month less than the survey period of the consulting firm's report.

According to the U.S. Bureau of the Census, the uninsured population in the State of New York from 1988 to 1993 was as follows:

1988	10.7%
1989	11.8
1990	12.1
1991	12.7
1992	13.9
1993	13.9

It is interesting to note that the percentage of the persons not covered by health insurance in New York State according to the U.S. Bureau of the Census leveled off in 1993, the first year the community rating and open enrollment law became operative. However, the percentage of persons not covered by health insurance increased between 1992 and 1993 on a nation-wide basis as well as in all neighboring states, as follows:

	1992	1993
Connecticut	8.2%	10.0%
New Jersey	13.3	13.7
Pennsylvania	8.7	10.8
Vermont	9.5	11.9
United States	15.0	15.3

While debate will continue on the impact of community rating as it pertains to the total number of uninsureds, it should be noted that Chapter 501 addressed many health insurance problems including elimination of barriers to coverage, restrictions on termination of coverage, limitations on the exclusion of pre-existing conditions, portability of coverage, premium rate stability and risk adjustment. While slowing the growth of the uninsured population in New York is a desired result, it was not one of the principal objectives of Chapter 501 since no provision was included in the legislation to directly address the problem of affordability.

5. Regulation 145 - Litigation

In 1993 the Superintendent was named as a defendant in a lawsuit brought by Colonial Life Insurance Company which, in part, challenged two sections of Regulation 145. Section 360.4(c) of Regulation 145 defines a small group as one covering 3-to-50 employees or members. Additionally, it requires insurers to include sole proprietors and groups of two within the definition of small group if that insurer does not offer individual coverage. Colonial Life Insurance Company challenged this section as violating Section 3231(a) of the Insurance Law as added by Chapter 501 of the Laws of 1992, which defines a small group as insuring 3-to-50 employees or members. Section 360.3(a)(1)(ii) of Regulation 145 requires an insurer to count as participating employees those individuals electing to participate in the group health insurance plan or in a plan offered by a health maintenance organization, for the purpose of satisfying the minimum participation requirements of Section 4235(c)(1) of the Insurance Law. Colonial Life Insurance Company argued that this provision also exceeded the authority delegated to the Superintendent by Chapter 501. The New York State Supreme Court agreed with the plaintiff's arguments and invalidated both regulatory provisions.

The Superintendent appealed the Supreme Court's judgment. In a decision handed down in October 1994 the Appellate Division of the Supreme Court affirmed the Supreme Court's reasoning that requiring insurers to extend coverage to individual proprietors and groups of two pursuant to Section 360.4(c) imposed a requirement that did not exist under Chapter 501. As to Section 360.3(a)(1)(ii), the Appellate Division agreed with the Supreme Court that the Regulation essentially redefined the calculation of minimum participation requirements as set forth in Section 4235(c)(1) of the Insurance Law beyond the scope of the Superintendent's authority.

The Colonial Life litigation also affected the First Amendment to Regulation 145. The Amendment expanded the scope of Section 360.3(a)(1)(ii) to require insurers to include all eligible employees or members of the group who are covered as employees, members, spouses or dependents under any health benefit plan of a different group for the purposes of calculating minimum participation requirements. As a result of the Supreme Court's decision, the Insurance Department entered an agreement with the Office of Regulatory and Management Assistance (ORMA) to delay final formal adoption of the Amendment pending appeal. The agreement did not affect the Department's enforcement of the Amendment as an emergency measure.

However, in view of the Appellate Division's denial of the Superintendent's appeal, Sections 360.4(c) and 360.3(a)(1)(ii) were invalidated. The parties to the litigation agreed that the Appellate Division's decision would not be appealed. The Department allowed the Amendment to expire and will be proposing a revised First Amendment in compliance with the court's decision.

6. ORMA Advisory Opinion

Regulation 146, among other things, established two pooling mechanisms designed to spread the cost of insured high-risk individuals. The first type of pool is known as a Specified Medical Conditions Pool. This type of pool is designed to share the risk of insuring individuals with specified high-cost medical conditions such as organ transplants, low birth weight babies, AIDS and conditions leading to ventilator dependency.

The second type of pool is a demographic pool. In this type of pool, the degree of health risk of each insurer's and each HMO's individual and small group business is compared to the average degree of health risk for all insurers and HMOs. Insurers and HMOs with a lower-than-average degree of health risks in these lines of business pay into the appropriate pool. Insurers and HMOs with a higher-than-average degree of health risks in these lines of business collect from the appropriate pool.

The Department selected an outside entity (Alicare) to administer the pools. Initially, a representative data sample was used to set the original demographic factors that were used to calculate payments into the pools or receipts from the pools. Subsequently, an ongoing comprehensive data collection resulted in the review and amendment of the demographic factors on a quarterly basis. The changes were communicated to the insurance industry by means of circular letters published by the Insurance Department.

On December 14, 1993, the New York State Health Maintenance Organization Conference filed a petition with the Office for Regulatory and Management Assistance requesting an advisory opinion as to whether the publication of revised quarterly demographic factors by the Insurance Department should have been accomplished by an amendment to Regulation 146 through a formal rule-making pursuant to the State Administrative Procedure Act (SAPA), rather than through circular letters published by the Insurance Department.

On February 14, 1994, the Office for Regulatory and Management Assistance issued a formal opinion indicating that the regional demographic factors must be set or changed through the formal rule-making process; that any change in the methodology for calculating regional demographic factors would have to be accomplished through the regulatory process; and that the issue of whether the Superintendent improperly delegated his authority to Alicare with regard to periodically adjusting the regional demographic factors is not within the scope of the advisory opinion process and, therefore, the opinion did not address that issue.

The HMO Council also commenced an action in New York Supreme Court, Albany County on the same issue. The Superintendent was served with a notice of petition in this action on December 30, 1993.

7. The New York State Health Maintenance Organization Conference, et al. v. Curiale

On February 25, 1994, the United States District Court for the Southern District of New York issued a ruling on the applicability of Regulation 146 (11 NYCRR 361) to health maintenance organizations. The Court held that application of Regulation 146 to HMOs is preempted by the Employee Retirement Income Security Act of 1974 (ERISA). The Court cited the Second Circuit case of Travelers Insurance Co. v. Cuomo in holding that HMOs are not engaged in the business of insurance. The preemption doctrine is applicable in this instance since the Regulation would have the effect of forcing an employee benefits plan providing coverage to its members through an HMO to either raise rates, lower benefits, or both, to meet the costs of implementing the pooling arrangements of Regulation 146. Since HMOs have, in general, younger and healthier members, they would wind up subsidizing the higher costs of other insurers' plans. These added costs would have to be passed on to customers, some of which are employee benefit plans covered by ERISA. The Court found that the ERISA savings clause, which reserves to the states the right to regulate the insurance industry, is inapplicable in this case, in part because the Regulation in question was not addressed solely to entities within the insurance industry. The Insurance Department appealed this decision and HMO contributions to the various pools are being placed in escrow pending the outcome of the appeal.

8. First Amendment to Regulation 145 (11 NYCRR 360)

The First Amendment to Regulation 145 was first adopted as an emergency measure and proposed for adoption as a permanent rule on July 20, 1993. The Amendment was continued in force on an emergency basis until March 1995, when the final continuation for the proposed amendment expired. In light of the holding in the Colonial Life case, certain areas of the First Amendment and the original regulation need amendment. The Department is drafting the necessary changes and will be proposing a new First Amendment that will conform the Regulation to the holding in the Colonial Life case.

Based upon that holding, all references to including one- and two-life cases within the scope of those entities subject to open enrollment and community rating will be deleted. Only groups that insure between 3 and 50 lives will be covered. Also, references to including individuals covered under a different insurer's health insurance plan or under an HMO plan when determining whether an insurer's minimum participation limits have been met will be eliminated.

Two other areas of concern were included in the original version of the First Amendment. Rate differences intended to reflect differences in expenses such as per-case charges, premium volume discounts or load scales varying by case size were prohibited, as were commission scales that varied by case size. It was felt that these practices had the effect of unfairly raising the relative cost of insurance coverage for the smallest groups, thus making such coverage less affordable and less available. The Department is in the process of reconsidering these limitations for inclusion in the revised First Amendment.

9. Managed Care Products - Evolution of the Marketplace

The health insurance/health maintenance organization (HMO) marketplace has changed dramatically over the past several years and continues to do so.

The growth of HMOs in this State has been dramatic in the recent past. The spiraling cost of medical care which is reflected in health coverage premiums became a major source of concern to employers and other policyholders that pay the cost of such coverage to a large extent. Employers and group policyholders often turned to the managed care features of the HMO model to aid in containing the cost of medical care, and as a result, contain health coverage premiums.

Features of the HMO--such as payment to providers on other than a fee-for-service basis; aggressively managing care so health care services are appropriately utilized; and emphasis on preventive and primary care so medical problems are addressed early (and on a less costly basis)--are appealing to employers looking to contain health coverage costs. Yet these same employers also sense a reluctance on the part of some of their employees to join HMOs because the employees may not have the unimpeded flexibility to choose a provider outside of the HMO network if the employee/insured or his/her dependents deemed that to be necessary. In the "pure" HMO model, accessing providers outside the HMO network without approval usually means no coverage except in emergency situations.

Reacting to that reluctance on the part of certain employees, the marketplace has begun to demand, and HMOs have responded with, hybrid products incorporating HMO and more traditional insurance features. Certain HMOs have joined with or formed traditional insurance entities that can provide to an HMO enrollee service coverage outside the HMO network at a greater out-of-pocket cost. This has made products available with an HMO component as the basic feature and an overlying insurance component allowing for out-of-network access at a greater cost in varying circumstances. Additionally, with the passage of Chapter 538 of the Laws of 1993 an HMO has the ability to offer a contract that reimburses for out-of-network services on a limited basis without allying itself with or forming an insurance company.

Health insurers that offer traditional indemnity products were also directly affected by the spiraling cost of medical care and resulting premium increases on their products. No longer would the employers and other group policyholders that paid the cost of such indemnity products withstand huge premium increases.

Such health insurers have begun to change their traditional indemnity products to move away from the unquestioned payment to a provider of any claim on a fee-for-service basis and toward incorporating managed care into their product offerings. Many traditional health insurers entered the HMO business offering the more "pure" HMO product by setting up licensed HMO subsidiaries.

In addition, such health insurers began to offer their own hybrid products to respond to marketplace pressures. Health insurers began to form networks of "preferred providers" (sometimes called preferred provider organizations, or PPOs). These preferred providers would agree to a lesser rate of reimbursement in return for (1) access to a large number of insureds to service and (2) direct reimbursement from the insurer. The insureds who used such preferred providers would have little or no out-of-pocket cost. Many times such products permit out-of-network access at a greater out-of-pocket cost to the insured to address the reluctance of some insureds to totally give up their flexibility in choosing any provider. Some PPO-type products require a primary care physician (PCP) to give permission to go out of network and some do not. Depending upon the degree of prior approval needed to go out of network and/or the rate of out-of-network reimbursement, insurers developed variations on the PPO theme, sometimes known as point-of-service (POS) arrangements or exclusive provider organizations (EPOs).

By year's end, many commercial insurers that had traditionally written only expense reimbursement indemnity products, such as major medical insurance, responded to the evolving marketplace. These commercial insurers either have received approval of or have pending products with different types of managed care components.

The continued development of combined in-network pre-paid health services and out-of-network indemnity arrangements will probably result in increased competition from other nontraditional entities, such as Hospital-Physician Organizations and Health Care Alliances and will offer both employers and consumers a greater number of choices in order to achieve greater control over health care costs.

10. Long-Term Care Insurance

In 1994, the Department released an updated version of the consumers shopping guide for Insurance Policies Covering Long Term Care Services in New York State.

The 170-page guide provides updated information on the different types of long-term care insurance policies currently being sold in New York State. The guide explains the specific type and minimum level of benefits that must be covered by each category of policy as well as a description of optional benefits that must be offered with certain categories of policies. The guide provides a general overview of long-term care type insurance in New York State. The guide provides charts showing the benefits and limitations of each individual policy covering long-term care services currently available in New York with sample premium rates for each individual policy.

As of the end of the year, eight insurers offered individual policies that meet or exceed the minimum requirements of Department Regulation 62 for long-term care insurance, three insurers offer Nursing Home and Home Care policies, four insurers offer Nursing Home Only policies and one insurer offers a Home Care Only policy as defined by Regulation 62. In addition, five insurers offer group long-term care policies through employer and association groups.

The long-term care shoppers guide also provides information on the New York State Partnership for Long Term Care. The Partnership Program provides incentives for New Yorkers to purchase approved long-term care policies by allowing individuals to obtain Medicaid coverage after the benefits of their policies have been exhausted without having to "spend down" their assets. The guide provides charts showing benefits, limitations and sample premium rates of nine insurers that have received the appropriate regulatory approvals for long-term care policies meeting the requirements of Insurance Department Regulation 144. Since publication of the guide, one additional insurer has received approval to offer a long-term care policy under the Partnership Program.

As of December 1994, the ten insurers offering approved individual long-term care insurance policies under the New York State Partnership Program are:

American Family Life Assurance Company of New York
Amex Assurance Company
Continental Casualty Company
Finger Lakes Long Term Care Insurance Company
John Alden Life Insurance Company of New York
John Hancock Mutual Life Insurance Company
Mutual of Omaha Insurance Company
New York Life Insurance Company
Teachers Insurance and Annuity Association
Travelers Insurance Company

In addition, Metropolitan Life Insurance Company offers a group-sponsored product through a state-wide association.

The law requires the Department of Social Services and the Insurance Department to provide a report to the Governor and the Legislature by December 31, 1995 on the progress of the implementation of the Partnership Program.

11. Life Care Communities

Development of the life care industry in New York continues to proceed slowly. While no new entities received Certificates of Authority from the Life Care Council, significant progress has occurred toward the opening of the two communities that do have certificates. Also, the Department has been informed that there are several entities in the process of developing proposals for new communities. It is anticipated that additional applications for a Certificate of Authority will be formally submitted in 1995.

Glen Arden Life Care Community received the first Certificate of Authority on October 22, 1992. Kendal at Ithaca Life Care Community received its Certificate of Authority on June 24, 1993. Both experienced significant difficulty in obtaining permanent long-term financing which would allow the start of construction on the projects.

Even though both facilities successfully pre-sold many of the independent living units, no long-term financing was readily available. The commercial banking industry has shown little interest in issuing financing to start-up real estate ventures. Tax-exempt financing from the Medical Care Facilities Finance Agency (MCFFA), the New York State Housing Finance Agency (HFA), the State of New York Mortgage Agency (SONYMA), the Dormitory Authority and other state authorities is not available due to the position of the Public Authority Control Board (PACB) that precludes any entity under its control from issuing nonrated bonds. Due to the fact that all life care projects in New York are start-up projects and the fact that life care has no financial track record in this State, no rating agency is willing to give bonds used to finance such projects an investment-grade rating without some form of credit enhancement. The required credit enhancement has not been available in New York for the same basic reasons that direct financing is unavailable. While Glen Arden had not been able to obtain a formal commitment for financing by the end of 1993, it did obtain an opinion from Bond Counsel for Orange County that would include a life care community within the Industrial Development Agency (IDA) definition of "habilitation facility" which at least showed the potential for financing through the Orange County IDA. Kendal at Ithaca in Tompkins County was unable to obtain a similar Bond Counsel Opinion or other commitment for financing.

On April 18, 1994, Chapter 66 of the Laws of 1994 became effective. The bill addressed three areas of particular interest to prospective life care community operators. The law authorizes operators of life care communities to use entrance fees to finance the cost of purchase or construction of the community; authorizes the operator to require that residents purchase long-term care insurance to cover all or part of the cost of nursing home care provided as part of the life care contract; and permits industrial development agencies and other public benefit corporations to issue bonds to finance life care communities.

The amount of escrowed entrance fees that may be used to assist in the construction or purchase of a life care community may not exceed 15% of the total costs of acquiring, constructing and equipping the community. Such funds may only be used after approval of an application by the Commissioner of Health. The Commissioner must obtain the advice of the Superintendent of Insurance and may not approve an application over the objection of the Superintendent. The Life Care Council is specifically authorized to promulgate regulations in this area. Several specified conditions must be met before an approval can be given. Among the more important conditions are: the operator must have signed contracts and deposits on at least 60% of all proposed living units; escrowed entrance fee deposits must total at least 15% of the total entrance fees due for all units; a construction or purchase contract with a fixed maximum price must have been entered into; a firm commitment for a permanent long-term financing arrangement for the facility must be in place; and appropriate disclosure of the use of the escrowed entrance fees must be given to all residents.

Prior to enactment of Chapter 66 of the Laws of 1994, only those long-term care contracts in accordance with the provisions of New York State Partnership for Long Term Care Program could be used to partially or totally offset the costs of nursing home care furnished pursuant to a life care contract. Under the terms of this law, any approved long-term care contract may now be used to provide payment for all or part of the cost of such nursing home care. The life care community must continue to include in the regular monthly fee the portion of the cost of nursing home care above the insurance payments. No amount over and above the monthly fee may be charged to a resident in the nursing home. The Insurance Law was also amended to specifically define the residents of a life care community as a permissible group for the issuance of health insurance. This eliminates any question as to an insurer's ability to issue a group insurance policy to such residents.

The problem of the lack of long-term financing has been at least partially addressed through the availability of industrial development agency financing created by this law. The law contains several requirements that must be met before a life care community may access such financing. Among the more important requirements are: the operator must have executed contracts for at least 70% of all living units and have at least a 10% deposit on such units; the operator must have complied with the requirements for a Certificate of Authority to operate a life care community; the operator must be a not-for-profit corporation; the operator must have an equity position in the community at the level specified in the statute or agree to maintain certain ratios of cash and investments to outstanding debt; the operator must submit an acceptable financial feasibility study, including a financial forecast and a market study prepared by an outside entity; the operator must submit an analysis of the economic costs and benefits of the financing, including job retention and creation, as well as the availability and cost of alternate financing; the operator must meet certain debt service reserve requirements; and the operator must comply with specified procedures to protect the interests of the residents in the event of a default.

Both Kendal at Ithaca and Glen Arden have now secured approval from the Life Care Council for IDA financing. Both have commitments for such financing and Kendal started actual construction in the fall of 1994. Glen Arden is expected to start construction in early 1995.

12. Standardized Hospital and Medical Billing Forms: Electronic Claim Submissions

Chapter 501 of the Laws of 1992 added a new subsection (b) to Section 209 of the Insurance Law which authorized the Superintendent, in consultation with the Commissioner of Health, to appoint an advisory panel--comprised of representatives from commercial insurers, health and hospital service corporations, health maintenance organizations, hospitals, the Medical Society of New York State and purchasers of insurance--for the purpose of developing a standardized medical claim form or forms that would be utilized by all health providers and insurers. In accordance with the recommendations of the Advisory Panel, the Department proposed the Second Amendment to Regulation 88 which designates new standardized hospital billing and physician billing forms that must be accepted and used by insurers, Article 43 corporations and health maintenance organizations.

The NYPHRM (New York Prospective Hospital Reimbursement Methodology) V Legislation (Chapter 731 of the Laws of 1993) also deals with standardization of billing practices and electronic claim submissions. On March 3, 1994, the Insurance and Health Departments met to coordinate uniform billing and standard claim form proposals. As a result of the meeting, the provisions of the proposed Second Amendment to Regulation 88 are being held in abeyance until it is clear what actions are needed that relate solely to insurers. The two Departments are coordinating their efforts in light of the overlapping statutes. The Insurance Department is participating as a member of several task forces which are developing standard electronic claims formats and setting implementation schedules. New York's efforts must also be coordinated with federal efforts in the same area dealing with Medicaid and Medicare claims.

13. Health Insurance Alliances

President Clinton's national health care proposal led to a significant interest in purchasing alliances. The Long Island Association Health Alliance, Inc., was formed as a not-for-profit corporation to assist small businesses on Long Island to obtain and maintain health insurance coverage for their employees. The Alliance is intended to act as a voluntary purchasing group that would offer, through licensed insurers and HMOs, an HMO coverage option, a traditional indemnity insurance option, and a point-of-service option to provide insureds with the option of obtaining care from non-network providers. Generally, if care is obtained from a provider outside of the network under a point-of-service option, higher deductibles and copayments are applicable.

On March 22, 1994, the Department held the first of several meetings with representatives of the Long Island Health Alliance concerning their proposals. Significant discussion focused on the specific plans of the Alliance, their proposed corporate structure, the benefit packages to be made available, and the ability of the Alliance to function under the current Insurance Law. The possibility of the necessity for statutory changes to specifically authorize this type of program was also discussed.

On April 26, 1994, the Department met with representatives of the Westchester/Rockland/Putnam Health Plan Purchasing Alliance in order to better understand the Alliance's operations and its effect on the existing health insurance system. The Department continues to be concerned with the need for regulatory oversight of voluntary purchasing alliances. Concerns center around the possibility that the alliances could undermine or disrupt the implementation of open enrollment and community rating; the need for some oversight with regard to marketing, advertising, rates, and fiduciary responsibilities; the effect the alliances could have on the community-rated pools; and the possible need for the alliances to obtain agents or brokers licenses.

While discussion of the Department's concerns continued, a formal review of policy form submissions made by Metropolitan, Prudential, and ChoiceCare was conducted. These carriers participated in the Long Island Alliance program. The Westchester/Rockland/Putnam Alliance also submitted certain standard policy designs to the Department for review.

In the fall of 1994, the Department entered into a Memorandum of Understanding with the Long Island Association Health Alliance, Inc., and the three insurers participating in that Alliance. The memorandum sets forth the legal and Departmental requirements for the insurers participating in the Alliance, and the agreements between the Alliance and the Department concerning the Department's oversight of and responsibilities concerning the Alliance. This memorandum addressed the same concerns the Department had raised in earlier meetings. With this agreement, the Department felt it could proceed without specific statutory modifications. Policy forms submitted by the insurers involved were approved.

Subsequently, the Department prepared a Memorandum of Understanding to be entered into with the Westchester/Rockland/Putnam Alliance. The proposed Memorandum closely tracks that entered into with the Long Island Alliance.

14. Child Health Plus

Enacted by Chapters 922 and 923 of the Laws of 1990, Child Health Plus provides subsidized outpatient health insurance coverage to uninsured and underinsured children meeting certain eligibility criteria related to the child's age, family income and health insurance status. Direct subsidies, funded by assessment from the Statewide Bad Debt and Charity Care Pool, are paid to 13 participating insurers, health maintenance organizations and prepaid health services plans. Based on Department of Health data as of December 31, 1994, the geographical service area and total enrollment of the Child Health Plus participants is as follows:

Table 38
CHILD HEALTH PLUS
Participants, Service Area, Enrollment
(as of December 31, 1994)

<u>Participant</u>	<u>Geographical Service Area</u>	<u>Enrollment</u>
Blue Cross and Blue shield of Central New York, Inc.	Broome, Cayuga, Chemung, Cortland, Madison (west), Onondaga, Schuyler, Steuben, Tioga, Tompkins and Yates counties	6,338
Blue Cross and Blue Shield of the Rochester Area	Livingston, Monroe, Ontario, Seneca and Wayne counties	6,556
Blue Cross and Blue Shield of Utica-Watertown, Inc.	Chenango, Clinton, Delaware, Essex, Franklin, Fulton, Hamilton, Herkimer, Jefferson, Lewis, Madison, (east), Montgomery, Oneida, Oswego, Otsego and St. Lawrence counties	6,121
Blue Cross and Blue Shield of Western New York, Inc.	Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans and Wyoming counties	3,881
Blue Shield of Northeastern New York, Inc.	Albany, Clinton, Columbia Delaware, Dutchess, Essex, Fulton, Greene, Montgomery, Orange, Putnam, Rensselaer, Saratoga, Schenectady, Schoharie, Sullivan, Ulster, Warren and Washington counties	1,753
Bronx Health Plan	Bronx	2,937
Capital Area Community Health Plan, Inc. (CHP)*	Albany, Clinton, Columbia, Dutchess, Fulton, Greene, Montgomery, Orange, Otsego, Putnam, Rensselaer, Saratoga, Schenectady, Schoharie, Ulster, Warren and Washington counties	4,758
CHP/HSMC*	Madison, Cayuga, Tioga, Tompkins, Oswego, Cortland, Oneida, Broome and Onondaga counties	951

CHP/HCP*	Erie, Cattaraugus, Niagara and Wyoming counties	649
Centercare PHSP	Manhattan	2,715
Empire Blue Cross and Blue Shield	Albany, Clinton, Columbia Delaware, Dutchess, Essex, Fulton, Greene, Montgomery, Nassau, Orange, Putnam, Rensselaer, Rockland, Saratoga, Schenectady, Schoharie, Suffolk, Sullivan, Ulster, Warren, Washington and Westchester counties and New York City	28,240
Group Health Inc.	Bronx	2,318
Health Care Plus	Brooklyn	5,694
Health Insurance Plan of Greater New York, Inc.	Queens, Suffolk and Nassau counties	14,128
Westchester PHSP	Westchester County	3,505

*Capital Area Community Health Plan has entered into subcontracts with Health Services Medical Corporation of Central New York (HSMC) and Health Care Plan (HCP) for the provision of Child Health Plus covered services to children residing in their respective service areas.

Enactment of Chapters 170 and 731 of the Laws of 1994 made several substantive changes to Child Health Plus. Under Chapter 170, a responsible adult applying for coverage on behalf of a child must now supply proof of New York State residency, must attest to the source and nature of any health care coverage available to the child, must supply a copy of the most recently filed income tax return and must report the social security number for each parent and legally responsible adult who is a member of the household and whose income is available to the child. The responsible adult is also now affirmatively obligated to notify the participating plan of any change in circumstance that might make the child ineligible for participation in the program or ineligible for subsidization of the premium. Chapter 170 also provides that in cases where a plan has reasonable cause to believe that an applicant has provided false income information, an income verification by the Department of Taxation and Finance may result. Chapter 731 extended the age of eligibility for covered children to now include children who are born on or after June 1, 1980 and who are under 15.

Chapter 170 also provided funding for an independent evaluation of Child Health Plus. Eight responses to a Request for Proposal issued by the Department of Health were received. The Insurance Department participated in the review process. The University of Rochester was awarded the contract to perform the evaluation. The final report of the evaluation is due October 1, 1995.

15. Regional Pilot Projects

Chapter 703 of the Laws of 1988 authorized the development of a program to test, on a limited regional basis, health care coverage models to provide insurance to uninsured individuals and small employer groups. The premium charged for coverage available under the pilot projects is subsidized from an annual distribution of funds from the Statewide Bad Debt and Charity Care Pool.

In 1994, two health maintenance organizations (Capital Area Community Health Plan and Health Insurance Plan of Greater New York), one prepaid health services plan (The Bronx Health Plan) and one insurer (Empire Blue Cross/Blue Shield) participated in five Regional Pilot Projects. Three of the Projects are individual subsidy programs and two are small employer group programs. Based on Department of Health data, total enrollment in all Plans as of December 31, 1994 was 10,309. This decline in enrollment from the 12,221 reported for the previous year is attributed to the fact that the participating plans are no longer permitted to accept new enrollment due to limited funding.

16. Municipal Cooperative Health Benefit Plans

Following the Governor's veto in 1993 of a bill that would have permitted two or more municipal corporations to share the cost of funding employee health benefits without Insurance Department oversight, the Department worked with representatives of the New York State School Boards Association, CSEA, NYSUT, New York State Conference of Mayors, New York State Association of Towns, New York State Association of Counties, several school district cooperatives and an ad hoc group of third-party administrators in drafting legislation that would expressly authorize existing and new municipal cooperative arrangements to provide health benefits on a shared-funding basis.

Chapter 689 of the Laws of 1994 is the culmination of that drafting process. The legislation adds a new Article 47 to the Insurance Law and requires existing and new municipal cooperative health benefit plans to apply for and receive a Certificate of Authority from the Superintendent.

Article 47 includes appropriate safeguards necessary to prevent municipal cooperative health benefit plans from exposing municipalities and their taxpayers to unpredictable and potentially catastrophic liabilities. It establishes minimum reserve and surplus requirements, stop-loss insurance requirements, and filing and reporting requirements to ensure that municipal cooperative health benefit plans are operated on an actuarially sound basis. These financial safeguards should promote the stability and solvency of existing municipal cooperatives and prevent inadequately funded or incompetently managed programs from commencing operations in this State.

Article 47 also makes municipal cooperatives and their benefit plans subject to established standards regarding benefits, participation and premium rates in order to protect consumers and to prevent unfair competition between municipal cooperatives and licensed insurers.

The Health and Life Policy Bureau worked with the Property Companies Bureau in drafting the application form for the Certificate of Authority and has provided technical assistance to the State Education Department and other associations so that they could advise their respective constituents, school districts and municipal corporations of the new law and its requirements.

The Health and Life Policy Bureau's primary ongoing responsibility in implementing Article 47 will be to review and approve the benefit plans offered by the municipal cooperatives to municipal corporations and their employees and to review all service provider contracts entered into by municipal cooperatives.

17. Disability Income Insurance

During 1994, many of the insurers who write significant portions of the individual disability income insurance in this State returned to the use of sex-distinct premium rating methods after replacing sex-neutral premium rating which had been used by most insurers since the late 1970s. Some female rates have increased by as much as 50% in the 20-to-39 age range whereas male rates have decreased as much as 10% in the same age range.

In 1974, a lawsuit was filed against the Superintendent for permitting insurers to discriminate against women in the availability and pricing of certain insurance products, principally disability income insurance. After a public hearing, the Superintendent on January 28, 1975 promulgated Regulation 75 which prohibited insurers from refusing to issue any policy or declining to renew any policy because of the sex of the applicant or policyholder. In the Opinion and Decision for that public hearing, the Department committed itself to an in-depth review of statistical data in an effort to determine if valid actuarial data existed to support different disability income premium rates for men and women.

In May 1975, the Department issued a call for the available disability income experience from 26 major insurers. The objectives of the Department study were:

1. to determine if gender is a factor in the cost of disability income insurance;
2. if gender is a factor, to determine to what extent that characteristic affects the cost of disability income insurance for individuals with otherwise similar risk classifications;
3. if gender is a factor, to determine if there are significant variations in the ratio of female-to-male costs because of age, occupation, cause of disability (accident or sickness), benefit structure (waiting period and maximum benefit period) and type of policy renewal guarantees (guaranteed renewable to age 65 or renewable at option of the insurer);
4. to determine if the influence of the gender of the insured in the cost of disability income insurance had changed in the most recent report period then available (1968 to 1973); and,
5. to compare cost patterns by gender as determined by the Department's study with patterns based on gender as exhibited by other related health statistics.

It was apparent that this updated study by the Department was essential because of the changing life styles of women in the 1960s and 1970s. More women were pursuing professional and other careers on a permanent basis and an increasing number of women had become sole or principal family wage earners, underscoring their need for adequate loss-of-income protection.

The 1976 Superintendent's Report on Disability Income Insurance reached the following conclusions:

1. Gender is a major factor affecting the cost of disability income insurance;
2. Female claim costs (accident and sickness) were consistently higher than male claim costs up to age 60 after which female claim costs fell below male claim costs with the highest relative differential in costs in the 30-to-39 age group;
3. For accident-only benefits, female claim costs were generally lower than male costs below age 30;
4. Where male and female workers were properly grouped in the same occupation class, claim cost differentials were attributable to gender and age and not due to occupation;
5. Benefit structure of policies, while affecting claim costs overall, did not have a significant impact on the relative claim cost differences between female and male lives;
6. There was no evidence of any significant change from prior studies in female/male claim ratios during the study period, leading to the conclusion that claim ratios by gender and age have remained relatively stable; and,
7. A review of social security disability benefit experience exhibited a pattern of claim cost ratios that were not inconsistent with those derived from commercial disability income insurance experience.

Following the Department's study, most insurance companies voluntarily adopted unisex premium rates citing the fact that only 10% of the disability income insurance issued was on female lives. This rating structure existed from the late 1970s until 1994 when many companies felt compelled to revert back to gender-distinct rating because the number of female insureds had increased to 40% of the business written. As soon as one major insurer adopted gender-distinct rating, other insurers still using gender neutral rating found themselves at a competitive disadvantage for new sales. Thus, most disability income writers filed with the Department new gender-distinct premium rates which increased female rates as much as 50% for some age groups under 40 years of age.

18. Viatical Settlements

Pursuant to Chapter 638 of the Laws of 1993, the Viatical Settlement Act, the Insurance Department promulgated Regulation 148 (11 NYCRR 380) on July 8, 1994. Both the Regulation and the portion of the Act that was codified as Article 78 of the Insurance Law took effect on July 27, 1994.

The intent of Article 78 and Regulation 148 is to provide consumer protection for individuals who have a catastrophic or life-threatening illness and who wish to use their life insurance policy as a financial resource to defray the costs and expenses associated with their illness by entering into an agreement with a viatical settlement company. Under such an agreement, the death benefit or the ownership of the policy is transferred to the viatical settlement company in return for payment by the company to the policyowner of an amount that is less than the expected death benefit payable under the policy.

Article 78 establishes a framework of standards and procedures for the Insurance Department's licensing and regulation of viatical settlement companies and brokers, and for the Department's approval of viatical settlement agreements. Regulation 148 establishes specific rules for the implementation of the statute. Prior to the effective date of Article 78 and Regulation 148, viatical settlement companies and brokers were not subject to regulation by any state agency.

Regulation 148 sets forth specific and detailed licensing requirements for viatical settlement companies and brokers including submission of an application, a plan of operations and financial information. Also, all licensees must submit annual statements. Additionally, Regulation 148 requires that the Superintendent examine the affairs of every viatical settlement company at least once every five years.

The Regulation establishes minimum standards for the form and content of viatical settlement agreements and applications for viatical settlements, designed to protect potential viators. It also requires submission of a pricing memorandum containing specified information.

The Regulation sets forth marketing, advertising and disclosure requirements to enable each individual to make an informed decision. In addition, it contains procedural requirements to ensure an equitable and effective settlement process.

Since the effective date of Article 78 and Regulation 148, the Department has received applications from 13 viatical settlement companies. Of those, one company has been licensed. Of the 12 companies that have license applications pending, 11 filed their application prior to or within 90 days after the Regulation was promulgated and, therefore, pursuant to Section 380.2(c), are permitted to act as viatical settlement companies without a license until the Superintendent has made a final determination on their license. Of the 11 companies that fall under Section 380.2(c), 10 filed specimen copies of the viatical settlement forms they intend to use, together with their application. Pursuant to Section 380.2(d), these ten companies are permitted to use such unapproved forms until the Superintendent has made a final determination on their license application.

Since the effective date of Article 78 and Regulation 148, eight viatical settlement brokers have applied for licensing and, of those, none have yet been licensed. Of the eight brokers who have applications pending, six filed their application prior to or within 90 days after the Regulation was promulgated and, therefore, pursuant to Section 380.2(c), are permitted to act as viatical settlement brokers without a license until the Superintendent has made a final determination on their license.

19. Life Insurance in the Section 403(b) Market

Section 403(b) of the Internal Revenue Code provides that an employee of a Section 501(c)(3) organization or public school system can exclude from gross income, within limits, the premiums paid on a tax-sheltered annuity contract. The income tax recognition on the increased amount of the contract's value can be deferred until actual distribution. According to Section 1.403(b) of Title 26 of the Code of Federal Regulations, an individual life insurance policy used to provide incidental life insurance protection under a tax-sheltered annuity plan will be treated as an annuity contract under Section 403(b) of the Internal Revenue Code.

While annuity contracts have long been issued in the Section 403(b) market, the appropriateness of the use of life insurance policies with a cash value in that market raised concerns with the Department. Section 403(b)(10) of the Internal Revenue Code prohibits distributions from a contract until the individual attains age 59 1/2, separates from service, dies or becomes disabled, or in a case of hardship. These Internal Revenue Code prohibitions directly conflicted with New York statutory requirements on the accessibility of a policy's cash value and the ability to take loans against that cash value.

Section 403(b)(10) of the Internal Revenue Code also requires that distribution commence no later than the required beginning date set forth in Section 401(a)(9), *i.e.*, April 1 of the calendar year following the year the individual attains age 70 1/2. The purchase of life insurance policies, unlike annuity contracts, requires evidence of insurability. Such policies are primarily intended to provide death benefit coverage. If individuals cannot continue their life insurance coverage or are required to make an adjustment in their policy, especially in a retirement situation, it could prove difficult at advanced ages to obtain other life insurance coverage.

Therefore, in view of these considerations any submissions of forms by insurers for use with life insurance policies that set forth the requirements of the Internal Revenue Code in the Section 403(b) market could not be approved by the Department because of the requirements of Section 3203 of the Insurance Law.

In late 1993 it came to the Department's attention that some insurers licensed to do business in New York were issuing individual life policies in the Section 403(b) market. In order to meet Internal Revenue Code requirements, restrictions had been placed on a policyowner's access to cash values and loans which conflicted with Section 3203(a)(8) and Section 4221 of the Insurance Law. The documents being used to amend the terms of the policy were not submitted to the Department for approval prior to use, although without appropriate legislation to amend the Insurance Law such documents could not be approved at that time. Insurers were advised by the Department's Circular Letter No. 16 (1993) that the use of such documents was a violation of Section 3201(a) of the Insurance Law.

The Department during this time continued to be involved in discussions with industry representatives and eventually legislation was enacted effective July 6, 1994 adding Sections 3203(a)(8)(J), 4221(q) and 3209(m) to the Insurance Law. The new statutory amendments now permit life insurance policies to be sold in the Section 403(b) market and require disclosure to applicants on the appropriateness of such a purchase.

Section 3203(a)(8)(J) provides that the requirement that a policyowner shall be entitled to a loan at any time the policy is in force does not apply to any policy qualified for special tax treatment under subsection (b) of Section 403 of the Internal Revenue Code of 1986, to the extent such application would prevent such qualification.

Section 4221(q) also provides that the provision of this section requiring access to cash values does not apply to any policy qualified for special tax treatment under subsection (b) of Section 403 of the Internal Revenue Code of 1986, to the extent such application would prevent such qualification.

Section 3209(m) addresses the Department's concern that the use of life insurance in a Section 403(b) plan may not be appropriate for individuals in retirement situations. Section 3209(m) requires that a written notice be delivered for all life insurance policies, except term life insurance policies, at or prior to the time an application is taken, whenever that policy is to be issued to qualify for special tax treatment under Section 403(b).

The required notice advises applicants that the purchase of a life insurance policy with a cash value that qualifies for special tax treatment under Section 403(b) may not be appropriate for individuals seeking to maximize the accumulation of funds for retirement or for individuals who are purchasing life insurance coverage primarily to provide a survivorship benefit for a spouse in the event of death prior to retirement. The notice also advises applicants that since current tax laws require the commencement of taxable distributions under the Section 403(b) plan no later than age 70 1/2, an adjustment in the cash value life insurance policy or increased insurance costs in future policy years may be necessary. Additionally, the notice encourages applicants to consult with their tax advisor before purchasing life insurance with cash value as part of a tax-sheltered annuity.

Since the enactment of the legislation, the Department has received approximately seven submissions from insurers of forms for use with life insurance policies in the Section 403(b) market. As of the end of 1994, three insurers have received formal approval of their submissions.

20. Proposed Regulation 149

The Department, in conjunction with an insurance industry task force, has commenced a review of the nonforfeiture requirements pertaining to certain term and increasing premium life insurance plans and the Department's long-standing limitation on coverage beyond age 70 for renewable term insurance as set forth in Circular Letter No. 4 (1963). The Department filed proposed Regulation 149 with the Secretary of State on November 1, 1994. As a result of several comments from licensed insurers, several substantive modifications were necessary and the Department is in the process of refileing a revised proposed Regulation.

The original proposed Regulation would have established rules pertaining to term life insurance renewal restrictions and minimum cash surrender values on increasing premium life insurance plans, including plans subject to Section 4221(1)(3) of the Insurance Law. With the improvement in life expectancy over the last 30 years, mortality costs between age 70 and age 80 have decreased resulting in more gradual premium increases as compared to 40 years ago. The proposed Regulation essentially extends the age 70 rule to age 80 with requirements reflecting more recent product designs and marketing techniques. Specifically it applies to increasing premium term and whole life plans that require minimum cash surrender values under Section 4221 of the Insurance Law, except those that credit excess interest under Sections 4232(b) or 4518 of the Insurance Law.

The proposed Regulation will apply to policies delivered, issued for delivery or deemed to be delivered in this State by authorized life insurers or fraternal benefit societies. The proposed Regulation would prohibit the issuance, renewal or continuation of increasing premium or decreasing face amount term coverage beyond age 80. Exceptions would be allowed for level-premium, level-benefit plans after age 80, employer pay-all plans where the policy uses a sex-distinct basis, plans funded entirely by policy dividends or excess amounts credited under the base policy, plans where the coverage is paid by the group policyholder and group plans where the cost of coverage is paid partly by the employer when active employees are covered beyond age 80. There are special rules for applying the limitation to joint life policies, *i.e.*, the rule applies to the oldest insured on first-to-die plans and the youngest insured on second-to-die plans. The restriction is specifically applied to the term element of a cash value plan of insurance where the term component is replaced over a period by paid-up whole life insurance, except that coverage may extend past age-80 on a level premium, decreasing death benefit basis.

The proposed Regulation would establish testing procedures for determining whether or not cash values are required on increasing premium policies, other than policies subject to 4232(b) or 4518. There is an exception for annually renewable term plans that do not develop cash values prior to age 90 even if values develop after age 90. There are detailed testing procedures for term life policies with increasing gross premium scales. There is a "safe harbor" for any level premium term plan with a premium-paying period less than 20 years that will expire prior to age 71. There are detailed testing procedures for increasing premium whole life policies. There is an age-80 limit that provides that the gross premium scale for increasing premium whole life policies cannot provide for increasing premiums beyond that age.

21. Synthetic Guaranteed Investment Contracts

The Department received submissions from two life insurance companies and inquiries from several other insurers concerning the sale of synthetic guaranteed investment contracts (GICs) to pension plan sponsors in this State. The proposed products resemble previously approved guaranteed investment contracts except that insurance company obligations are established in relation to contractholder funds that are neither owned nor possessed by the insurance company. Under the proposed products, the insurance company wraps book value accounting guarantees around a portfolio of assets held in a custodial account on behalf of the plan and managed by the insurance company, an affiliate of the insurance company or another investment manager.

The proposed products have been drafted to conserve existing pension business and to preserve market share for the life insurance industry in the GIC/Alternative GIC market. The insolvencies of Executive Life and Mutual Benefit Life and then Confederation Life (which was not licensed in New York) in 1994 have caused plan sponsors to reconsider their exposure to life insurance company credit risk. Although life insurance company separate account products can be insulated from general account liabilities in the unlikely event of insolvency, noninsurance company competitors have been successful in using the lack of significant judicial pronouncements to raise doubts about the validity of separate account insulation from a life insurer's general account and have contrasted such doubts with the absolute certainty of funds held in trust. Ironically, the lack of such judicial pronouncements reflects the paucity of insolvencies and is a sign of the life insurance industry's strength.

Because the lack of ownership and possession of underlying assets represents a significant departure from traditional group annuity contracts and funding agreements and because current solvency regulation is predicated on the insurer's owning and controlling assets that are good and sufficient to satisfy its contractual liabilities, the Bureau requested advice from the Life Insurance and Companies Bureau, the Actuarial Valuation Bureau, the Office of General Counsel and the Property Companies Bureau.

After lengthy consideration and review, the Department issued Circular Letter No. 9 dated August 11, 1994 which held that the proposed contracts constitute financial guaranty insurance of a type not authorized by law. The Circular Letter stated that:

a. A domestic insurer is prohibited from issuing synthetic guaranteed investment contracts or similar arrangements either in New York or outside this State.

b. A licensed foreign insurer is prohibited from issuing synthetic guaranteed investment contracts or similar arrangements in New York.

c. Pursuant to Section 1106 of the Insurance Law, a licensed foreign insurer may not issue such contracts outside of New York unless it obtains a determination from the Superintendent that the issuance of such contracts would not be prejudicial to the best interests of the people of this State.

d. An accredited life reinsurer may not issue such contracts outside of New York without having provided to the Superintendent satisfactory evidence that it will continue to meet the applicable standards of solvency required in this State.

Throughout the review process, the Bureau argued that the proposed products could not be effectively regulated under existing law. As noted earlier, current solvency regulation is predicated on the insurer owning and controlling assets. Article 13 (assets and deposits), Article 14 (investments) and Article 42 (reserves) of the Insurance Law provide the regulatory tools to monitor company solvency and compel insurers to take corrective actions by adjusting reserves and assets to better match contractual liabilities. However, such regulatory tools are not available where the insurance company does not own or possess the assets supporting its contractual liabilities.

At present life insurance companies would have to rely on contractual safeguards if the financial experience of a synthetic GIC worsened. However, because of the clout of some plan sponsors, life insurance companies may be reluctant to exercise contract rights to adjust, modify or terminate contractual liabilities. It appears that under the current regulatory scheme nonwaivable contractual safeguards would have to be in place in each contract to control an insurance company's risk exposure.

The Bureau also argued that any revised regulatory scheme designed to give life insurance companies or the Department the authority to monitor or control plan assets or their investment guidelines would have difficulty withstanding a preemption challenge under the federal Employee Retirement Income Security Act of 1974 ("ERISA"). Section 514(b)(2)(B) of ERISA prohibits a state from deeming a pension plan (or any trust established thereunder) to be an insurer for purposes of any state law purporting to regulate insurance companies or insurance contracts. As such, the efficacy of any state law that conditions the sale of synthetic GICs on plan assets satisfying regulatory guidelines would be in doubt.

In an analogous situation, the Second Circuit Court of Appeals in the Travelers v. Cuomo case determined that most of the guidelines in Actuarial Information Letter No. 5 setting forth the conditions under which an insurer can issue stop-loss insurance coverage to an ERISA welfare plan are preempted. The guidelines included in Actuarial Information letter No. 5 are designed to make it clear that plans that purchase insurance coverage are insured plans subject to all insurance requirements and to prevent insurance companies from circumventing Insurance Law requirements by issuing stop-loss insurance coverage rather than conventional coverage. The U.S. Supreme Court has granted certiorari in the Travelers case. A decision in this case should provide definitive guidance concerning the applicability of state regulation to plans that choose to purchase stop-loss insurance protection or book value accounting guarantees in a synthetic GIC.

D. PROPERTY AND CASUALTY INSURANCE BUREAU

1. Filings Involving Rate and Rating Rule Changes and Forms, Territories and Classifications

During 1994, there were 7,216 filings involving changes in rates, rating rules, policy forms, rate classifications and rating territories submitted by rate service organizations, joint underwriting associations and companies. The filings were for the following:

<u>Line of Business</u>	<u>Number of Filings</u>			<u>Total</u>
	<u>Rates & Rules</u>	<u>Forms</u>	<u>Classes & Territories</u>	
Fire and Allied Lines	499	323	12	834
Farmowners Multiple Peril	51	47	1	99
Homeowners Multiple Peril	263	204	23	490
Multiple Line	81	138	1	220
Commercial Multiple Peril	430	314	28	772
Inland Marine	193	173	6	372
Medical Malpractice	214	117	8	339
Earthquake	2	1	0	3
Rain	0	2	0	2
Workers' Compensation & Employer's Liability	147	97	6	250
Other Liability	915	871	27	1,813
Motor Vehicle Insurance	836	400	78	1,314
Aircraft	5	5	0	10
Fidelity & Surety	172	55	5	232
Glass	56	6	1	63
Burglary & Theft	71	42	3	116
Boiler & Machinery	29	42	0	71
Credit	7	7	0	14
Animal Mortality	6	4	0	10
Mortgage Guaranty	29	21	0	50
Residual Value	0	0	0	0
Title	0	3	0	3
Group Property/Casualty	52	51	2	105
Financial Guaranty	4	30	0	34
<u>Total</u>	4,062	2,953	201	7,216

These figures do not include approximately 63,000 individual risk filings received during the year. They do, however, include approximately 450 consent-to-rate filing applications, 400 manuscript policy filings and 120 rating plan filings submitted in 1994. Fifty-nine form filings, one rating classification or territorial filing and 30 rate or rating rule filings were disapproved during 1994.

Table 39
 MAJOR EFFECTS OF PRINCIPAL RATE & LOSS COST CHANGES
 Filed in 1994 by Property and Casualty
 Rate Service Organizations

	<u>Percent Changes</u> in Average <u>State-wide Rates</u>
<u>Automobile</u>	
Automobile Insurance Plans Service Office	
Commercial Automobile	
Rates Revised	
Trucks, Tractors and Trailers	
Bodily Injury Liability	+25.0%
Property Damage Liability	- 5.0
Personal Injury Protection	-10.0
Total	+13.7
Garages	
Bodily Injury Liability	+25.0
Property Damage Liability	-10.0
Personal Injury Protection	0.0
Total	+15.0
Public Auto, excluding Taxis	
Bodily Injury Liability	+20.0
Property Damage Liability	+20.0
Personal Injury Protection	+20.0
Total	+20.0
Zone Rated Risks	
Bodily Injury Liability	+25.1
Property Damage Liability	+25.0
Personal Injury Protection	+19.5
Total	+25.0
Commercial Motorcycles	
Comprehensive	0.0
Collision	0.0
Total	0.0
Commercial, All Other	
Comprehensive	+25.0
Collision	0.0
Total	+ 8.3
Total	+15.2
effective February 1, 1995	

Percent Changes
in Average
State-wide Rates

Commercial Automobile
Taxis
Rates Revised
 Bodily Injury Liability +15.0%
 Property Damage Liability +10.0
 Personal Injury Protection +15.0
 Total +13.8
effective February 28, 1994

Private Passenger Automobile
Rates Revised
 Bodily Injury Liability +17.2
 Property Damage Liability -12.3
 Personal Injury Protection +25.5
 Uninsured Motorists +39.8
 Liability Total +11.4

 Comprehensive -10.0
 Collision -20.0
 Physical Damage Total -15.1

Total + 8.7
effective July 15, 1994

Insurance Services Office, Inc.
Private Passenger Automobile
Advisory Loss Costs Revised
 Single Limit Liability + 4.8
 Bodily Injury Liability +12.7
 Property Damage Liability - 7.9
 Personal Injury Protection +11.7
 Supplementary Uninsured Motorists +43.8
 Liability Subtotal + 9.4

 Comprehensive -17.2
 Collision -16.3
 Physical Damage Subtotal -16.6

Total + 0.7
effective February 6, 1995

Percent Changes
in Average
State-wide Rates

Burglary and Theft

Insurance Services Office, Inc. Commercial Crime Revision of Loss Costs effective June 1, 1995	less than $\pm 0.1\%$
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Commercial Multiple Peril

Insurance Services Office, Inc. Business owners Policy Revision of Loss Costs and Classification Relativities effective March 23, 1994	+ 8.5
--	-------

Other Package Policies Revision of Package Modification Factor effective May 1, 1994	+ 1.3
--	-------

Fire and Allied Lines

Insurance Services Office, Inc. Dwelling Fire and Extended Coverage Revision of Loss Costs Dwelling Fire	
Buildings	+13.0
Dwelling Contents	+15.8
Apartment Contents	+21.2
All Classes	+13.2
Extended Coverage	
Buildings	+12.5
Contents	+ 8.7
All Classes	+12.3
Total effective February 4, 1994	+13.0

Dwelling Fire and Extended Coverage Introduction of Optional Windstorm Deductible Program effective May 1, 1994	0.0
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Percent Changes
in Average
State-wide Rates

Homeowners

Insurance Services Office, Inc.

Homeowners

Introduction of Loss Costs
effective September 1, 1994

+ 3.8%

Homeowners

Introduction of Optional Windstorm Deductible Program
effective May 1, 1994

0.0

Inland Marine

Insurance Services Office, Inc.

Commercial Inland Marine

Revision of Loss Costs
effective August 1, 1994

-11.9

Liability Other Than Auto

Insurance Services Office, Inc.

Personal Liability

Introduction of Loss Costs
effective May 1, 1994

+59.0

Personal Liability

Increased Limits Factors Revised
effective April 1, 1993

- 4.2

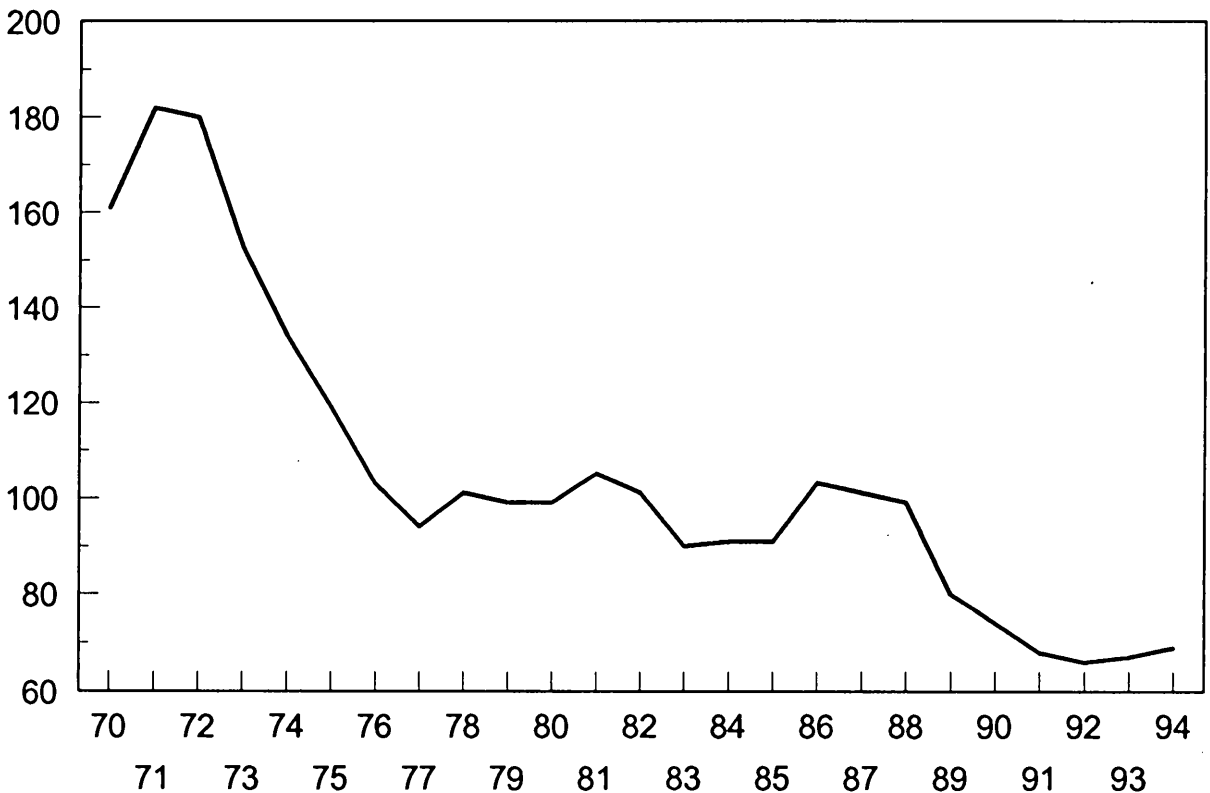
2. New York Property Insurance Underwriting Association

The following graph illustrates the number of policies issued by the New York Property Insurance Underwriting Association since 1970:

NYPIUA--Policies Issued

1970-1994

Policies Issued (in thousands)



Following the peak year 1971 (182,000 policies), there was a steady decline through 1977 in the number of policies issued annually by the Association. The period 1977 through 1982 saw comparative stability, with the number of policies ranging between 94,000 and 105,000. The sharp decline experienced from 1982 to 1983 can be attributed to soft market conditions, while 1986 showed a sharp increase in policies issued as the voluntary insurance market hardened. Another soft insurance market accounted for the large decrease in the number of policies issued by the Association in 1989 and continuing through 1994 as many NYPIUA policies were rewritten in the voluntary market.

For the fiscal year ending December 31, 1994, the Association's Financial Report indicated premiums earned of \$28,192,339 and a net underwriting gain of \$2,937,289. Other income of \$1,901,919--comprised of net investment income of \$2,432,729, premium balances charged off (\$83,822), bond amortization loss of (\$74,645), loss on sale of securities of (\$426,010) and income from data processing services of \$53,667--resulted in net income before taxes of \$4,839,208. The change in assets not admitted of \$55,459 and taxes incurred of (\$179,698) resulted in a net change in the Members' Equity Account of \$4,714,969.

The cumulative operating profit as of December 31, 1994 was \$37,795,032. After all assessments (net of distribution of \$31,625,953), the net Members' Equity Account was \$6,169,079.

In accordance with Section 5405(c) of the New York Insurance Law, the Association estimated a surplus from operations of \$83,000 for the calendar year 1995. There will be no need to credit the Association with any funds from the New York Property/Casualty Insurance Security Fund for the year beginning January 1, 1995, since its assets exceed its liabilities. After the Department's review of the data submitted, it was determined that there would be an operating surplus of \$857,000 from the operations of NYPIUA. In view of these results, no estimated deficit from operations was approved for the Association for the fiscal year ending December 31, 1995.

For four consecutive years (1986-1989) NYPIUA made special distributions, instigated by the Department in the form of dividends totaling \$26.3 million to its commercial policyholders because of the favorable underwriting results those policies attained during those years. However the underwriting results for later years were not as favorable and therefore did not warrant distributions. If underwriting results improve in the coming years further distributions will be made to those classes generating favorable results.

In a related matter, the Association submitted a filing for the final close-out of NYPIUA policy year 1990 as well as the provisional 60% close-out of policy year 1991, pursuant to the revised close-out formula approved by the Department in December 1988. The Department is in the process of reviewing this filing and has not yet made a decision regarding these close-outs.

During 1994 the Department approved a rate revision for the Dwelling class of business. The revision resulted in an average state-wide increase of 13.0% affecting owners of dwellings throughout the state. This revision corresponds with rate revisions promulgated by the Insurance Services Office for the voluntary market.

3. Federal Insurance Programs

Legislation was passed by Congress and signed by the President in 1991 extending authorization to September 30, 1995 for both the Federal Crime and the National Flood Insurance Programs. The Department was pleased that both Congress and the President had the foresight to extend both of these vital programs and hopes Congress will extend these programs again in the future.

Over the past several years natural disasters have occurred across the country causing financial strain on the insurance industry as a whole and also causing hardship to both business owners and homeowners. Given the prevailing natural and economic conditions, voluntary or other insurance markets, in addition to the ones already established, are needed to fill the insurance voids. The active participation of individual states in the development, control and operation of these programs is necessary for the future.

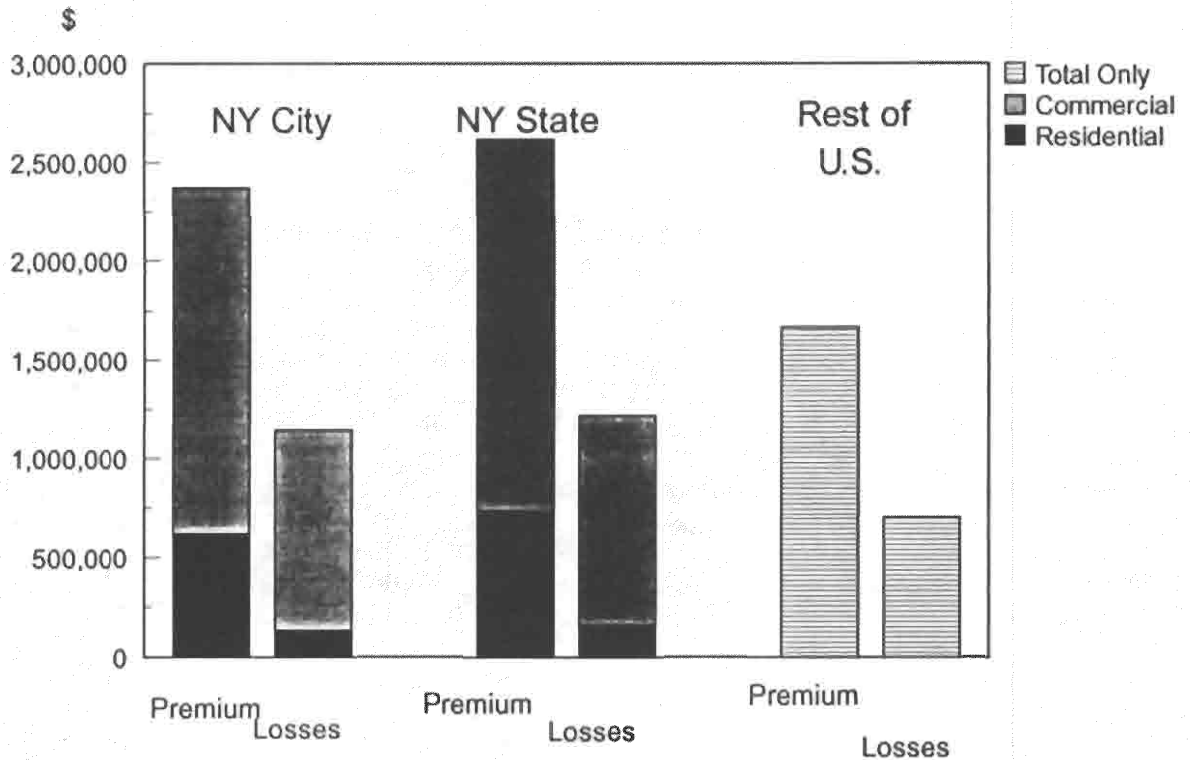
The following tables and graphs show the policies in-force and the loss experience of the Federal Crime Insurance Program.

Table 40
FEDERAL CRIME INSURANCE PROGRAM
Policies In Force, 1993-1994

	<u>Number of Policies</u>		
	<u>12-31-94</u>	<u>12-31-93</u>	<u>% Change</u>
<u>New York City</u>			
Residential	5,655	6,030	- 6.2%
Commercial	<u>1,476</u>	<u>1,736</u>	-15.0
Total	7,131	7,766	- 8.2%
<u>Remainder of State</u>			
Residential	1,081	1,031	4.8%
Commercial	<u>101</u>	<u>97</u>	4.1
Total	1,182	1,128	4.8%
Total New York State	8,313	8,894	- 6.5%
Remainder of U.S.	<u>8,224</u>	<u>7,828</u>	5.1
	16,537	16,722	- 1.1%

Federal Crime Insurance Program

Premium & Losses, 1994



Loss Ratios, 1994 vs. 1993

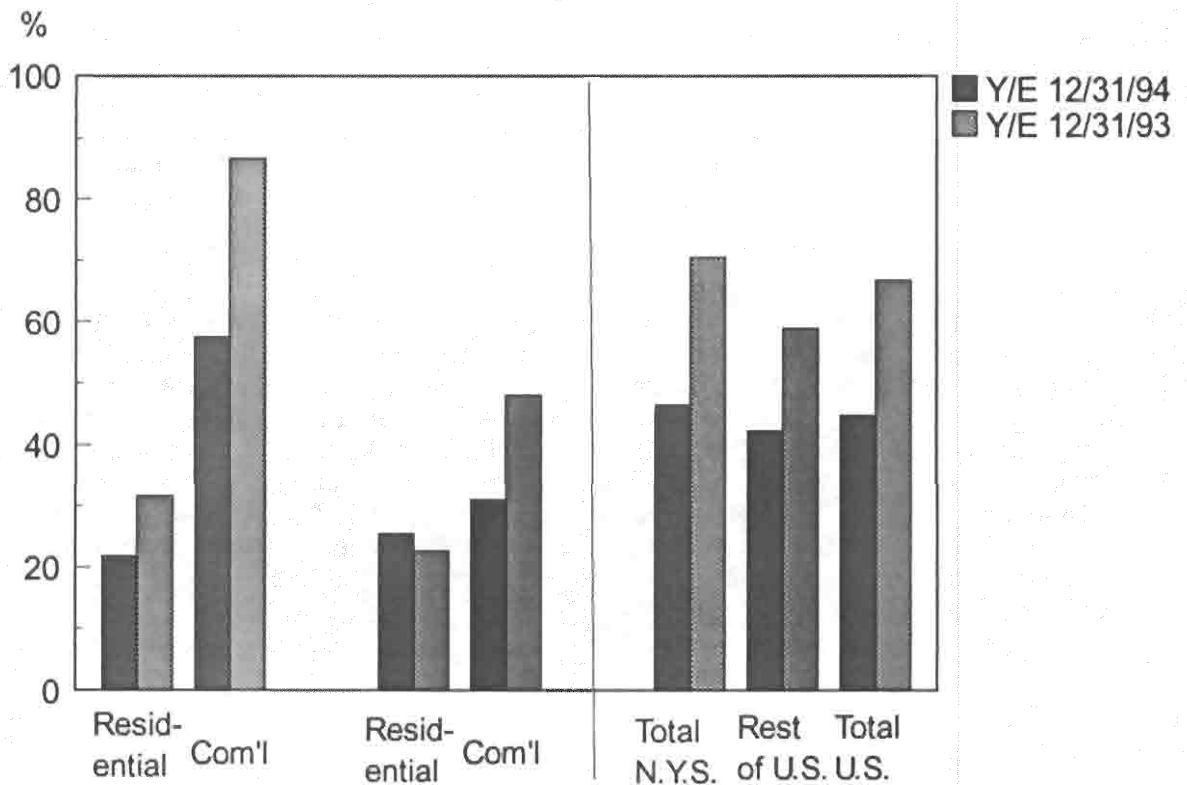


Table 41
FEDERAL CRIME INSURANCE PROGRAM
Loss Experience, 1994

Loss Experience for 12 Months Ended 12-31-94

	<u>Premiums</u>	<u>Losses</u>	<u>Loss Ratio</u>	
			<u>Current Period</u>	<u>1 Yr. Ago</u>
<u>Residential</u>				
New York City	\$ 618,625	\$ 134,872	21.8%	31.6%
Remainder of State	<u>119,269</u>	<u>30,352</u>	25.4	22.6
Total	\$ 737,894	\$ 165,224	22.4%	30.3%
<u>Commercial</u>				
New York City	\$1,753,485	\$1,008,698	57.5%	86.6%
Remainder of State	<u>124,554</u>	<u>38,645</u>	31.0	47.8
Total	\$1,878,039	\$1,047,343	55.8%	84.6%
Total New York State	\$2,615,933	\$1,212,567	46.4%	70.4%
Remainder of U.S.	<u>1,667,385</u>	<u>703,273</u>	42.2	58.8
Total U.S.	\$4,283,318	\$1,915,840	44.7%	66.0%

4. Insurance Availability Problems

The general easing of availability problems that has characterized most liability insurance markets over the past several years continued in 1994. The Department continued to monitor market conditions and addressed individual problems as they arose.

a. Availability Survey

In response to the liability insurance crisis of the 1980s, the Department conducted special surveys to ascertain the existence of markets for difficult-to-place insurance coverages. As a result, markets for many such risks were identified and, where a meaningful market did not exist for critical coverages, voluntary market assistance programs (MAPs) were successfully developed. Those MAPs developed for municipal liability insurance, miscellaneous general liability insurance, and police professional liability insurance concluded operations once market conditions eased for these lines of insurance.

It is intended that the availability survey be conducted annually in order to assure that meaningful and timely information is obtained. The insurance industry's cooperation has been the key to the Department's efforts to cultivate and maintain stability in the commercial insurance marketplace. As survey results indicate easing of availability problems in a given market, that market is deleted from the survey. Conversely, if the Department receives information indicating that conditions in a particular market have tightened, insurers in that market are added to the new survey. Information from the survey is made available to the insurance community, and assists the Department in providing the proper channels for insurance consumers to find coverage appropriate to their needs.

The availability survey is an ongoing project and its format has been continually revised in order to expedite processing and ensure the timeliness of the information. Optical Character Recognition (OCR) technology was introduced and a mainframe data base has been established to enhance the efficiency of data capture and utilization. The data base is now in place, and responses to the latest survey, which was issued on December 28, 1994 in Supplement 5 to Circular Letter No. 3 (1986), will be the first to be processed with the full benefit of these improvements.

b. Family Day Care Market Assistance Program

On August 1, 1988, the Family Day Care Market Assistance Program (FDCMAP) was established to enable licensed providers of both family day care (three to six children) and group family day care (seven to twelve children) services in a private home to obtain affordable liability insurance coverage.

In order to qualify for FDCMAP placement, family day care providers must comply with governing rules and regulations, including licensing and registration requirements, issued by the New York State Department of Social Services and relevant local agencies, such as the New York City Health Department and county social services agencies.

Aetna Casualty and Surety Company acts as the servicing carrier for the FDCMAP in which 15 insurers participate by sharing risks under a quota-share arrangement.

There is no application fee for the FDCMAP, which provides liability coverage on an occurrence basis. In addition to basic \$5,000-per-child medical payments coverage, the provider may choose from minimum liability limits of \$100,000 per occurrence/\$300,000 per year up to \$500,000/\$1,000,000 maximum limits. A brochure prepared by the Department explains how family day care providers can obtain liability insurance coverage through the FDCMAP. The brochure is distributed by the Department of Social Services through its network of local offices and is also available free of charge from the Insurance Department.

There have been 278 policies issued in the FDCMAP from its inception through 1994, with 177 policies active at year-end.

c. Pollution Liability Insurance for Underground Storage Tanks

Implementing regulations of the Resource Conservation and Recovery Act (RCRA) and the U.S. Environmental Protection Agency (EPA) require owners and operators of underground storage tanks (USTs) to evidence financial responsibility in the amount of \$1 million through pollution liability insurance or some other acceptable mechanism. The requirement was phased in over several years starting with the largest facilities. The last group of facilities, those having 1 to 12 USTs, had to comply with this requirement as of December 31, 1993.

In comparison with larger petroleum marketers, small owners and marketers are generally less familiar with the elements of risk management and the process of procuring specialized coverages such as pollution liability insurance. In order to assist them in meeting the federal requirements, the Insurance Department and the Department of Environmental Conservation (DEC) held a joint meeting on February 4, 1994, attended by representatives of the small petroleum marketers as well as representatives of insurers known to write this type of coverage. The meeting was successful in educating the petroleum marketers as to the coverage that is available both in the admitted market and in the excess and surplus lines market.

With the assistance of the Independent Insurance Agents Association of New York (IIAANY) and the Professional Insurance Agents of New York (PIANY), the Department established the UST HELPLINE to assist owners of 1 to 12 USTs that experience difficulty in obtaining the coverage necessary to satisfy the EPA financial responsibility requirements. Tank owners/operators and their insurance agents or brokers can call designated telephone numbers at the Department, at IIAANY, and at PIANY to obtain information about the requirements and assistance in locating insurers willing to provide the necessary coverage. Since its inception on April 21, 1994, the UST HELPLINE assisted approximately 64 owners/operators.

d. Insurance for Lead Liability

Beginning in 1991, a number of insurers requested approval of policy exclusions for lead liability, citing claims already paid, claims pending, the trend of court rulings, and the uncertainty of lead paint abatement standards as the reasons for their requests. Although use of lead-based paint has been banned by the federal government since 1980 (and New York City prohibited its use in residential buildings in 1960), a significant portion of the existing housing stock, particularly in inner urban areas, was built prior to these dates.

After reviewing the issues involved, the Insurance Department approved lead liability policy exclusions for several commercial liability insurers actively writing in urban areas and insuring multiple dwellings, such as apartment houses. Through February 1993 approvals were granted to approximately 22 insurers. The exclusion was also approved for the Underwriters Rating Board, a rate service organization for about 50 small upstate insurers.

Owners of commercial residential properties opposed the exclusions, indicating that the lack of coverage for lead exposure may, in some cases, force them to abandon properties because of the prohibitive costs of defending against and/or paying such claims. In response to concerns expressed by these individuals, the Department has actively pursued various options to encourage the availability of meaningful lead paint liability coverage to property owners. While exploring various alternatives, the Department has held in abeyance additional requests by insurers for approval of lead exclusions. There are now approximately 35 such requests pending.

Among the early alternatives under consideration were the establishment of a voluntary market assistance program to provide lead liability insurance, and the triggering of a mandatory joint underwriting association (JUA) to make such coverage available via the New York Property Insurance Underwriting Association pursuant to the authority provided the Superintendent in Section 5412 of the Insurance Law. Following a public hearing on the subject in May 1993, the Superintendent concluded that invoking a JUA at that time was premature, primarily because a comprehensive plan to address this problem is needed, and insurance must be considered as only one part of such a plan.

Following the Superintendent's decision, the Department has participated in regulatory and legislative efforts to develop state-wide lead abatement standards, which must be in place in order to encourage insurance underwriters to accurately assess risks and provide the necessary coverage. The Department, as an adjunct member of the Governor's Advisory Council on Lead Paint Prevention, has worked closely with the Department of Health and other Council members in efforts to recommend effective legislative and regulatory remedies for the lead hazard. In addition, the Department formed a working group of interested parties representing the insurance industry and the real estate community in order to solicit input on lead hazard prevention standards. In 1994, the group concluded its efforts with a consensus of recommendations that was presented to the Governor's Advisory Council.

e. Governor's Council on Children and Families Insurance Work Group

The Department participates in a work group chaired by the Council on Children and Families formed to study insurance matters relating to the operations of state agencies, not-for-profit provider agencies, and localities. The insurance workgroup is made up of representatives from the Division of Youth, Division of Housing and Community Renewal, Office for the Aging, Office of Alcoholism and Substance Abuse Services, Office of General Services, Governor's Office of Employee Relations, and the Departments of Health, Mental Retardation and Developmental Disabilities, Social Services, Education, Labor, State, and Civil Service, in addition to this Department. The continuing purpose of the work group is to provide the overall direction for the development of insurance initiatives intended to reduce the large administrative costs of not-for-profit agencies providing health, education and human services.

The work group aimed to structure a program of property, liability, workers' compensation and disability insurance to be administered by a not-for-profit agency selected by the work group following issuance of a request for proposals (RFP). Other initiatives were also the subject of the work group's attention in 1994, including:

- Conducting a survey of the health insurance needs and practices of affected organizations;
- Evaluating proposals from approximately 12 insurers responding to the RFP; and
- Preparing draft legislation that would permit not-for-profit groups to form a reciprocal insurer to help meet their insurance needs in an efficient and cost effective manner

In addition, the Department of Civil Service, which administers the New York State Health Insurance Plan (NYSHIP), is considering a pilot program to extend NYSHIP membership to not-for-profit entities. If the pilot program is established, the State's Mid-Hudson region has been selected as the target area.

The Department participated in all of the above activities, as well as an initiative to develop a group workers' compensation insurance program for not-for-profit organizations, with the assistance of the State Insurance Fund.

f. Special Risk Insurance

Regulation 86 implements the provisions of Article 63, which deals with Special Risk Insurance. In 1993, the Regulation was streamlined and reissued to be more responsive to the needs of the industry and to provide needed markets for exotic or hard to place coverages.

Effective July 1, 1993, the Department completed an extensive revision of Regulation 86 for the first time in nearly a decade. The Department, in establishing a new Class Two Risk List, eliminated many classifications that had become somewhat obsolete or could no longer be considered difficult or hard to place due to increased activity in the voluntary sector of the industry.

The Department assured the industry that it would be responsive to adding new classifications to the Class Two Risk List as long as it could be shown that these risks were truly hard to place in the voluntary market. During 1994, the Department added two new risks to the Class Two List and amended one already existing definition so it more clearly reflected the type of risk that should be written in the Free Trade Zone.

The new classifications that were added are Media Professional Insurance and Community Health Center Wraparound Insurance. The Special Events Insurance classification was redefined to clarify that various limited duration exposures requiring varied and specialized pricing and coverage were included within the scope of that category of special risk.

The Department is currently in the process of establishing an annual publication listing all insurers that write Class Two Risks to encourage more active use of the Free Trade Zone in this State.

5. Excess Workers' Compensation Insurance for Self-Insured Employers

The Workers' Compensation Board requires that employers qualified to self-insure for payment of statutory workers' compensation benefits provide evidence of the ability to pay for catastrophic claims as well. The most common way of meeting this requirement is via purchase of an excess workers' compensation insurance policy. In the past, due to the nature and terms of the coverage involved, there have been differences of opinion regarding the legal framework and reporting considerations of this unique type of insurance.

Circular Letter No. 13, issued August 5, 1994, addressed this situation by informing all affected insurers of the Department's finding that such insurance is considered substantially similar to personal injury liability insurance as authorized in Insurance Law §1113(a)(13).

6. Insurance for Discrimination Claims Based on Disparate Impact and Vicarious Liability

The Department has long held that insurance coverage for acts of purposeful misconduct or intentionally committed wrongful acts, such as discrimination, is against public policy. Over the years, evolving civil rights laws and judicial interpretations have demonstrated that distinctions could be drawn between discriminatory acts based upon the intent of the individual and the proximate cause of the resulting harm.

Circular Letter No. 6, issued May 31, 1994, addressed this subject. Insurance coverage for discrimination based upon disparate treatment remains impermissible. However, where the harm resulting from acts of discrimination is determined to have been caused by disparate impact, or solely as a result of vicarious liability imposed upon an employer unaware of and uninvolved in an employee's misconduct, insurance coverage will now be permitted.

7. Credit Card Insurance

During 1994, the Legislature amended the Insurance Law by creating a new Section 3442. This section permits the issuance of property/casualty insurance policies on a group basis in connection with credit card, debit card or checking accounts.

The types of coverage permitted in these policies are limited to:

- a) loss of or damage to personal property
- b) collision damage waiver
- c) baggage
- d) extended warranty
- e) loss of or damage to personal property occurring in connection with the use of a rented or leased motor vehicle.
- f) stolen credit cards
- g) substantially similar coverage to 1-6

Approximately 25 policies and the corresponding certificates have been approved pursuant to Section 3442.

8. Standby JUA Authority

The Omnibus Liability Bill enacted in June 1986 and extended in 1988 granted the Superintendent of Insurance the authority to activate a mandatory joint underwriting association (JUA) whenever he determines after a public hearing that there is no meaningful market available for a line of insurance.

While coverages remained generally available in 1993, difficulties did arise in obtaining coverages for several key markets. Due to several natural disasters and in the wake of wind storms that ravaged the coastal areas of this State, some insurers have been reassessing their maximum potential losses in areas in which they have a heavy concentration of risk. As a result, problems have arisen for some of these risks. During 1994, discussions with insurers and other interested parties continued relative to this subject. The Department's efforts to find workable solutions to the coastal problem are discussed in Section 15 Homeowners Insurance.

Problems of availability of coverage have also continued for habitational risks with an exposure to lead liability resulting from the hazard of lead dust residue in lead-based paint. As a follow-up to the hearings convened by the Department on May 17, 1993 in Albany, and on May 20, 1993 in New York City, the Department continued to monitor statistical data and other pertinent developments concerning lead liability in 1994. (See Section 4d - Insurance for Lead Liability.)

9. Excess Line Insurance

Potential insureds who cannot obtain coverage from companies licensed to write insurance in New York may, under circumstances prescribed in the New York Insurance Law and regulations, obtain such coverage from unlicensed companies through the auspices of a New York-licensed excess line broker.

Inasmuch as the insurers writing this coverage are not licensed by this Department, statistical data relating to the amount and nature of premiums written in the excess line market must be obtained directly from the excess line brokers, through tax statements they are required to file no later than March 15 of each year relating to business written during the previous calendar year. It should be noted that the statistical data used in this annual report pertaining to excess line business were obtained from statistical reports provided to the Superintendent by the Excess Line Association of New York pursuant to Section 2130 of the New York Insurance Law.

For calendar year 1994, total excess line gross premiums written on risks located or resident both in and out of New York State amounted to approximately \$566 million of which \$375 million was attributable to risks located or resident in New York State only.

a. Business Written in New York

Excess line premiums written in New York State went down from \$382 million in 1993 to \$375 million in 1994, a negligible decline of 1.9%. Since 1990, premium writings have decreased by over 20%. This may be partly attributable to the generally soft market conditions that have prevailed over the period.

The largest dollar decline over the year occurred in the errors and omissions line which went from \$145 million in 1993 to \$118 million in 1994, a drop of 18.6%. The largest percentage decrease occurred in the aircraft physical damage line which, although small in volume, was off by 93.4% over the year. Among other lines that showed decreases were fidelity and surety, down \$7 million; malpractice, down \$2 million; and burglary and theft down \$1.7 million. The largest dollar and percentage increase over the year occurred in the fire and allied lines, up \$16 million for an increase of nearly 75%. The other liability and auto physical damage lines also had notable increases, up \$7 million and \$5.6 million, respectively.

Table 42
EXCESS LINE PREMIUMS WRITTEN IN
NEW YORK STATE
1991-1994

(dollar amounts in thousands)

Line of business	1994	1993	1992	1991
Fire and allied line	\$37,730	\$21,599	\$22,544	\$29,051
Inland marine	25,836	26,703	36,127	29,480
Auto liability	2,775	2,950	4,394	5,915
Malpractice	2,100	4,475	4,497	11,759
Errors and omissions	117,832	144,808	130,516	150,471
Commercial multiple peril (excluding fire)	16,294	13,554	22,210	19,143
Other liability	142,884	135,719	138,225	131,852
Auto physical damage	13,133	7,538	12,242	15,100
Aircraft physical damage	14	211	555	380
Burglary and theft	2,654	4,447	9,527	5,435
Fidelity and surety	10,620	17,754	16,930	27,248
Other lines	<u>3,203</u>	<u>2,725</u>	<u>4,047</u>	<u>6,892</u>
Total	\$375,075	\$382,483	\$401,814	\$432,726
Excess line premiums as a percentage of all property and casualty insurance premiums written in New York	2.50%*	2.25%	2.27%	2.24%

*Estimated

Source: Excess Line Association of New York

b. Warranty Programs

The Department has continued its investigation into companies offering illegal warranty-type insurance products. For a set price these companies offer to repair or replace consumer products if they break during a specified period. For the most part, the Department considers these products to be insurance and not warranties.

According to current Insurance Law, if the warranty is not incidental to a company's main business activity but is the actual vocation of the company itself, then the company is in fact doing an insurance business. It is the Department's view that Section 1102 of the New York Insurance Law provides that, unless specifically exempted, no entity or person shall do an insurance business in this State unless authorized by a license in force.

These warranties were designed to protect consumers in the event, for example, that their electronic purchases needed repair or their autos were stolen. However, many of the issuing companies were not able to do so. Several of these companies have become bankrupt because their reserve funds were not properly established. Even though consumers have paid upward of several hundred dollars, these warranties were not honored. However, there appears to be less activity this year than in past years because of the Department's investigations.

One of the auto replacement companies is paying New York certificate holders only 45% of the cost toward a replacement vehicle instead of the contractual 100% replacement promised. This company recently replaced the underlying insurer with unauthorized insurer that is currently insolvent and therefore not paying claims. Many of the cases have been referred to the Attorney General's office for action.

Legislation is still pending that may alter the Department's treatment of warranty business. Until that time, the Department will continue its investigation of all violative programs.

c. Jewelers Block Investigations

The Excess Line Unit is currently investigating jewelers block business placed by New York brokers with unauthorized insurers. A portion of the jewelers block policy which is referred to by these brokers as transit coverage and sendings coverage, covers the transportation of jewelry in one manner or another. The brokers have argued that this coverage is ocean marine, and therefore not subject to Insurance Department regulation. However, jewelers block and related coverages have historically been referred to as inland marine and therefore subject to all the statutory requirements of the Insurance Law.

d. Regulation 41

Regulation 41 was repealed and a revised Regulation 41 was promulgated on December 9, 1993 with an effective date of January 1, 1994. The purpose of the revised regulation was to clarify the duties and responsibilities of the excess line brokers, unauthorized insurers and the Excess Line Association of New York with regard to excess line business placed in New York. The revised regulation incorporates the provisions of Chapter 684 of the Laws of 1993 which requires excess line brokers to receive declinations from authorized insurers that they have a "reason to believe" would accept such risks and to use the residual markets before accessing the excess line market except in certain cases. It also specifies the types of report the Excess Line Association is required to submit to the Insurance Department, the increased amount unauthorized insurers are required to maintain in the trust fund and the phased-in increased amounts required in capital and surplus.

The First Amendment to Regulation 41 was promulgated on September 12, 1994 to amend the financial requirements that insurance exchanges must maintain in order to do business in New York on an excess-line basis and to correct a minor omission.

e. Liability Risk Retention Act of 1986 - Purchasing Groups

Purchasing groups are allowed, pursuant to the federal Liability Risk Retention Act of 1986, to buy commercial liability insurance on behalf of members on a group basis. These groups are exempt from any state insurance laws that hinder or prohibit group self-insurance programs and the purchase of liability insurance on a group basis.

As of December 31, 1994, the Department had received notices of intent from 467 purchasing groups. Subsequently, 194 have withdrawn their notice of intent, 45 have notified the Department of their inactive status and 34 have been given ineligible status by the Department due to failure to comply with all the requirements of the applicable laws and regulations. Of the remaining 194 purchasing groups, 37% have named unlicensed companies as their intended insurers.

Some of the most common types of businesses and professions that have formed these purchasing groups this year include real estate agents, real estate appraisers, decorators, lawyers, accountants, health care facilities and services, and sports and recreation entities.

10. Medical Malpractice Insurance

a. Establishment of Rates and Premium Surcharges

Chapter 256 of the Laws of 1993 extended for two years the authority of the Superintendent of Insurance to establish rates for policies providing coverage for physicians and surgeons medical malpractice liability insurance. This legislation also provided that a surcharge of up to 8% annually could be imposed, beginning July 1, 1989, upon the then-established rates if required to satisfy any deficiency for the policy periods July 1, 1985 through June 30, 1993.

Department Regulation 101, as amended, contains the physicians primary medical malpractice insurance occurrence rates, excess medical malpractice insurance rates, premium surcharges, claims-made step factors, and extended reporting period (tail) factors established by the Superintendent each year.

The Regulation also requires insurers to maintain, for each policy year during the period of established rates, segregated accounts for premiums, reserves, and investment income attributable to each policy year, and to annually furnish the Department with reports containing this segregated account information. These reports are due from each insurer on October 1 of each year. The information contained in these reports is used to determine whether deficiencies exist and whether any premium surcharges are necessary.

The Nineteenth Amendment to Regulation 101 was promulgated on August 3, 1994, establishing primary medical malpractice insurance rates in New York, for the July 1, 1994 through June 30, 1995 policy year, that were, on average, 8% higher than those established the previous year. Simultaneously approved classification and territory changes by some companies did result in increases for some insureds that were either less than or greater than 14%.

This was the second successive year for which physicians' medical malpractice insurance rates increased, following four years of stable or declining rates for most physicians. An analysis of medical malpractice insurance company experience indicated a continued increase in the frequency of claims against physicians in New York. This increase in frequency, together with the continued rise in the dollar amount of medical malpractice awards (severity of claims) and fluctuating interest rates which limited insurers' investment income, were the main factors influencing the decision to increase the rates. The fact that last year's stabilized increase of 14% was below the indicated need also was a factor in the decision.

In addition to the general 8% increase, it was determined that the 4% surcharge imposed since 1989 on Group Council Mutual Insurance Company should continue for the 1994-1995 policy year based on a review of the segregated account reports received October 1, 1992 as well as an evaluation of the financial condition of insurers issuing physicians medical malpractice insurance.

b. Application of Premium Surcharges

The premiums of all physicians insured with Group Council Mutual Insurance Company any time during the period July 1, 1985 through June 30, 1988 had to be surcharged even if that company no longer insured the physician. The insurer providing coverage for these physicians for the policy period beginning July 1, 1994 collected and remitted these surcharges to Group Council Mutual Insurance Company.

Surcharges were generally not imposed upon physicians currently insured by Group Council Mutual Insurance Company if they were not insured by that company during the period July 1, 1985 through June 30, 1988. A surcharge must be collected, however, from any physician insured by Group Council Mutual Insurance Company on or after July 1, 1989 who was not covered by a licensed insurer during the period July 1, 1985 through June 30, 1988. The surcharge collected from these physicians was remitted to insurers in the following proportions:

Medical Liability Mutual Insurance Company	60.50%
Physicians Reciprocal Insurers	23.15
Group Council Mutual Insurance Company	6.70
Frontier Insurance Company	4.90
Medical Malpractice Insurance Association	3.00
Academic Health Professionals Insurance Association	0.85
Legion Insurance Company	0.70
Hospital Underwriters Mutual Insurance Company	<u>0.25</u>
Total	100.00%

c. Claims-Made Factors and Optional Tail Factors

The claims-made rate is obtained by multiplying the established occurrence rate by the claims-made factor established by the Superintendent. This factor varies depending on the number of years the insured has been covered by the claims-made program. Similarly, the rate for the optional tail coverage that is required to be offered upon termination of coverage is based on the number of years the physician has completed in the claims-made program, and is obtained by multiplying the established occurrence rate by the factor established by the Superintendent.

The claims-made and tail factors for years one through eight were established in previous amendments to Regulation 101. For the Nineteenth Amendment it was determined that no change was needed to these factors. Similarly, factors were not needed for years of coverage in excess of eight years.

The claims-made factors and optional tail factors established by the Superintendent are:

<u>Year in Claims-Made Program</u>	<u>Claims-Made Factors</u>
First	31%
Second	64
Third	85
Fourth	94
Fifth	99
Sixth	102
Seventh	104
Eighth and later	105

<u>Number of Years Completed in Claims-Made Program</u>	<u>Optional Tail Factors</u>
One	74.8%
Two	122.1
Three	146.4
Four	162.4
Five	173.3
Six	181.0
Seven	186.7
Eight or more	190.6

d. Rates for Excess Insurance Coverage

The rates for first and second excess layer of insurance coverage established for the policy year July 1, 1994 through June 30, 1995 were increased 5% over those established the previous year, and are calculated by applying the following factors to the \$1 million/\$3 million primary rates established for the Medical Malpractice Insurance Association:

	<u>Purchased by the Physician</u>	<u>Purchased by a Hospital on Behalf of the Physician</u>
First Excess Layer ^a	27.0%	29.1%
Second Excess Layer ^b	19.3	c

^a First Excess Layer - provides \$1 million/\$3 million of excess coverage above \$1 million/\$3 million primary coverage.

^b Second Excess Layer - provides \$1 million/\$3 million of excess coverage above the underlying primary coverage and first layer of excess coverage.

^c This coverage is not purchased by the hospitals

Although the Superintendent is authorized to establish a surcharge on the established rates for excess coverage if required to satisfy any deficiency for the policy period July 1, 1985 through June 30, 1988, it was determined, based on a review of the segregated account reports of those insurers writing the excess coverage, that no surcharge was necessary for the policy year beginning July 1, 1994.

11. Annual Commercial Property/Casualty Report

Chapter 220 of the Laws of 1986 added Section 334 to the Insurance Law requiring that the Superintendent annually report to the Governor and the Legislature on the status of commercial liability, professional liability, and public entity liability insurance. This Section outlines specific statistical data to be included in the report and authorizes the Superintendent to collect these data from insurers.

The seventh Annual Commercial Property/Casualty Report was issued May 1, 1994. Significant findings of this report included:

- in both New York and country-wide, more than half of the markets showed 1991 ultimate loss ratios that deteriorated from the previous year;
- New York's other liability market (including municipal liability, child care liability, recreational liability, etc.) had been profitable in only one of the years reflected in the Report. A 100% operating ratio indicates that an insurer is incurring one dollar in losses and expenses for each dollar generated by both premiums and investments. Except for 1988, which had shown an operating ratio of 92.4% signifying some profitability, all other years showed unprofitability. The 116.9% operating ratio evidenced in 1992 was the highest since 1989.
- in 1992, the commercial multiple peril market (combined property and liability policies issued to businesses) continued to reflect an operating ratio slightly above the break-even point of 100%. Country-wide results on the other hand deteriorated markedly, with an operating ratio that went from 97.4% in 1991 to 119.% in 1992. These results were not unexpected given the losses from Hurricanes Andrew and Iniki in that year.

The 1994 report recommended that the requirement for the Annual Commercial Property Casualty Report be continued since it provides a meaningful method of measuring underwriting results for key liability markets and guidance for future statutory and administrative actions. Given the relatively long-tail characteristics of liability insurance markets, future reports will be even more meaningful.

The report recommended once again that the Insurance Department continue to monitor the manual rate levels and rating plans being used by insurers in the liability market. As provided in Regulation 129, insurers must periodically review their rates and make adjustments as necessary. Enforcement of these provisions must continue.

The report also continued to recommended that the Department maintain its vigilance in the area of insurer market conduct. An unequivocal message must be sent to the industry that the public will no longer tolerate widely or wildly swinging rate cycles. The insurance-buying public is ill-served by a system that provides cheap, rock-bottom prices one year and triple-digit price increases the next.

Finally, the report noted that the Insurance Department's ability to impose sanctions upon insurers that fail to comply with the statutory data reporting requirements must be strengthened. The current maximum penalty of \$500 provides little deterrence for insurers that choose to disregard the filing requirements authorized by Section 334 of the Insurance Law. The Department continues to propose legislation to provide for cumulative penalties for insurers that repeatedly fail to submit data required for the report, or any other information required by the Superintendent.

12. Market Conduct Activities

a. Market Conduct Fines Collected

The Market Conduct Unit continued its program of reviewing insurance company underwriting, rating and claims practices to determine compliance with the Insurance Law and Department regulations.

Twenty-three market conduct investigations were initiated during 1994 bringing to 52 the total number of investigations in progress as of the end of the year. Four statutory rate service examinations were in progress during the year. Forty stipulations were entered into during the year. The fines collected as a result of admitted violations totaled \$2,411,412.

<u>Signed Stipulation By:</u>	<u>Amount</u>
Aetna Casualty & Surety Company	\$56,400
Amerisure Insurance Group	
Amerisure Insurance Company	28,400
Michigan Mutual Insurance Company	67,800
Atlantic Companies	
Atlantic Mutual Insurance Company	33,350
Centennial Insurance Company	30,450
Atlas Assurance Company	29,950
Chicago Insurance Company	86,205
Chubb Group	62,500
Cigna Property & Casualty Insurance Company	84,150
Continental Group	
Continental Insurance Company	64,200
Firemen's of Newark Insurance Company	17,050
Continental Group	
Continental Insurance Company	100,000
Firemen's of Newark Insurance Company	100,000
Electric Insurance Company	98,982
Excelsior Insurance Company	5,000
Great American Group	
American Alliance Insurance Company	18,100
American National Fire Insurance Company	12,300
Hanover Companies	
Hanover Insurance Company	54,050
Massachusetts Bay Insurance Company	22,600
Hermitage Insurance Company	192,125
ITT Hartford Group	
Hartford Accident & Indemnity Company	98,700
Hartford Fire Insurance Company	103,650
Maryland Group	
Maryland Casualty Insurance Company	257,930
Assurance Company of America	76,790
Merchants Insurance Group	
Merchants Mutual Insurance Company	48,050
Merchants of New Hampshire Insurance Company	15,850
New York Merchant Bakers Mutual Insurance Company	117,300
Public Service Mutual Insurance Company	25,000
Reliance Group	
Reliance Insurance Company of New York	130,100
United Pacific Insurance Company of New York	65,300
Resolution Group (formerly Crum & Forster)	50,110
St. Paul Insurance Group	10,000
St. Paul Insurance Group	33,900
Tokio Marine and Fire Insurance Company, Ltd.	19,200
Universal Underwriters Insurance Company	154,200
Worcester Insurance Company	<u>41,720</u>
 TOTAL	 <u>\$2,411,412</u>

b. Penalties Imposed Under Section 3425 - NYIL

Section 3425 limits the total number of nonrenewals of personal automobile insurance policies that an insurer is allowed. Generally an insurer is permitted to nonrenew up to 2% of the total number of covered policies that the insurer had in force at the previous year end in each such insurer's rating territory in use in this State. As a result of an analysis of reports to the Superintendent required by Section 3425(1)(1) - NYIL, the following fines were collected during calendar year 1994:

	<u>Amount</u>
Reliance of New York	\$130,100
United Pacific of NY	<u>65,300</u>
TOTAL	<u>\$195,400</u>

c. Penalties Imposed for Late Filings of Form 131-A

Regulation 131 was promulgated on July 13, 1987 setting forth data reporting requirements for commercial property/casualty insurers. Regulation 131 implements Section 334 of the Insurance Law which is the reporting or sunshine component of omnibus legislation enacted by Chapter 220 of the Laws of 1986 in response to the liability insurance availability and affordability crisis. The Superintendent submits every May 1 an Annual Commercial Property/Casualty Insurance Report to the Governor and the Legislature, based upon data received from insurers concerning commercial risk, public entity and professional liability insurance costs, experience and profitability.

Section 162.4(a) of Regulation 131 requires all insurers to complete Form 131-A for New York experience, setting forth direct written premiums for selected markets for each calendar year. These forms had to be completed by insurers for calendar year 1993 and submitted to the Department no later than April 15, 1994. Based on an analysis of these forms some insurers would be required to submit further statistical data.

A review of insurers' compliance with Regulation 131 disclosed that many insurers had not submitted Form 131-A to the Department by the required date. As a result of this review these companies were informed that a penalty was being imposed for a late filing of Form 131-A. Previously, insurers that had not submitted Form 131-A by the required date paid penalties based upon the number of calendar days the required form was late.

In a November 29, 1990 decision, the Court of Appeals ruled that failure to file the 131-A form constitutes one offense regardless of the number of days the required form was late. The maximum penalty permitted by Insurance Law is \$500 for each offense.

During calendar year 1994, 71 insurers paid a total of \$35,500 in penalties for late filings of Form 131-A. This represents a \$500 penalty for late filing for each company not in compliance with the Regulation. In addition, two insurers paid a total of \$1,000 for failing to submit the additional data required pursuant to Regulation 131.

As a result of the Court of Appeals decision, the Department has proposed legislation to amend the Insurance Law to provide for a penalty of up to \$250 for each day of delay in submitting a required special report to the Superintendent. The penalty would be subject to a maximum of \$25,000.

d. Penalties Levied Against Insurers for Failure to Pay No-Fault Arbitration Awards Timely

Under New York State Law, claimants with denied or overdue claims against no-fault insurers can file for arbitration through the New York State Insurance Department.

The No-Fault Claims Administration Unit of the Property and Casualty Bureau has received a significant number of complaints from applicants for no-fault arbitrations. These complaints alleged that even after successfully arbitrating their entitlements to no-fault benefits or obtaining a conciliation of their dispute, they were not receiving all amounts due from insurers in a timely manner. The no-fault regulation requires insurers to pay within 30 days all amounts awarded.

The Department issued Circular Letter No. 4 (1992) reminding all insurers of their obligation to pay timely and that with every request for enforcement, the Department would require insurers to either provide proof that full payment was made or an explanation as to why payment was not made.

Insurers were also advised that in accordance with Section 109(c)(1) of the Insurance Law, a penalty would be imposed on insurers for each complaint made where no justifiable reason for nonpayment or late payment was furnished to the Department. Furthermore, these complaints would be recorded for the purpose of calculating the complaint ratios that form the basis of the Department's annual automobile complaint ranking.

During calendar year 1994, the Department collected fines totaling \$173,000 from 72 companies for their failure to pay arbitration awards in a timely manner.

e. Overcharges Remitted to Policyholders

As a result of the terms agreed to in stipulated settlements of market conduct investigations of underwriting and rating practices of commercial risks, several insurers were required to perform re-rating reviews for the periods specified. As a consequence of these reviews the insurers refunded \$18,728 in premium overcharges.

<u>Insurer</u>	<u>Re-rating Period</u>	<u>Amount</u>
Commercial Union & American Employers Insurance Companies	March 1993-April 1994	\$15,717
Frontier Insurance Company	May 1, 1993-April 30, 1994	<u>3,011</u>
Total		<u>\$18,728</u>

f. Underpayments Remitted to Claimants

As a result of findings of previous market conduct investigations into compliance with Insurance Department Regulations 64 and 68, insurers sign stipulations whereby they agree to review all automobile no-fault and/or automobile physical damage claim files as designated in the stipulations and remit all underpayments to insureds and/or claimants. As a result of the terms of the stipulations, the following amounts were remitted by insurers during 1994:

<u>Insurer</u>	<u>Amount</u>
Metropolitan Property & Casualty Insurance Company	\$13,064
Electric Insurance Company	15,976
Resolution Group (formerly Crum & Forster)	3,674
State Farm Insurance Group	<u>49,026</u>
Total	<u>\$81,740</u>

g. Steering Investigation

As a result of numerous complaints from automobile repair shops, the Department conducted market conduct investigations into the claims practices of the three insurers receiving the most complaints. The complainants alleged that certain insurers have been "steering" insureds to specific automobile repair shops. Section 2610 of the Insurance Law prohibits insurers that provide collision or comprehensive coverage from requiring any insured to use a particular place or shop to have repairs made to their vehicle. The statute prohibits insurers from even suggesting or recommending repairs be made in a particular place or shop once a claim has arisen, unless the insured requests a recommendation or suggestion.

The investigation uncovered certain practices that might be considered questionable under Section 2610. As a result, the insurers modified their procedures. On April 7, 1994, Circular Letter No. 4 was issued to inform the insurance community what the Department learned from these market conduct steering investigations and to provide guidelines that, if followed, would be deemed to be in compliance with Section 2610.

h. Regulation 90 Reports

In accordance with the provisions of Section 218.7 of Regulation 90, all insurers must maintain ZIP Code records of all policies issued, renewed, nonrenewed and cancelled for private passenger automobile and homeowners insurance. The Regulation requires that this information be kept current. Additionally, reports containing this required information must be filed with the Insurance Department annually on May 1 for the preceding calendar year. Companies were fined for failure to file timely and were also fined for failure to keep their records current. A penalty in the amount of \$500 was set for each offense. A total of \$7,000 was collected during 1994.

13. Gap Insurance

Legislation enacted as part of the Omnibus Consumer Protection and Banking Act of 1994 (Chapter 1 of the Laws of 1994) added gap insurance as a new kind of insurance. The law authorizes motor vehicle gap insurance for lessees as well as motor vehicle lessor insurance for lessors that sell gap waivers. The law also authorizes motor vehicle gap insurance for borrowers and lenders under credit transactions, such as loan agreements. Gaps also exist under a lease if a lessee of a vehicle that is totalled or stolen has a financial obligation to the lessor that exceeds the actual cash value of the vehicle as determined by the lessee's physical damage insurer. Gaps exist under a loan agreement when at the time of the loss the size of the outstanding loan balance exceeds the actual cash value of the motor vehicle.

Currently, lessors often sell what they call "gap insurance" to cover the difference between the lessee/borrower's total obligation and the car's actual cash value. The lessor, however, is actually selling a waiver which eliminates the lessee's obligation in the event of a total loss or theft. As of June 30, 1995, a lessor will not be able to sell a waiver on consumer leases unless an appropriate gap insurance policy is purchased from a licensed property/casualty insurer. Lessors or lenders that fail to comply with the new requirements would be conducting an insurance business without a license in violation of the Insurance Law.

The legislation also authorizes gap insurance for leases and loans on personal property other than motor vehicles.

As of February 16, 1995, 44 insurers and one rate service organization have filed applications to amend their license to include authorization for gap insurance, of which 16 have been licensed to date. Several form and rate filings for these programs are under review; however, none have yet been approved.

14. Automobile Insurance

a. No-Fault Motor Vehicle Insurance Law Activity - 1994

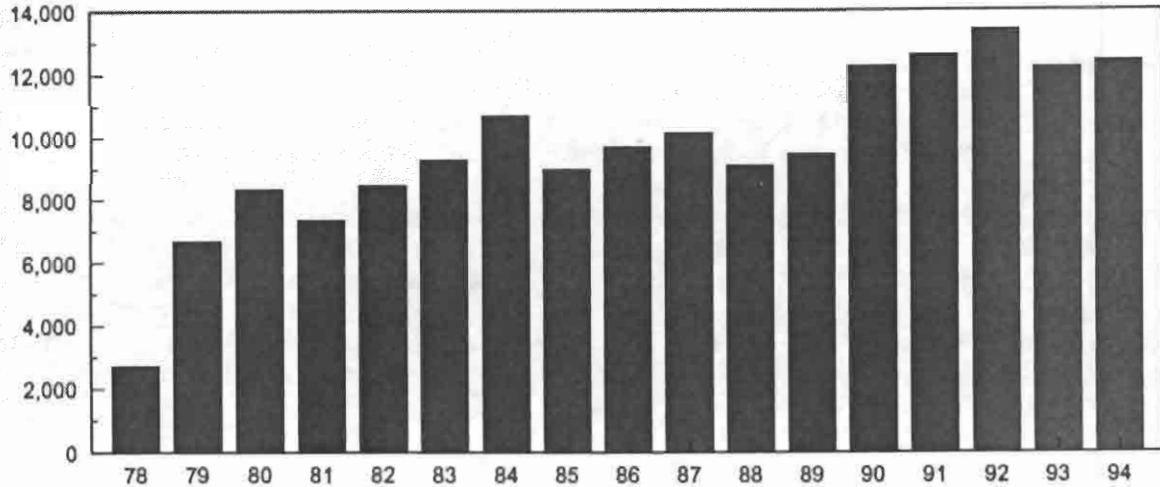
Insurance Department Administration of the Optional Arbitration System:

Effective with disputes arising out of accidents occurring on and after December 1, 1977, the Department administers the arbitration of no-fault disputes involving the payment of first-party benefits to claimants. The volume of requests for arbitration began to increase in 1990 with the number of requests processed rising from 9,457 in 1989 to 13,371 in 1992, an increase of 41%. However, in 1993 the volume of arbitration requests that were processed declined to 12,205, down 9% from the prior year's level. The volume of arbitration cases showed a slight increase in 1994, going up approximately 2% over the year to a level of 12,398.

No-Fault Arbitration Cases Received

1978-1994

Arbitration Requests Received



The decrease in arbitration requests that are processed from our high of 1992 can be attributed to our ongoing pre-screening process that rejects incomplete arbitration requests as well as those that are not properly filed and those that should not have been filed at all. This pre-screening process returns approximately 35% of all no-fault arbitration requests received by the Department. While arbitration requests have always been screened, the new procedures result in a more thorough review that focuses upon inefficiencies or errors in claims submissions by applicants, particularly health care providers or their attorneys. It is estimated that in excess of 16,000 arbitration requests were reviewed last year and it appears that the improved screening process has resulted in a reduction in the number of cases processed and the removal of many of those that would have been easily resolved or withdrawn by Department examiners. In addition, this screening process also identifies arbitration requests that are projected to have little likelihood of conciliation and forwards those cases directly to arbitration. This procedure resulted in a speedier resolution of disputes.

Of the disputes received in 1994, 2,740 were successfully conciliated by Department examiners. The Department's conciliation rate of 29.8% represents an increase from the 26.7% experienced in 1993. In addition, 2,334 requests for arbitration were forwarded directly to arbitration, bypassing the conciliation process entirely.

The promulgation of the Twentieth Amendment to Regulation 68, effective July 1, 1988, changed the structure of the No-Fault Arbitration System in order to establish a more equitable and efficient system for the adjudication of no-fault disputes. The Amendment reduced the number of arbitration forums from four to two by eliminating the Expedited Arbitration forum administered by the American Arbitration Association (AAA) and the Health Service Arbitration forum which was administered by the Workers' Compensation Board. Insurance Department Arbitration (IDA) resolves disputes involving the correct computation of health service provider fees, amounts in dispute under \$400, and disputes solely involving interest and attorneys' fees. All other disputes fall under the jurisdiction of the American Arbitration Association. The arbitrators employed under the new system devote a major portion of their time to adjudicating no-fault disputes, resulting in more consistent application of the no-fault law and implementation of regulations.

The IDA's expanded role under the Twentieth Amendment resulted in the adjudication of 1,152 cases in 1994, a 13.7% decrease from the 1,335 cases decided in 1993. This accounted for 12.5% of all cases filed for arbitration in 1994. Accordingly, 42.3% of all no-fault cases closed in 1994 were resolved either through conciliation by the Insurance Department or by the Department's arbitration forum (IDA).

The Department's direct involvement in the arbitration process contributes to the consistent application of the no-fault law as well as substantial savings in arbitration administrative expenses and legal fees paid by no-fault insurers.

Table 43
DISPOSITION OF NO-FAULT ARBITRATION CASES
1992-1994

	<u>1994</u>		<u>1993</u>		<u>1992</u>	
	<u>No. of Cases</u>	<u>Percent of Closed Cases</u>	<u>No. of Cases</u>	<u>Percent of Closed Cases</u>	<u>No. of Cases</u>	<u>Percent of Closed Cases</u>
Total Cases Received by the Department	12,398		12,205		13,371	
Disposition:						
Disputes Conciliated by the Department	2,740	29.8%	2,796	26.7%	3,999	37.2%
Transmitted for Arbitration to:						
American Arbitration Forum (AAA)	5,284	57.5	6,338	60.4	5,454	50.7
Insurance Department Arbitration Forum (IDA)	1,152	12.5	1,335	12.7	1,308	12.2
IDA and AAA Concurrently	10	0.1	22	0.2	2	a
Total Transmitted for Arbitration	6,446	70.2	7,695	73.3	6,764	62.8
Total Closed	9,186	100.0	10,491	100.0	10,763	100.0
Pending Disposition	3,212		1,714		2,608	

^a Less than 0.1 percent

Table 44
SOURCES OF APPLICATIONS FOR NO-FAULT ARBITRATION
1992-1994

	<u>1994</u>		<u>1993</u>		<u>1992</u>	
	<u>No. of Disposition Cases</u>	<u>Percent of Total</u>	<u>No. of Disposition Cases</u>	<u>Percent of Total</u>	<u>No. of Disposition Cases</u>	<u>Percent of Total</u>
Applications Made by Assignees	8,504	68.6%	7,358	60.3%	8,296	62.0%
Applications Made by Claimants	<u>3,894</u>	<u>31.4</u>	<u>4,847</u>	<u>39.7</u>	<u>5,075</u>	<u>38.0</u>
Total	12,398	100.0%	12,205	100.0%	13,371	100.0%

b. No-Fault Law Changes

Chapter 726 of the Laws of 1993 amended New York's no-fault law in order to permit motor vehicle insurers to provide no-fault managed care programs for their policyholders who elect to have their health care services provided pursuant to such programs. The managed care coverage differs from that presently provided by no-fault insurers because it requires, except in very limited circumstances, that all health-related matters be administered through a managed care organization.

The purpose of this change is to reduce costs and enhance the quality of medical and other health care services applicable to motor vehicle no-fault insurance policyholders, covered persons, insurers and self-insurers by providing managed care alternatives for delivery of such services. If the insurer provides a managed care program, insureds, at their option, can choose either to participate in the managed care program or remain with the traditional fee-for-service no-fault coverage.

This option will be available to the insured at the time the motor vehicle insurance policy is issued or renewed. Prior to choosing the managed care coverage option, the insured will be provided with a disclosure statement explaining the differences between their present coverage and managed care. In addition, the insured must be given a listing of health care providers/facilities that must be utilized if managed care no-fault coverage is chosen. If the insured chooses no-fault managed care, the auto insurance premium will be reduced to reflect the overall health care cost savings the program will generate.

The legislation became effective on March 28, 1994. The Department has been meeting with an insurance industry task force and consulting with other affected parties to implement this important legislation. The proposed regulations implementing this coverage have been published in the State Register in accordance with the State Administrative Procedures Act. Public hearings were held in Albany and New York City to afford all interested parties an opportunity to comment on the proposed regulations. Based on the comments received, the regulations were modified and republished in the State Register.

After the regulation is promulgated, the Department will be issuing a Circular Letter to the industry and all other interested parties that will contain the application for certification of a managed care organization and the application for the approval of an insurer's managed care program.

c. Consumer Guide for Automobile Insurance

On October 1, 1994 the Department published and distributed the 1994 Consumers Guide on Automobile Insurance. This guide is required by Section 337 of the Insurance Law to be updated every year.

The comprehensive guide helps consumers determine how much auto insurance they need and explains all mandatory and optional coverages in New York State. The guide provides consumers with important information about applying for coverage and contains lists of insurers, telephone numbers and sample rates to facilitate comparison shopping. A ranking of automobile insurers based on a comparison of their premium volume to the number of complaints closed by the Department is also included. The guide is also useful to read before buying or leasing a car because it lists numerous vehicles for which insurers have indicated an unwillingness to voluntarily provide coverage.

Additionally, the guide offers instructions on how to file a claim with an insurer and what to do if there is difficulty getting a claim resolved. Should a consumer encounter a problem with an insurer, agent or broker, or have a specific question about their premium, the guide includes a Department complaint form as well as relevant Department telephone numbers if assistance or information is needed.

Copies of the guide were distributed to every Department of Motor Vehicles office and public library in the State. Free copies of the guide may be obtained by writing: New York State Insurance Department, Publications Unit, Agency Building One, Empire State Plaza, Albany, NY 12257.

d. New York Automobile Insurance Plan

(i) First Biennial Report

The New York Automobile Insurance Plan (Auto Plan) insures New York motorists who, for whatever reason, cannot find coverage in the voluntary market. As required by recently implemented Section 338 of the Insurance Law, the Superintendent furnished to the Governor and the Legislature on May 1, 1994 a report concerning the Auto Plan. The contents of the report are highlighted as follows:

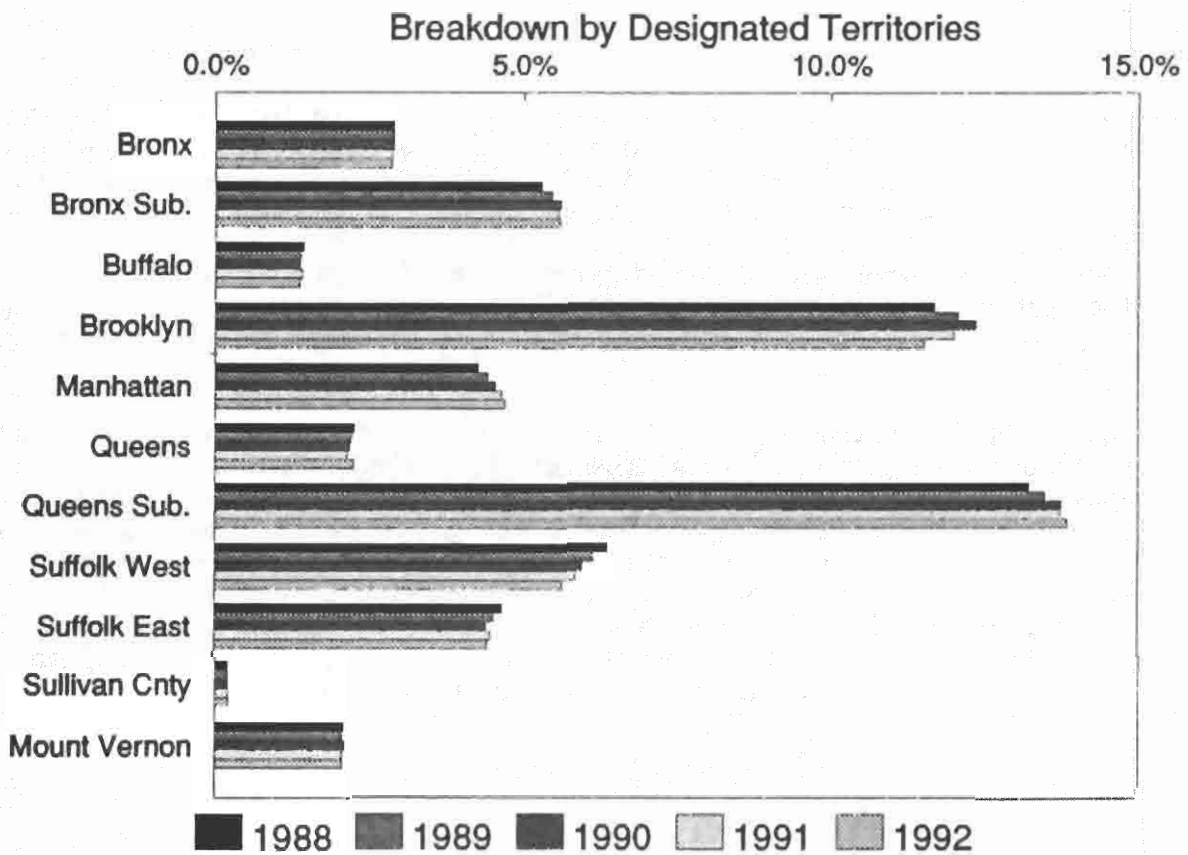
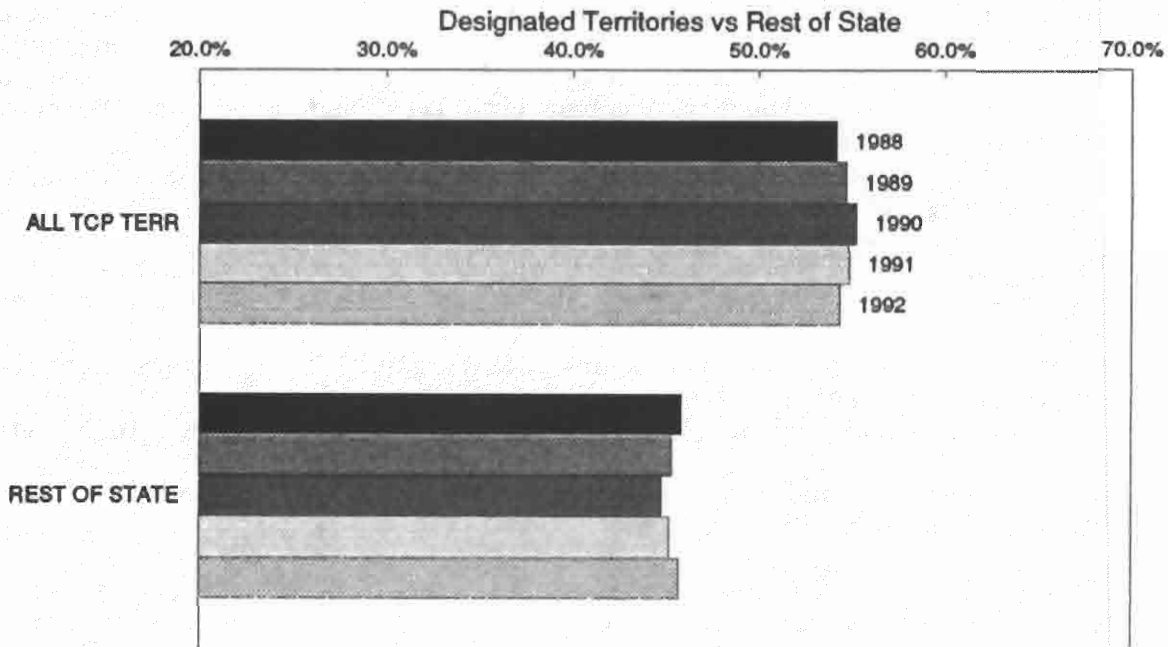
- (a) approximately 17% of private passenger automobile drivers state-wide are currently in the Plan, a percentage that has remained relatively stable since 1988 when a series of Insurance Department reforms began to be implemented. In the prior five-year period (1984 to 1988), the percentage of motorists in the plan had risen from 12.0% to 16.3%. The report also shows that many good drivers remain in the Auto Plan.
- (b) the Insurance Department's continuing efforts to reduce the population of the Auto Plan are described and analyzed. These initiatives (explained in detail in the report), such as the Territorial Credit Program (TCP), Take-Out Process (TOP), Take-Out Credit (TOC) and bridging mechanisms (a depopulation reinsurance pool), have been implemented to help reduce the number of drivers in the Auto Plan, especially in urban areas which remain underserved by the auto insurance industry. Data reviewed subsequent to the issuance of the report shows that the Auto Plan population has decreased to 16%. This may be a sign that the initiatives are having a positive effect.

- (c) additional initiatives to help reduce the number of good drivers in the Auto Plan are suggested, including:
- * Variable Commission Structure - Currently an insurance agent or broker receives a 10% commission for each policy placed in the Auto Plan. This is a higher commission than paid by some voluntary insurers. Instead, a sliding commission scale in reverse proportion to policy premium size should be considered.
 - * Captive Agents - Often an exclusive (captive) agent of an insurance company will place a driver in the Auto Plan once the agent's insurer turns down the risk. The report questions whether the Auto Plan should be so freely open to placements from exclusive agents.
 - * Careful driver credits - By applying careful driver credits to Auto Plan insureds, some drivers pay less for coverage than they would in the voluntary market. This eliminates the incentive for good drivers to shop around. The Department will study this issue further.
- (d) demographic information on the drivers in the Auto Plan and an analysis of cancellations and nonrenewals of voluntary private passenger automobile insurance policies by insurers based on geographic location of the risk are presented.
- (e) an analysis of the enforcement of the anti-geographic discrimination provisions of Sections 3429, 3430 and 3433 of the New York Insurance Law in regard to private passenger automobile insurance is also included.

The graph on the top of page 116 shows the percentage of all risks in the New York Auto Plan that were attributable to the territories that the Insurance Department had targeted for reductions. As the percentages in these territories decline (as they did from 1990 to 1992), the "Rest of State" percentages increase.

The graph at the bottom of page 116 shows the percentage of all Auto Plan risks attributable to targeted territories. For example, in 1992, the Queens Suburban territory accounted for roughly 14% of all Auto Plan risks.

Territorial Distribution of the Auto Plan (A Five - Year Comparison, 1988 - 1992)



(ii) Taxis and Other For-Hire Vehicles Safety Group Program

Starting on February 28, 1995, a new four-year experimental program, called the New York Public Auto Safety Group Dividend Program, is available through the Auto Plan. Its purpose is to encourage safe driving and help keep public livery insurance costs affordable. Public livery drivers who engage in risk management techniques and maintain good driving experience can save 25% on their bodily injury, property damage liability and mandatory personal injury protection (no-fault) insurance premiums.

The requirements for eligibility for the discount are:

- * drivers must be at least 23 years old with a minimum of three years driving experience and have fewer than 15 surchargeable points on their license;
- * drivers must be individual owners of single public livery vehicles operated by the individual owner or spouse;
- * the owner must take an accident prevention course and belong to a radio base;
- * each risk, driver and radio base must be licensed by the New York Taxi and Limousine Commission or other appropriate authority.

In addition to the 25% discount (20% for the radio base and accident prevention course and an additional 5% for implementing the required risk management practices), members of the Safety Group can also receive a dividend if the total adjusted loss ratio of all Groups in the program falls below 62%.

e. Circular Letters Issued That are of Relevance to Auto Insurers

- (i) Approved Accident Prevention Course - Circular Letter No. 14 dated September 20, 1994 updates and supersedes previous circular letters regarding discounts for the completion of accident prevention courses pursuant to Sections 2336(a) & (d) of the Insurance Law. The Circular Letter provides the updated list of sponsors that are currently approved by the Department of Motor Vehicles to administer the Motor Vehicle Liability and Collision Insurance/Point Reduction Program courses and advises insurers to furnish this information to all insureds with their billing or renewal notice.
- (ii) Peace Officer Surcharge Prohibitions - Circular Letter No. 15 dated September 16, 1994 advises insurers of the prohibitions against applying surcharges to the personal automobile insurance policies of police officers, firefighters and peace officers who have accidents while operating an official vehicle in performance of their duties. The Circular Letter enumerates the circumstances under which such surcharges would violate certain provisions of the Insurance Law and Regulation 100 and asks insurers to review their merit rating plans, rating rules, and internal procedures to ensure compliance.

(iii) Changes in Automobile Coverages - On December 30, 1994, the Department issued Circular Letter No. 17 which addresses the impact of several recent legislative enactments on automobile insurance coverages. As a result of these changes, consumer awareness of certain coverages and eligibility criteria for discounts will be heightened, fair underwriting will be promoted, and rates will appropriately reflect anti-theft and anti-fraud programs.

The Circular Letter summarizes the impact such changes have on the following: (1) notice of supplementary uninsured motorists (SUM) coverage; (2) reflection of anti-theft and anti-fraud measures in rate filings; and (3) window glass etching requirements. In addition, the Circular Letter advises that applicants licensed more than 39 months cannot be denied voluntary coverage solely because they have not previously owned or leased a car, and insureds 60 years of age or over cannot be denied coverage solely because of age.

(iv) Farm Motor Vehicles, Trailers and Semitrailers - Circular Letter No. 19 dated November 15, 1994 alerts insurers that may insure farm exposures and insurance producers of a significant change in the Vehicle and Traffic Law affecting approximately 25,000 farm motor vehicles, trailers and semitrailers.

Such vehicles that are intended to be operated only on a public highway for the purpose of travelling by the most direct route to and from commonly owned farms or portions of farms and/or municipal landfills are affected by the law change. Beginning January 29, 1995, owners of these vehicles are required to purchase liability insurance in order to register their vehicles. Prior to this date such vehicles were exempt from carrying insurance.

15. Homeowners Insurance

a. New York Coastal Area Guidelines

Heavy storms in recent years, especially Hurricane Andrew, the Nor'easter of December 11, 1992, and the numerous winter storms that occurred at the beginning of 1994 have led property/casualty insurers to re-evaluate the geographic concentration of their business and their individual exposure to storms. While homeowners insurance is generally still available on Long Island and other coastal areas as a whole, insurers have begun to restrict coverage near the coastline, areas that are most vulnerable to a hurricane or powerful storm. For example, some companies will not write new coverage for homes within 1,000 feet of the shore.

The Insurance Department has continued to be actively involved in finding solutions to this ongoing problem. Besides meeting with the industry and sending a market survey to all homeowners insurers in New York State, the Department participated in a community meeting sponsored by Assemblyman Harvey Weisenberg on August 25, 1993 at the Long Beach City Hall. The Department also met with Long Island homeowners, community leaders and local legislators to discuss the problems and arrive at workable solutions. In addition, then-Superintendent Curiale presented testimony before the New York State Assembly's Insurance Committee and Long Island Barrier Beaches Subcommittee at a public hearing held on September 30, 1993.

After discussions with all interested parties and after conducting extensive studies of all companies writing homeowners insurance on Long Island, the Department analyzed various alternative measures designed to solve the problems that some shoreline residents, particularly on Long Island, have experienced in obtaining homeowners insurance. Based on that analysis, the Department established guidelines which it enumerated in Circular Letter No. 11 issued on September 14, 1993 and further refined in the Supplement to Circular Letter No. 11 issued on October 27, 1993. It is anticipated that the utilization of innovative underwriting tools will enable those insurance companies with heightened concerns about the catastrophic potential posed by hurricanes to continue to provide comprehensive homeowners coverage for shoreline residents.

The Department developed criteria to be used by insurers in applying windstorm deductibles and in creating wrap-around policies. With respect to windstorm deductibles, the Department has informed insurers of the guidelines that will be used in approving such deductibles for homes located in Nassau, Suffolk, Kings, Queens, Richmond, Westchester and Bronx counties. Insurers would be permitted to mandate certain windstorm deductibles for their shoreline policyholders. They could also offer policyholders the option to select higher windstorm deductibles. The Department will insist that any windstorm deductible be accompanied by an appropriate premium reduction. It is anticipated that the introduction of windstorm deductibles will provide meaningful coverage for shoreline homeowners, while recognizing the real risks associated with such business.

If a homeowner can obtain a policy only through the New York Property Insurance Underwriting Association (NYPIUA) which provides fire and extended coverages (including windstorm), the Department has issued guidelines that allow insurers to issue wrap-around coverage forms. These wrap-around coverage forms provide the remaining components of a comprehensive homeowners (liability and theft) policy not sold by NYPIUA. NYPIUA will provide either an actual cash value policy or a replacement cost policy to complement the wrap-around endorsements. During 1994 the Department was able to approve wrap-around filings for State Farm Insurance Company; Aetna Insurance Company; Paramount Insurance Company; Providence Washington Insurance Company; and New York Central Mutual Fire Insurance Company. The Department expects to approve more filings in the future.

In June 1994, the Department conducted a survey of all carriers licensed to write homeowners and dwelling insurance pursuant to Section 308 of the Insurance Law. A comprehensive questionnaire was attached requesting information regarding participation in the Coastal Market Assistance Reference Table (C-MART), Coastal Market Assistance Program (C-MAP), and asked whether insurers intended to submit a windstorm deductible filing. From the information furnished we were able to assemble an updated C-MART listing that provides the names of insurers willing to write above a certain distance from the shore for each geographic area as well as the telephone numbers and/or agents of those insurers.

We also participated in a meeting in Lido Beach in August 1994 sponsored by Senator Guy J. Velella, Chairman of the Task Force on Catastrophe Insurance. On behalf of the Department, Janet Glover, Assistant Chief of the Property and Casualty Bureau, gave testimony concerning the Department's position and informed the community about the C-MAP, C-MART, and wrap-around programs.

It should be noted that our surveys for 1994 revealed that insurers are not cancelling any coverage mid-term, and they are continuing to renew homeowners policies subject to stricter underwriting guidelines (some insureds have been nonrenewed for poor loss experience). However, a number of companies are not writing new business on Long Island because they feel they are over concentrated in the area. Currently there are viable, albeit more expensive, alternatives for homeowners who live near the shore. For example, the New York Property Insurance Underwriting Association, also known as the FAIR Plan, will provide fire, windstorm and extended coverages including damage to contents for homeowners who cannot find coverage in the voluntary market. However, the premium for such coverage is 20% higher than that in the voluntary market and the FAIR Plan does not provide protection for theft or personal liability. A consumer would then have to purchase these other coverages separately at a higher cost.

The Insurance Department's objectives in all the above actions are to maximize consumer protections, encourage risk management, emphasize responsible underwriting, and facilitate voluntary market homeowners insurance coverage in shore communities in this State.

It is believed that if insurers undertake the approaches the Department has developed for homeowners insurance, consumers in coastal areas will be able to find the valuable coverage they need. However, if insurers do not respond voluntarily to this public need, the Department warned it will recommend to the Governor and the Legislature measures to insist that the insurance industry act responsibly.

b. Computer Hurricane Simulation Models in Rate Filings

An analysis of recent rate filings revealed that some of the proposed rate revisions were not based on past claims, but rather on the potential that a Hurricane would hit Long Island. The filings contain a catastrophe factor developed from a computer simulation that would predict the amount of loss for numerous projected storms and the probability that such storms would make landfall in New York. These models have indicated catastrophic loadings of more than 20% in some cases. Historically, approximately 2% of the homeowners premium is attributed to catastrophic loading.

The developers of these models have not disclosed all of the underlying assumptions used in the development of the catastrophe factors. Inasmuch as the Department cannot review these assumptions, the Department has no alternative but to disallow the use of these computer simulations.

It should be noted that should an insurer provide the Department with the underlying assumptions needed to review the model, there is still a concern that because of current federal tax laws, the revenue generated by the models would be considered profit. There is no mechanism in the law to allow insurers to hold these funds as reserves. Thus there is no incentive for insurers not to distribute these funds to shareholders.

16. Rate Adjustments of Individual Policyholders

Certain complaints and inquiries are handled independent of the Consumer Services Bureau and primarily involve requests from insureds or their brokers for information generally concerning increases in rates charged for personal auto and dwelling insurance, as well as premiums charged for commercial risks.

A total of 2,276 such complaints and inquiries were received in 1994. This total consisted of 1,239 involving personal automobile insurance (including 770 no-fault complaints and inquiries), 110 involving commercial automobile insurance (including 16 no-fault complaints and inquiries), 139 involving homeowners insurance, 326 involving other liability insurance, 62 involving commercial multiple peril, 133 involving medical malpractice insurance, 31 involving title insurance, and 236 involving all other types of insurance (fire and allied lines, surety, inland marine, workers' compensation, etc.). A total of 594 personal and commercial automobile rating complaints and inquiries were closed during the year in which 17,021 policyholders were found to have been overcharged. These investigations resulted in premium refunds of \$217,902.

In addition, two servicing carriers in the New York Automobile Insurance Plan charged installment fees to insureds who paid their premium in full at inception resulting in overcharges on 17,000 policies. These servicing carriers in the New York Automobile Insurance Plan each have numerous contracts with other insurers to service their business in the New York Automobile Insurance Plan. The average overcharge refunded was \$12 resulting in a \$204,000 savings to policyholders.

E. CASUALTY ACTUARIAL BUREAU

The Casualty Actuarial Bureau reviews rate filings for private passenger automobile and workers' compensation insurance. All such filings must receive the prior approval of the Superintendent before they take effect. These coverages are the largest (in terms of premium volume) of the property/casualty coverages, accounting for roughly \$10 billion of premium writings in 1994.

1. Private Passenger Automobile Insurance

Automobile insurance is vital to New Yorkers; drivers cannot register their cars unless they purchase automobile insurance. Insurers' rate submissions may include requests for changes in classification relativities, innovative rating rules, or other modifications. These changes must be adequately justified and are sent to the Department's casualty actuaries for analysis.

In 1994, the Department approved 60 requests for changes in private passenger automobile rates. Many approved rate increases reflected some reduction from the requested changes. Table 45 lists both requested and approved rate changes, along with the liability and physical damage components of the approved changes.

The average rate change for insurers that received rate changes in 1994 was approximately 5.3%. The 60 insurers that changed their rates represent 66% of the total market for private passenger automobile insurance. The overall impact on the rate level was an average increase of 3.5%

Table 45

PRIVATE PASSENGER AUTOMOBILE RATE CHANGES APPROVED IN 1994¹

Renewal Effective Date	Insurer	Market Share (%)	Requested % Change	Approved % Change ²			Total
				Liability	Physical Damage		
11/9/94	Allstate Insurance Company	16.91	1.2	2.3	-0.4	1.2	
9/1/94	AIPSO	14.92	14.7	11.1	-15.3	8.1	
9/15/94	GEICO General; GEICO	4.70	3.9	7.2	0.0	4.0	
8/15/94	General Accident Group	3.60	10.0	16.8	-1.0	10.0	
12/1/94	Nationwide Mutual Ins. Co.	3.19	4.1	11.3	-6.5	4.1	
6/15/94	Travelers Group	2.86	12.3	25.5	-15.2	8.7	
7/1/94	Kemper Group	1.70	6.2	14.6	-6.4	6.5	
9/1/94	Progressive Casualty Ins. Co.	1.66	1.5	9.3	-17.7	1.5	
8/1/94	CNA Group	1.66	12.7	21.0	-2.9	11.1	
1/1/95	Metropolitan Group	1.56	9.8	13.6	4.2	9.8	
5/25/94	USAA Group	1.53	6.4	15.1	-2.5	6.6	
3/16/94	Prudential Group	1.26	3.9	7.6	-2.3	3.9	
2/9/94	Allstate Indemnity Company	1.25	1.1	3.2	0.0	1.1	
5/16/94	Commercial Union Group	1.09	2.7	18.3	-17.8	2.7	
5/1/94	Amica Mutual Insurance Company	1.04	1.7	6.9	-4.8	1.7	
10/1/94	ITT Hartford	1.02	49.4	23.7	-2.1	14.7	
2/1/95	Utica National Group	0.77	9.2	15.0	0.0	9.2	
9/6/94(L), 10/10/94(M)	Continental Ins. Companies	0.72	27.5	16.5	3.4	11.4	
11/1/94	Hartford Ins. Co. of the Midwest	0.66	30.3	24.2	-10.0	8.1	
10/15/94	Bankers & Shippers Ins. Co.	0.49	-5.4	4.2	-18.3	-5.4	
8/1/94	Merchants Group	0.45	4.8	8.9	-1.7	5.0	
7/1/94	Interboro Mutual Insurance Company	0.39	10.7	23.5	-5.2	10.0	
11/15/94	Preferred Mutual Ins. Co.	0.29	7.3	8.4	5.5	7.3	
11/1/94	Electric Insurance Company	0.26	6.4	11.3	-0.3	6.4	
7/19/94	Fireman's Fund Group	0.25	1.9	7.5	-6.4	1.9	
9/15/94	Home Mutual Ins. Co. of Binghamton	0.21	3.1	13.5	-17.7	3.1	
1/1/95	Merchants & Business Men's Mut. Ins. Co.	0.20	-8.4	0.0	-8.4	-8.4	
7/15/94	Peerless Ins. Co.; Excelsior Ins. Co.	0.19	8.8	19.0	-3.6	8.8	
11/1/94	Transamerica Group	0.17	7.7	17.3	-5.7	7.7	
12/1/94	Tri-State Consumer	0.15	8.6	13.7	0.0	8.6	
2/1/95	Providence Washington Ins. Co.	0.13	16.5	14.6	10.0	12.5	
10/30/94	American States Ins. Group	0.11	12.5	12.6	12.2	12.5	
6/13/94	Progressive Specialty Ins. Co.	0.11	-7.2	0.0	-7.5	-7.5	
9/29/94	Progressive Specialty Ins. Co.	0.11	-18.7	0.5	-18.7	-18.7	
10/24/94	Unigard Security Ins. Co.	0.11	5.3	19.1	-9.7	5.3	

Renewal Effective Date	Insurer	Market Share (%)	Approved % Change ²			
			Requested % Change	Liability	Physical Damage	Total
12/19/94	GEICO Indemnity Ins. Company	0.11	6.9	12.5	-0.1	6.9
11/1/94	Eveready Ins. Co.	0.09	8.0	11.9	-0.9	8.0
3/23/94	AMEX Assurance Company	0.08	11.2	15.1	6.7	11.2
12/13/94	Windsor Insurance Company	0.06	-6.9	0.9	-21.5	-6.9
1/1/95	Sterling Insurance Company	0.06	6.3	10.8	0.0	6.3
4/30/94	Reliance of NY; United Pacific of NY	0.06	6.0	18.8	-6.9	6.0
7/1/94	Agway Insurance Company	0.05	5.1	7.6	-0.1	5.1
11/1/94	Republic Ins. Group	0.05	13.4	14.0	12.8	13.4
2/1/94	Capital Mutual Insurance Company	0.04	7.9	10.1	5.4	7.9
9/1/94	Tokio Marine & Fire Ins. Co., Ltd.	0.04	1.0	0.0	1.6	1.0
10/24/94	Unigard Insurance Co.	0.01	8.5	20.6	-7.2	8.5
6/13/94	United Financial Casualty Co.	0.00	-0.8	0.0	-1.7	-0.7
6/13/94	National Continental Ins. Co.	0.00	0.6	0.6	-1.3	-0.2
9/29/94	National Continental Ins. Co.	0.00	-9.4	0.5	-21.5	-9.4
6/1/94	Citizen Ins. Co. of America (new)	0.00	0.0	0.0	0.0	0.0
12/1/94	TICO Insurance Company (new)	0.00	0.0	0.0	0.0	0.0
11/15/94	Legion Insurance Company (new)	0.00	0.0	0.0	0.0	0.0
12/1/94	SAFECO Insurance Companies	0.00	7.4	15.1	-1.8	7.4
4/1/94	Cincinnati Insurance Company	0.00	0.0	0.0	0.0	0.0
4/15/94	Lancer Insurance Company	0.00	4.0	8.4	-1.4	4.0
3/21/94	Criterion Casualty Company (new)	0.00	0.0	0.0	0.0	0.0
9/22/94	General Ins. Co. of America (new)	0.00	0.0	0.0	0.0	0.0
9/29/94	United Financial Casualty Co.	0.00	-3.4	2.6	-10.7	-3.4
1/1/95	Erie Insurance Company (new)	0.00	0.0	0.0	0.0	0.0

Average liability change for insurers receiving rate changes 10.42%
 Average physical damage change for insurers receiving rate changes -4.17%
 Average change for insurers receiving rate changes 5.32%
 Total written premium of the above listed insurers (000's) \$4,848,305
 Percentage of total industry premium affected (cumulative market share) 66.38%
 Overall effect on the total industry premium from above changes 3.53%

¹ Rates are based upon 1994 approved rates. Insurers' "use and file" downward deviations based upon §2328 of the New York Insurance Law have not been included.

² All rate changes are calculated using premiums obtained from 1992 Annual Statement data.

³ Continental had different effective dates for its Link Plus (L) and Monoline (M) programs.

2. New York Automobile Insurance Plan

The New York Automobile Insurance Plan (AIP) received an 8.7% rate increase in 1994 for private passenger automobiles written through the AIP, covering those drivers who cannot obtain coverage in the voluntary market. The change was effective July 15 for new business and September 1 for renewals. The change was comprised of an 11.4% increase for liability coverages and a 15.1% decrease for physical damage coverages. Nearly two years had elapsed since the previous AIP rate increase in September 1992.

a. Plan Experience in 1993 and 1994

(i) Number of Policies Written

It is estimated that net policies written through the New York Automobile Insurance Plan (Assigned Risk Plan) decreased 3.7% from 1,219,178 in 1993 to 1,173,696 in 1994. Table 46 shows policies by coverage and issuance category for 1993 and 1994. The data include single and multi-car risks for both private passenger and commercial policies. As noted, the 1993 policies written have been estimated from the written exposures.

(ii) Earned Car Years

An important indicator of the size of the AIP is earned car years. This reflects the size of the Plan as measured by the duration of coverage. (One car insured for one year is one earned car year.) The number of private passenger automobiles (not including commercial autos) insured through the Plan decreased for both liability and physical damage in 1993 over 1992. Table 47 shows a ten-year history for voluntary liability coverage and assigned risk liability and physical damage earned car years. This marks the third consecutive year that assigned risk physical damage earned car years decreased from the previous year and the second time in the ten-year period for liability.

(iii) Risks by Surcharge and Credit Category

There were 1,257,622 private passenger earned car years for liability and 70,991 for collision coverage insured through the Plan in 1993. Table 48 shows the distribution of New York private passenger liability and collision assigned risks by surcharge category for 1991, 1992 and 1993.

(iv) Risks by Rating Territory

The proportion of all private passenger liability assigned risk earned car years to total earned car years by rating territory for 1992 and 1993 is shown in Table 49. This information is an important component in the Department's Territorial Credit initiative, which rewards insurers that write voluntarily in areas with a higher-than-average concentration of AIP insureds. During 1992, 17.1% of all New York State private passenger automobiles were assigned risks as opposed to 16.1% in 1993. The number of voluntary risks increased 61,281 while the number of assigned risks decreased 74,073. The proportion of assigned risks was 10% or higher in 37 of the 70 rating territories in 1992 and was 10% or higher in 33 of the 70 in 1993. The highest 1993 ratio was 83.7% in the Bronx Territory. Between 1992 and 1993, the percentage of assigned risks increased in 2 of the 70 rating territories and decreased in 68 rating territories. As usual, the congested urban areas of New York City produced the highest assigned risk-to-voluntary risk ratios in the State. Table 50 displays a ten-year history of the percentage of assigned risks to voluntary risks by territory ranked from the highest down to the lowest.

Table 46
Policies Written Under
New York Automobile Insurance Plan
1993 and 1994

<u>Period</u>	<u>Original Policies</u>	<u>Renewal Policies</u>	<u>Cancellations</u>	<u>Net Policies* Written</u>	<u>Percent Change</u>
<u>Liability Only**</u>					
1993	1,068,425	956,001	945,359	1,079,067	
1994	1,029,598	957,783	942,647	1,044,734	-3.2%
<u>Physical Damage Only**</u>					
1993	2,636	1,991	2,228	2,399	
1994	1,497	1,131	1,678	950	-60.4
<u>Liability and Physical Damage Written Together**</u>					
1993	116,556	90,565	69,409	137,712	
1994	108,619	93,628	74,235	128,012	-7.0
<u>Total All Policies</u>					
1993	1,187,617	1,048,557	1,016,996	1,219,178	
1994	1,139,714	1,052,542	1,018,560	1,173,696	-3.7

Note: 1993 Policies Written have been estimated from Exposures Written.

* Net Policies Written is the sum of Original Policies and Renewal Policies less Cancellations.

** Policies are written for Liability and Physical Damage separately as well as for Liability and Physical Damage combined.

Source: Data from New York State licensed companies reporting to the Automobile Insurance Plans Service Office (subject to verification).

Assigned Risk Liability Earned Car Years as a Percentage of Total Liability Earned Car Years

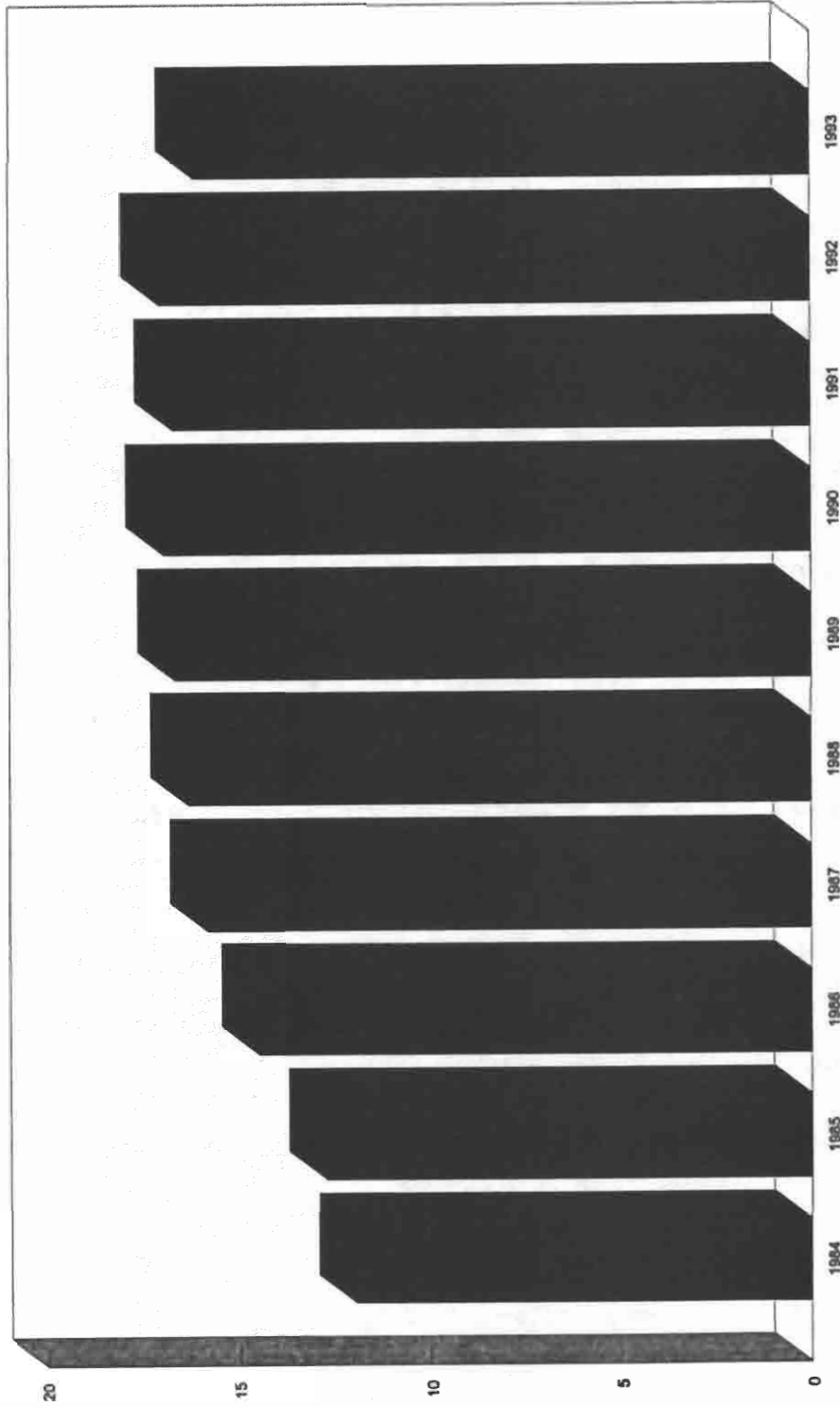


Table 47

**Earned Car Years
Voluntary Liability and Assigned Risk Liability and Physical Damage
1984 - 1993**

Calendar Year	Voluntary Liability	Change From Previous Year	Assigned Risk Liability	Change From Previous Year	Combined Liability	Change From Previous Year	Assigned Risk Physical Damage	Change From Previous Year
1984	5,779,246		784,883		6,564,129		60,517	
1985	5,950,717	3.0 %	867,917	10.6 %	6,818,634	3.9 %	54,110	-10.6 %
1986	6,038,283	1.5	1,022,690	17.8	7,060,973	3.6	63,975	18.2
1987	6,241,010	3.4	1,173,197	14.7	7,414,207	5.0	83,019	29.8
1988	6,474,315	3.7	1,262,811	7.6	7,737,126	4.4	93,237	12.3
1989	6,427,253	-0.7	1,285,315	1.8	7,712,568	-0.3	112,538	20.7
1990	6,472,573	0.7	1,322,054	2.9	7,794,627	1.1	124,142	10.3
1991	6,585,328	1.7	1,321,828	-0.0	7,907,156	1.4	108,409	-12.7
1992	6,475,638	-1.7	1,331,695	0.7	7,807,333	-1.3	83,824	-22.7
1993	6,536,919	0.9	1,257,622	-5.6	7,794,541	-0.2	70,991	-15.3

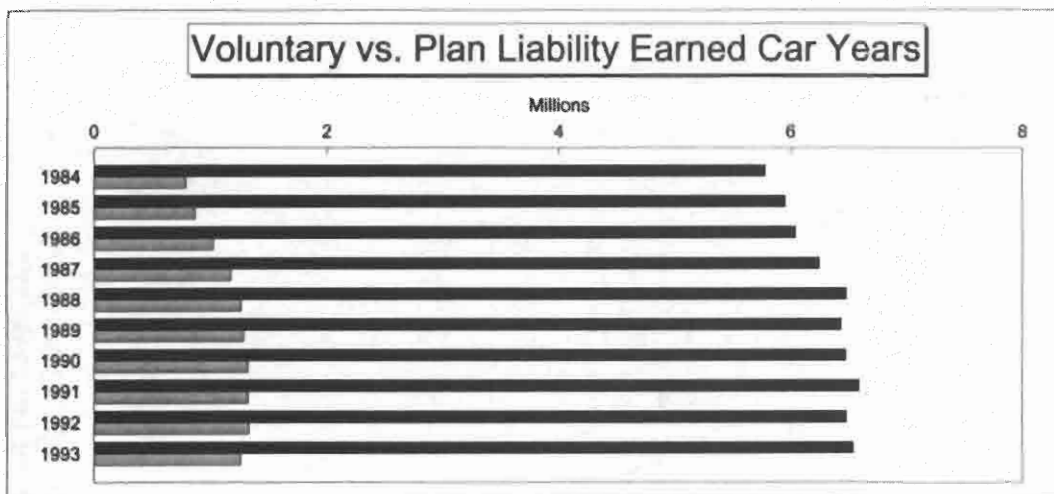


Table 48

Distribution of Private Passenger Liability and Collision Assigned Risks by Discount/Surcharge Category

Discount or Surcharge Category	Liability			Physical Damage*		
	1991	1992	1993	1991	1992	1993
Total, all categories	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Total Unsurcharged	63.2	65.7	69.0	63.0	64.2	66.3
3 Years Claim Free (One or less with Plan) (Manual Rates)	39.1	40.7	40.8	38.3	38.7	38.4
Experience Discount						
4 Years (One or more with Plan) - 18% Credit	11.6	11.0	11.8	13.0	12.0	12.0
5 Years (Two or more with Plan) - 25% Credit	6.4	7.1	7.6	7.1	8.1	8.7
6 Years (Three or more with Plan) - 30% Credit or more	6.2	7.0	8.7	4.6	5.4	7.2
Total Surcharged	36.8	34.3	31.0	37.0	35.8	33.7
Inexperienced Operator Surcharge	14.9	13.9	12.8	9.2	8.0	7.4
Experience Surcharge						
15%	12.0	12.1	11.5	16.0	16.5	16.0
25%	0.0	0.0	0.0	0.0	0.0	0.0
35%	3.4	3.2	2.7	5.2	5.0	4.6
50%	1.3	1.2	1.1	1.5	1.4	1.2
75%	1.7	1.6	1.4	2.3	2.3	2.1
100%-150%	3.4	2.3	1.5	2.8	2.6	2.3

* Discount/Surcharge for physical damage applies only to collision coverage
Source: Automobile Insurance Plans Service Office.

Percentage of 1993 Plan Liability Insureds by Discount or Surcharge Category

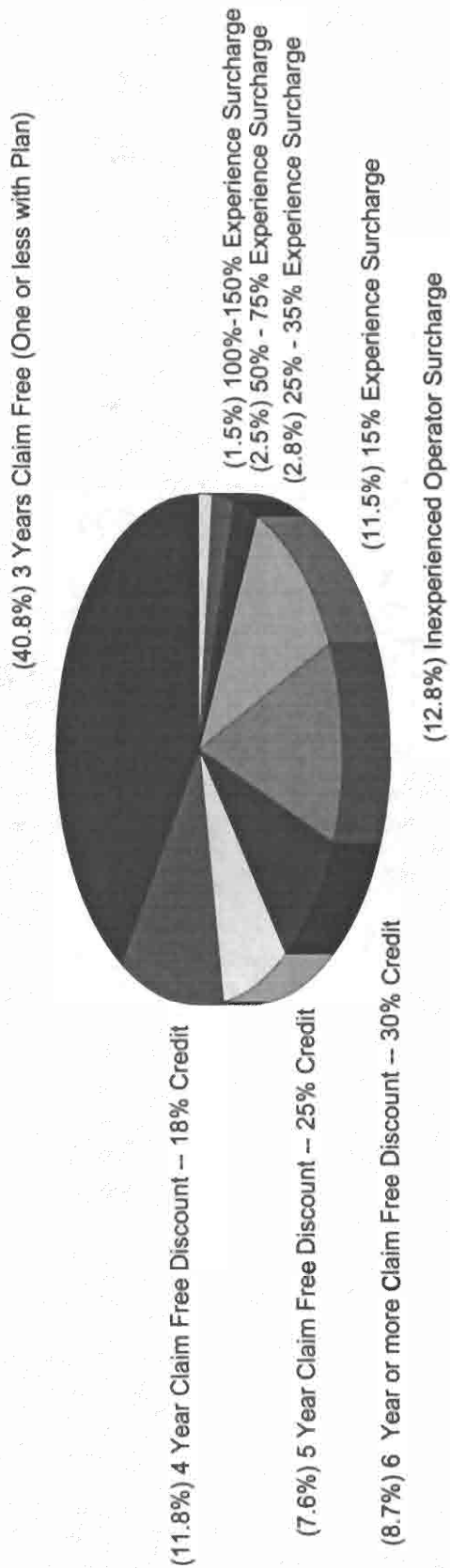


Table 49

Private Passenger Earned Car Years by Voluntary, Assigned Risk and Combined Markets (Including Ranking by Percentage of Risks Placed in the Plan) 1992 and 1993

Territory	1992					1993					R A N K											
	Assigned	% of Total	Voluntary	% of Total	Combined	Assigned	% of Total	Voluntary	% of Total	Combined		Chg. from 1992	% of Total	Chg. from 1992	% of Total	Chg. from 1992	% of Total					
01 Bronx Territory	37,947	2.8	7,041	0.1	45,788	0.6	82.9	1	39,421	3.1	1,474	3.9	7,672	0.1	-169	-2.2	47,093	0.6	1305	2.9	83.7	1
19 Queens	28,739	2.2	27,589	0.4	57,328	0.7	51.9	2	30,204	2.4	465	1.6	29,043	0.4	1,454	5.3	59,247	0.8	1919	3.3	51.0	2
18 Manhattan	62,395	4.7	70,070	1.1	132,465	1.7	47.1	4	60,853	4.8	-1542	-2.5	72,077	1.1	2007	2.9	132,930	1.7	465	0.4	45.8	3
03 Bronx Suburban Territory	74,258	5.6	80,118	1.2	154,376	2.0	48.1	3	69,456	5.5	-4802	-6.5	84,420	1.3	4302	5.4	153,876	2.0	-500	-0.3	45.1	4
17 Kings County	153,361	11.5	177,786	2.7	331,147	4.2	46.3	5	146,015	11.6	-7346	-4.8	188,414	2.9	10628	6.0	334,429	4.3	3282	1.0	43.7	5
55 Queens Suburban	184,319	13.8	315,238	4.9	499,557	6.4	36.9	6	178,707	14.2	-5612	-3.0	312,510	4.8	-2728	-0.9	491,217	6.3	-8340	-1.7	36.4	6
94 Mount Vernon and Yonkers	27,035	2.0	74,516	1.2	101,551	1.3	26.6	7	26,091	2.1	-944	-3.5	74,510	1.1	-6	-0.0	100,601	1.3	-950	-0.9	25.9	7
82 Sullivan County Central	2,837	0.2	9,402	0.1	12,239	0.2	23.2	8	2,667	0.2	-170	-6.0	9,378	0.1	-24	-0.3	12,045	0.2	-194	-1.6	22.1	8
05 Staten Island	33,956	2.5	145,814	2.3	179,770	2.3	18.9	9	33,363	2.7	-593	-1.7	148,714	2.3	2900	2.0	182,077	2.3	2307	1.3	18.3	9
83 Sullivan County (Balance)	3,060	0.2	15,729	0.2	18,789	0.2	16.3	10	2,841	0.2	-219	-7.2	15,889	0.2	160	1.0	18,730	0.2	-59	-0.3	15.2	10
20 Hempstead	67,986	5.1	368,008	5.7	435,994	5.6	15.6	16	65,546	5.2	-2440	-3.6	366,706	5.6	-1302	-0.4	432,252	5.5	-3742	-0.9	15.2	11
64 Middletown	17,289	1.3	90,114	1.4	107,403	1.4	16.1	11	16,143	1.2	-1146	-6.6	90,343	1.4	229	0.3	106,486	1.4	-917	-0.9	15.2	12
97 New York City Suburban	29,270	2.2	157,284	2.4	186,554	2.4	15.7	13	27,320	2.2	-1950	-6.7	159,188	2.4	1904	1.2	186,508	2.4	-46	-0.0	14.6	13
75 Suffolk County West	74,760	5.6	402,461	6.2	477,227	6.1	15.7	14	69,229	5.5	-5337	-7.4	403,479	6.2	1018	0.3	472,708	6.1	-4519	-0.9	14.6	14
76 Suffolk County East	58,679	4.4	315,877	4.9	375,556	4.8	15.6	15	54,515	4.3	-4164	-7.1	319,816	4.9	2939	0.9	374,331	4.8	-1225	-0.3	14.5	15
81 Monticello-Liberty	1,959	0.1	10,939	0.2	12,898	0.2	15.2	17	1,860	0.1	-99	-5.1	11,023	0.2	84	0.8	12,883	0.2	-15	-0.1	14.4	16
07 Buffalo	17,943	1.3	95,184	1.5	113,127	1.4	15.9	12	16,070	1.3	-1873	-10.4	95,265	1.5	81	0.1	111,335	1.4	-1792	-1.6	14.4	17
62 Highland, Kingstori	10,593	0.8	64,093	1.0	74,686	1.0	14.2	18	10,163	0.8	-430	-4.1	63,552	1.0	-541	-0.8	73,715	0.9	-971	-1.3	13.8	18
29 Gloversville	3,628	0.3	22,243	0.3	25,871	0.3	14.0	19	3,225	0.3	-403	-11.1	21,786	0.3	-457	-2.1	25,011	0.3	-860	-3.3	12.9	19
34 Troy	7,225	0.5	47,314	0.7	54,539	0.7	13.2	21	6,996	0.6	-229	-3.2	47,380	0.7	66	0.1	54,376	0.7	-163	-0.3	12.9	20
21 North Hempstead	18,528	1.4	129,755	2.0	148,283	1.9	12.5	23	17,557	1.4	-969	-5.2	128,779	2.0	-976	-0.8	146,338	1.9	-1945	-1.3	12.0	21
37 Oswego	4,829	0.4	31,339	0.5	36,168	0.5	13.4	20	4,368	0.3	-461	-9.5	32,095	0.5	756	2.4	36,463	0.5	295	0.8	12.0	22
66 Rockland County	20,370	1.5	144,825	2.2	165,195	2.1	12.3	25	19,136	1.5	-1234	-6.1	146,330	2.2	1505	1.0	165,466	2.1	271	0.2	11.6	23
46 Putnam County	7,494	0.6	53,812	0.8	61,306	0.8	12.2	26	7,084	0.6	-410	-5.5	54,603	0.8	791	1.5	61,687	0.8	381	0.6	11.5	24
33 Poughkeepsie	10,895	0.8	76,321	1.2	87,216	1.1	12.5	24	9,656	0.8	-1037	-9.5	77,188	1.2	847	1.1	87,026	1.1	-190	-0.2	11.3	25
36 Glens Falls	4,602	0.3	31,702	0.5	36,304	0.5	12.7	22	4,180	0.3	-422	-9.2	33,651	0.5	1949	6.1	37,831	0.5	1527	4.2	11.0	26
74 Jefferson County	7,342	0.6	53,608	0.8	60,950	0.8	12.0	27	6,644	0.5	-698	-9.5	53,743	0.8	135	0.3	60,387	0.8	-563	-0.9	11.0	27
58 Dutchess County (Balance)	9,515	0.7	69,737	1.1	79,252	1.0	12.0	28	8,709	0.7	-806	-8.5	70,695	1.1	958	1.4	79,404	1.0	152	0.2	11.0	28
67 Clinton County, etc.	35,353	2.7	259,377	4.0	294,730	3.8	12.0	29	32,753	2.6	-2600	-7.4	266,345	4.1	6968	2.7	299,098	3.8	4368	1.5	11.0	29
65 Ossining	18,643	1.4	136,970	2.1	155,613	2.0	12.0	30	16,729	1.3	-1914	-10.3	138,207	2.1	1237	0.9	154,936	2.0	-677	-0.4	10.8	30
61 Delaware County, etc.	13,605	1.0	107,980	1.7	121,585	1.6	11.2	33	12,822	1.0	-783	-5.8	107,473	1.6	-507	-0.5	120,295	1.5	-1290	-1.1	10.7	31
22 Oyster Bay	25,358	1.9	199,818	3.1	225,176	2.9	11.3	32	23,463	1.9	-1875	-7.4	200,892	3.1	1074	0.5	224,375	2.9	-801	-0.4	10.5	32
14 Niagara Falls	7,654	0.6	57,621	0.9	65,285	0.8	11.7	31	6,679	0.5	-985	-12.9	57,808	0.9	187	0.3	64,487	0.8	-798	-1.2	10.4	33
13 Albany	15,191	1.1	130,749	2.0	145,940	1.9	10.4	34	14,056	1.1	-1135	-7.5	132,463	2.0	1714	1.3	146,519	1.9	579	0.4	9.6	34
43 Niagara Falls Suburban	2,905	0.2	27,741	0.4	30,646	0.4	9.5	41	2,905	0.2	0	0.0	27,956	0.4	225	0.8	30,871	0.4	225	0.7	9.4	35

1992

1993

Territory	1992				1993				R A N K													
	Assigned	% of Total	Voluntary	% of Total	Assigned	% of Total	Voluntary	% of Total														
59 Columbia County, etc	7,153	0.5	66,525	1.0	73,678	0.9	65,421	1.0	6,781	0.5	-372	-5.2	65,421	0.9	-1104	-1.7	72,202	0.9	-1476	-2.0	9.4	36
84 Allegany County, etc	17,207	1.3	153,648	2.4	170,855	2.2	156,272	2.4	16,037	1.3	-1170	-6.8	156,272	2.4	2624	1.7	172,309	2.2	1454	0.9	9.3	37
57 Fort Plain, Herkimer	3,548	0.3	33,956	0.5	37,504	0.5	37,504	0.5	3,362	0.3	-186	-5.2	32,968	0.5	-988	-2.9	36,330	0.5	-1174	-3.1	9.3	38
47 Orleans County	2,535	0.2	22,484	0.3	25,019	0.3	22,532	0.3	2,256	0.2	-279	-11.0	22,532	0.3	48	0.2	24,788	0.3	-231	-0.9	9.1	39
95 White Plains	5,828	0.4	57,207	0.9	63,035	0.8	57,207	0.9	5,578	0.4	-250	-4.3	55,885	0.9	-1322	-2.3	61,463	0.8	-1572	-2.5	9.1	40
56 Saratoga County (Balance)	2,231	0.2	21,477	0.3	23,708	0.3	21,477	0.3	1,958	0.2	-275	-12.3	18,968	0.3	-1511	-7.0	21,922	0.3	-1788	-7.5	8.9	41
51 Ontario County, etc	16,474	1.2	149,164	2.3	165,638	2.1	149,164	2.3	14,858	1.2	-1616	-9.8	152,502	2.3	3338	2.2	167,360	2.1	1722	1.0	8.9	42
54 Cortland County, etc	18,664	1.4	168,258	2.6	186,922	2.4	168,258	2.6	16,377	1.3	-2287	-12.3	168,619	2.6	361	0.2	184,996	2.4	-1826	-1.0	8.9	43
73 Rensselaer County (Balance)	3,140	0.2	30,410	0.5	33,550	0.4	30,410	0.5	3,009	0.2	-140	-4.4	30,969	0.5	579	1.9	33,998	0.4	439	1.3	8.9	44
32 Newburgh	6,010	0.5	65,546	1.0	72,364	0.9	65,546	1.0	6,345	0.5	-473	-6.9	68,100	1.0	554	0.8	72,445	0.9	81	0.1	8.8	45
31 Chautauque County	7,370	0.6	73,840	1.1	81,210	1.0	73,840	1.1	6,880	0.5	-490	-6.6	73,384	1.1	-456	-0.6	80,264	1.0	-946	-1.2	8.6	46
16 Saratoga Springs Suburban	3,361	0.3	31,292	0.5	34,653	0.4	31,292	0.5	3,145	0.3	-216	-6.4	33,857	0.5	2565	8.2	37,002	0.5	2349	6.8	8.5	47
44 Broome County (Balance)	1,266	0.1	12,593	0.2	13,859	0.2	12,593	0.2	1,167	0.1	-99	-7.8	12,667	0.2	74	0.6	13,834	0.2	-25	-0.2	8.4	48
12 Syracuse	20,342	1.5	197,271	3.0	217,613	2.8	197,271	3.0	17,901	1.4	-2441	-12.0	199,001	3.0	1730	0.9	216,902	2.8	-711	-0.3	8.3	49
09 Schenectady County	8,354	0.6	85,554	1.3	93,908	1.2	85,554	1.3	7,694	0.6	-660	-7.9	85,891	1.3	337	0.4	93,585	1.2	-323	-0.3	8.2	50
11 Rochester	32,472	2.4	332,199	5.1	364,671	4.7	332,199	5.1	28,271	2.3	-3201	-9.9	335,705	5.1	3506	1.1	364,976	4.7	305	0.1	8.0	51
72 Albany County (Balance)	686	0.1	8,833	0.1	9,719	0.1	8,833	0.1	756	0.1	-130	-14.7	9,027	0.1	194	2.2	9,763	0.1	64	0.7	7.7	52
35 Amsterdam	1,766	0.1	19,557	0.3	21,323	0.3	19,557	0.3	1,622	0.1	-144	-8.2	19,467	0.3	-70	-0.4	21,109	0.3	-214	-1.0	7.7	53
86 Oneida	3,515	0.3	36,827	0.6	40,342	0.5	36,827	0.6	3,022	0.2	-483	-14.0	37,305	0.6	538	1.5	40,367	0.5	45	0.1	7.5	54
42 Buffalo Suburban	13,541	1.0	149,185	2.3	162,726	2.1	149,185	2.3	12,228	1.0	-1313	-9.7	151,320	2.3	2135	1.4	163,548	2.1	822	0.5	7.5	55
28 Binghamton	9,385	0.7	111,184	1.7	120,569	1.5	111,184	1.7	8,884	0.7	-501	-5.3	111,454	1.7	270	0.2	120,338	1.5	-231	-0.2	7.4	56
60 Genesee County	2,943	0.2	35,237	0.5	38,180	0.5	35,237	0.5	2,645	0.2	-298	-10.1	35,084	0.5	-153	-0.4	37,729	0.5	-451	-1.2	7.0	57
08 Buffalo Semi-Suburban	12,853	1.0	163,564	2.5	176,417	2.3	163,564	2.5	11,800	0.9	-1053	-8.2	163,991	2.5	427	0.3	175,791	2.3	-626	-0.4	6.7	58
25 Auburn	2,093	0.2	26,734	0.4	28,827	0.4	26,734	0.4	1,855	0.1	-238	-11.4	26,567	0.4	-167	-0.6	28,422	0.4	-405	-1.4	6.5	59
30 Saratoga Springs	1,686	0.1	21,584	0.3	23,270	0.3	21,584	0.3	1,544	0.1	-142	-8.4	22,410	0.3	826	3.8	23,954	0.3	684	2.9	6.4	60
15 Utica	3,818	0.3	46,321	0.7	50,139	0.6	46,321	0.7	3,502	0.3	-316	-8.3	51,571	0.8	5250	11.3	55,073	0.7	4934	9.8	6.4	61
24 Rome	2,096	0.2	37,261	0.6	39,347	0.5	37,261	0.6	1,953	0.2	-133	-6.4	38,984	0.5	-6277	-16.8	32,937	0.4	-6410	-16.3	5.9	62
71 Saratoga County South	2,153	0.2	30,180	0.5	32,333	0.4	30,180	0.5	1,917	0.2	-236	-11.0	30,632	0.5	452	1.5	32,549	0.4	216	0.7	5.9	63
49 Niagara County (Balance)	2,207	0.2	31,755	0.5	34,052	0.4	31,755	0.5	1,932	0.2	-305	-15.9	32,660	0.5	911	2.9	34,598	0.4	546	1.6	5.6	64
41 Erie County (Balance)	5,208	0.4	75,988	1.2	81,196	1.0	75,988	1.2	4,995	0.4	-613	-11.8	78,194	1.2	3206	4.2	83,769	1.1	2593	3.2	5.5	65
39 Rochester Suburban	2,198	0.2	33,295	0.5	35,493	0.5	33,295	0.5	1,960	0.2	-238	-10.8	33,893	0.5	598	1.8	35,853	0.5	360	1.0	5.5	66
27 Elmira	2,603	0.2	43,463	0.7	46,066	0.6	43,463	0.7	2,546	0.2	-57	-2.2	44,229	0.7	766	1.8	46,775	0.6	709	1.5	5.4	67
40 Corning	1,302	0.1	18,677	0.3	19,979	0.3	18,677	0.3	1,075	0.1	-227	-17.4	18,726	0.3	49	0.3	19,801	0.3	-178	-0.9	5.4	68
38 Syracuse Suburban	2,693	0.2	42,397	0.7	45,090	0.6	42,397	0.7	2,402	0.2	-291	-10.8	42,392	0.6	-5	-0.0	44,794	0.6	-286	-0.7	5.4	69
48 Monroe County Balance	1,360	0.1	32,197	0.5	33,557	0.4	32,197	0.5	1,119	0.1	-241	-17.7	34,785	0.5	2568	8.0	35,904	0.5	2347	7.0	3.1	70
Entire State	1,331,695	100.0	6,475,638	100.0	7,807,333	100.0	6,475,638	100.0	1,257,622	100.0	(74,073)	-5.6	6,536,919	100.0	61,281	0.8	7,794,541	100.0	(12,792)	-0.2	16.1	

Source: Derived from data provided by the Automobile Insurance Plans Service Office.

Territory	# 1984	# 1985	# 1986	# 1987	# 1988	# 1989	# 1990	# 1991	# 1992	# 1993	#											
59 Columbia County, etc.	7.8	30	8.0	35	9.1	36	9.9	39	9.8	44	9.7	44	9.8	45	9.3	42	9.7	42	9.7	39	9.4	36
84 Allegany County, etc.	7.2	35	7.5	39	8.3	43	9.3	43	9.9	43	9.9	43	9.9	43	9.7	39	10.1	36	10.1	36	9.3	37
52 Fort Plain, Herkimer	5.8	52	6.3	50	7.4	50	8.5	50	8.6	52	8.8	52	9.0	49	8.8	46	9.5	42	9.5	42	9.3	38
47 Orleans County	7.7	32	7.8	36	9.0	37	10.7	35	11.5	32	11.4	32	11.1	33	10.4	37	10.1	35	10.1	35	9.1	39
95 White Plains	10.9	16	11.7	15	13.2	15	14.3	14	14.6	14	14.8	15	13.1	24	10.8	33	9.2	47	9.2	47	9.1	40
56 Saratoga County (Balance)	6.5	43	8.0	33	10.8	26	12.6	21	13.5	20	12.2	29	10.4	39	9.0	44	9.4	44	9.4	44	8.9	41
51 Ontario County, etc.	7.0	38	7.7	38	8.9	40	9.8	40	10.0	41	10.1	41	9.8	44	9.5	40	9.9	38	9.9	38	8.9	42
54 Cortland County, etc.	6.6	41	7.1	41	8.6	41	10.0	38	10.6	38	10.7	37	10.5	38	9.9	38	10.0	37	10.0	37	8.9	43
73 Rensselaer County (Balance)	5.2	58	5.6	58	6.9	53	8.2	52	9.0	48	9.1	48	8.9	50	8.8	47	9.4	45	9.4	45	8.9	44
32 Newburgh	7.5	34	8.5	30	10.1	31	11.5	31	12.1	29	12.6	26	12.7	26	10.7	34	9.4	43	9.4	43	8.8	45
31 Chautauqua County	4.9	63	5.5	59	6.7	57	8.1	53	8.6	53	9.0	49	9.0	48	8.7	48	9.1	50	9.1	50	8.6	46
16 Saratoga Springs Suburban	4.4	67	4.9	67	6.5	60	7.8	57	7.9	59	7.7	61	7.9	60	8.5	51	9.7	40	9.7	40	8.5	47
44 Broome County (Balance)	6.3	46	7.0	42	8.1	44	8.8	48	9.0	49	8.6	53	8.8	52	8.1	54	9.1	48	9.1	48	8.4	48
12 Syracuse	6.1	48	6.8	46	8.0	46	8.8	47	8.9	50	8.9	50	9.2	47	9.3	41	9.3	46	9.3	46	8.3	49
09 Schenectady County	6.1	47	6.7	47	8.0	48	8.7	49	8.9	51	8.8	51	8.8	51	8.7	50	8.9	52	8.9	52	8.2	50
11 Rochester	4.7	65	5.2	63	6.3	62	7.4	62	8.0	58	8.2	55	8.5	55	8.7	49	8.9	51	8.9	51	8.0	51
72 Albany County (Balance)	5.3	55	5.6	56	6.7	58	8.4	51	9.2	47	9.1	47	8.5	56	8.0	55	9.1	49	9.1	49	7.7	52
35 Amsterdam	5.7	53	5.8	55	6.7	56	7.8	56	8.1	57	7.7	62	7.9	59	7.7	60	8.3	55	7.7	60	7.5	53
86 Oneida	6.6	42	6.6	49	7.4	51	7.9	54	8.3	54	8.2	54	8.5	54	8.5	52	8.7	53	8.7	53	7.5	54
42 Buffalo Suburban	5.3	56	5.8	54	6.9	54	7.6	60	7.8	60	7.9	59	7.8	61	7.8	59	8.3	54	8.3	54	7.5	55
28 Binghamton	5.1	60	5.3	61	6.0	64	6.8	63	7.2	63	7.5	63	7.7	62	7.5	62	7.8	56	7.8	56	7.4	56
60 Genesee County	5.9	50	5.8	52	6.6	59	7.8	58	8.1	56	8.1	56	8.3	57	7.9	57	7.7	57	7.7	57	7.0	57
08 Buffalo Semi-Suburban	4.7	64	5.0	65	6.1	63	6.7	64	6.8	65	6.7	66	6.5	64	6.7	64	7.3	59	7.3	59	6.7	58
25 Auburn	5.0	62	5.4	60	6.7	55	7.5	61	7.8	62	8.0	58	8.6	53	7.9	58	7.3	60	7.3	60	6.5	59
30 Saratoga Springs	5.0	61	5.8	53	8.1	45	9.6	42	10.0	42	10.0	42	10.4	40	8.9	45	7.2	61	7.2	61	6.4	60
15 Utica	3.6	70	3.8	69	4.6	69	5.2	69	5.5	69	5.5	69	6.4	66	7.4	63	7.6	58	7.6	58	6.4	61
24 Rome	6.0	49	6.1	51	7.0	52	7.9	55	8.1	55	7.9	60	5.9	67	5.0	69	5.3	69	5.3	69	5.9	62
71 Saratoga County South	4.0	68	4.4	68	5.2	68	6.2	66	6.8	64	6.7	65	6.5	65	4.4	70	6.7	63	6.7	63	5.9	63
49 Niagara County (Balance)	5.5	54	5.6	57	6.4	61	7.6	59	7.8	61	8.0	57	8.1	58	7.7	61	6.7	62	6.7	62	5.6	64
41 Erie County (Balance)	7.0	37	8.0	34	9.5	34	11.0	34	10.9	36	10.5	38	10.3	41	8.5	53	6.4	65	6.4	65	5.5	65
39 Rochester Suburban	5.2	59	5.0	66	5.3	67	5.7	68	5.8	68	5.6	68	5.5	69	5.7	67	6.2	66	6.2	66	5.5	66
27 Elmira	3.8	69	3.7	70	4.2	70	4.8	70	4.8	70	4.8	70	5.3	70	5.3	68	5.7	68	5.7	68	5.4	67
40 Corning	4.5	66	5.1	64	5.9	65	6.4	65	6.7	66	6.7	64	6.7	63	6.5	65	6.5	65	6.5	65	5.4	68
38 Syracuse Suburban	5.3	57	5.3	62	5.6	66	6.1	67	6.0	67	5.9	67	5.8	68	5.8	66	6.0	67	6.0	67	5.4	69
48 Monroe County Balance	6.9	40	6.9	45	8.0	47	9.2	44	10.1	40	10.3	40	11.8	31	7.9	56	4.1	70	4.1	70	3.1	70
Entire State	12.0		12.7		14.5		15.8		16.3		16.7		17.0		16.7		17.1		17.1		16.1	

Source: Derived from data provided by the Automobile Insurance Plans Service Office.
= Rank from highest to lowest concentration

3. Workers' Compensation

a. 1994 Rate Changes

1) Rate Revision Effective April 1, 1994

This revision became necessary by the enactment of Chapter 729 Of the Laws of 1993 which effectively eliminated, on January 1, 1994, the 13% hospital differential that insurers had to pay above Blue Cross/Blue Shield rates for workers' compensation cases and replaced, effective April 1, 1994, the loss-based assessments in the rates with an identifiable policy surcharge, the New York State Assessment.

The result of these changes was a decrease in rates of 16.3% and an overall decrease in outlays from policyholders of 5.0%.

2) General Rate Revision Effective October 1, 1994

On October 1, 1994 the annual workers' compensation rate revision became effective producing an average increase in rates of 1.4% and, including the change in the New York State Assessment, an overall decrease of 1.7%.

The favorable experience that the bureau predicted in 1993 after the last general rate revision approval did, indeed, materialize in 1994. Rate level changes produced by the most recent policy-year and calendar-year experience showed a slight decrease. This is the first negative indication in experience since 1986.

Because this revision produced a rate change that was less than 2.0%, there was no requirement that a public hearing be held as a prerequisite for approval.

b. Recommendations of the Temporary Commission

1) The Merit Rating Plan

One of the recommendations of the Temporary Commission on Workers' Compensation Ratesetting was that small insureds be given the opportunity to earn premium credits for claim-free experience. In response, the New York Compensation Insurance Rating Board filed and the Insurance Department approved, effective October 1, 1994, a Merit Rating Plan. Insureds with standard premium of \$5,000 or less would have their manual premium modified based on the number of claims they had incurred within the last three years. The Program produced a slight decrease in overall income level which was offset by a 0.6% increase included in the October 1, 1994 Revision.

2) Examination of the New York Compensation Insurance Rating Board

In response to recommendations of the Temporary Commission the Department initiated an examination of the Board by independent actuarial and data consultants. Besides assessing the functioning of the Board, some of the items that the examination should address are the efficacy of using State Insurance Fund experience in the classification calculations and trend calculations, the use of calendar-accident year experience, rather than a combination of calendar year and policy year, to determine overall rate level, the inclusion or exclusion of incurred but not reported losses in the support experience and the efficacy of experience rating for small insureds. The report was submitted to the Department in February 1995.

TABLE 51

WORKERS' COMPENSATION RATE HISTORY

Effective Date	Policy Year	Calendar Year	Law Amend. & Med.		Wage & L/R Inrad Factor	Expenses	Effect on Rate Level		Assessments		Filled	Approved	Cumulative Approved
			& Hosp. Indem.	Medical			Rate Level	WCB	SDF & RCE				
July, 1980	-4.5%	-7.1%	0.0%		1.0133	-4.1%		-0.1%	-2.5%	-3.1%	-10.1%	-10.1%	
Oct, 1980										2.9%	2.9%	-7.5%	
July, 1981	-11.5%	-11.5%	7.7%		0.8600	-3.1%		-0.4%	0.3%	-14.3%	-20.4%	-26.4%	
July, 1982	-4.6%	-11.6%	4.3%		0.9895	0.3%		0.1%	1.2%	-2.1%	-3.4%	-28.9%	
July, 1983	-0.3%	-7.8%	19.5%		0.8807	-0.1%		0.1%	-4.1%	5.4%	-2.0%	-30.3%	
July, 1984	6.6%	3.5%	7.8%		0.8979	3.8%		0.1%	2.6%	9.4%	8.1%	-24.6%	
July, 1985	7.7%	0.9%	8.3%		0.9725	2.2%		-0.3%	-1.5%	14.2%	10.2%	-17.0%	
July, 1986	-1.3%	-8.4%	3.8%		0.9257	3.0%		0.2%	1.0%	1.5%	-4.7%	-20.9%	
July, 1987	7.5%	12.8%	2.2%		0.9134	0.4%		0.3%	0.5%	6.5%	5.1%	-16.8%	
July, 1988	9.2%	12.2%	7.2%		0.9470	0.7%		-0.4%	-1.4%	28.3%	11.1%	-7.6%	
July, 1989	17.6%	22.5%	2.0%		0.9254	0.7%		-0.3%	1.5%	28.5%	15.5%	6.7%	
July, 1990	12.8%	13.5%	18.0%	3.4%	0.9478	0.4%		-0.4%	-0.7%	39.1%	29.4%	38.1%	
July, 1991	23.4%	20.9%	3.7%	2.1%	0.9012	-4.2%		0.3%	4.1%	25.1%	15.3%	59.2%	
July, 1992	20.5%	13.1%	4.2%	1.2%	0.9500	-0.3%		-0.4%	4.1%	18.4%	15.6%	84.1%	
Oct, 1993	12.0%	17.1%	1.0%		1.0010	0.0%		-0.3%	-1.0%	18.7%	14.4%	110.6%	
April, 1994	-4.9%	-0.1%	-1.9%		1.0010	0.0%		-16.3%	13.5%	-5.0%	-5.0%	100.1%	
Oct, 1994	8.0%	1.9%	0.8%		0.9640	-1.2%		1.4%	-3.1%	-1.6%	-1.7%	96.7%	

1 Includes Stock Security Fund Tax of 1.012.

2 The Loss Constant Offset was removed in 1985.

3 Includes OSHA assessment of 1.25%.

4 Includes elimination of 13% Hospital Surcharge.

5 Assessments are included in a fee. In 4/94 this produced an effect on rate level of -15.0%.

Table 52

LARGE DEDUCTIBLE APPROVALS FOR 1994

<u>Company (or Companies)</u>	<u>Date of Approval</u>
Argonaut Insurance Company	8/26/94
Atlantic Mutual Group	8/17/94
Firemen's Fund Insurance Company	4/1/94
Liberty Mutual Group	4/1/94
Sentry A Mutual Company	1/19/94

Table 53

WORKERS' COMPENSATION DIVIDEND PLANS APPROVED IN 1994

PLAN TYPES:

- A = Flat
 B = Sliding Scale/Loss Ratio
 C = Safety Group
 D = Retention
 E = Other

COMPANY	PLAN TYPE	FILING DATE	EFFECTIVE DATE
Aetna C&S Company of America	A,B,D	5/5/94	7/1/94
Aetna C&S Company of Illinois	B,D	5/5/94	7/1/94
Aetna Commercial Insurance Company	B,D	5/5/94	7/1/94
Agricultural Insurance Company	C	8/8/94	10/20/94
	D	10/26/93	3/21/94
	A,B	11/11/93	1/5/94
American & Foreign Insurance Company	E *	4/29/94	6/22/94
American Guarantee & Liability Insurance	C	6/29/93	2/2/94
American Hardware Mutual Insurance Co.	E *	5/24/94	6/10/94
FICO Insurance Company	A	2/23/94	11/10/94
Florists' Mutual Insurance Company	A	3/17/94	4/1/94
Graphic Arts Mutual Insurance Company	B	2/1/94	5/1/94
Great American Insurance Company	D	10/26/93	3/21/94
	A,B	11/11/93	1/5/94
Home Insurance Company	C	6/14/94	7/1/94
Royal Indemnity Company	E *	4/29/94	6/22/94
Standard Fire Insurance Company	B,D	5/5/94	7/1/94
TIG Insurance Company	D	5/20/92	10/24/94
Transamerica Insurance Company	D	5/20/92	10/24/94
Transamerica Insurance Co. of New York	B	3/1/94	4/1/94
Travelers Indemnity Company of America	B	2/4/94	4/1/94
Unigard Indemnity Company	B,D	2/8/94	2/28/94

* These plans were filed to eliminate the loss based assessment from previously approved plans.

**Table 54
Rate Deviations
Current and Prior
As of March 1995**

The following member carriers have received approval from the New York State Department of Insurance for Workers Compensation deviation programs in New York State:

<u>Company</u>	<u>Affiliated with Group</u>	<u>Effective Date</u>	<u>Downward Deviation</u>
A.I.U. Ins. Co.	New Hampshire Ins. Co.	09/28/82	20%
		05/23/86	0
		09/15/87	15
		11/25/91	0
Aetna Cas. & Sur. Co. of Illinois	Aetna Life & Cas.	08/12/85	15
Agricultural Ins. Co.	Great Amer. Financial Ins. Co.	06/13/83	15
Agway Ins. Co.		09/01/82	10
		02/01/90	0
All American Ins. Co.	Central Companies	04/17/84	12
		01/01/91	0
Allianz Underwriting Ins. Co.	Allianz Ins. Co.	01/01/84	10
		01/15/95	0
Allstate Indemnity Co.	Allstate	01/09/84	10
		01/01/92	0
American Manufacturers Mut. Ins. Co.	Kemper	07/11/83	15
		10/01/85	10
American Alliance Ins. Co.	Great Amer. Financial Ins. Co.	06/13/83	15
American Automobile Ins. Co.	Fireman's Fund America Ins. Co.	06/13/83	16
American Cas. Co. of Reading, PA	CNA	06/15/83	15
American Employers' Ins. Co.	Commercial Union Ins. Cos.	10/25/82	15
		07/01/90	10
American Guar. & Liab. Ins. Co.	American Guar. & Liab. Ins. Co.	04/21/83	10
		04/15/86	0
		05/01/87	10
American Policyholders Ins. Co.	American Mutual Ins. Cos.	01/01/87	10
		01/01/88	15
American Protection Ins. Co.	Kemper	01/01/88	12
American-Zurich Ins. Co.	Zurich-American Ins. Co.	04/15/86	10
Amerisure Ins. Co.	Michigan Mutual	10/01/82	10
Assurance Co. of America	Maryland American General	08/15/82	10
		06/13/83	15
Atlantic Mutual Ins. Co.	Atlantic Cos.	06/15/83	15
		01/01/86	10
Automobile Ins. Co. of Hartford, CT	Aetna Life & Cas.	05/25/83	15
Bankers Standard Ins. Co.	CIGNA	03/23/95	15
Camden Fire Ins. Co.	General Accident	08/17/82	15
		10/01/85	10

<u>Company</u>	<u>Affiliated with Group</u>	<u>Effective Date</u>	<u>Downward Deviation</u>
Centennial Ins. Co.	Atlantic Cos.	11/01/83	15%
		01/01/86	0
		07/15/88	10
China America Ins. Co., Ltd.		01/01/90	10
CIGNA Fire Underwriters Ins. Co.	CIGNA	03/03/83	15
		03/23/95	10
CIGNA Prop. & Cas. Ins. Co.	CIGNA	03/03/83	15
		03/23/95	15
Citizens Ins. Co. of America	America	02/01/85	15
Commercial Ins. Co. of Newark, NJ	Continental Ins. Cos.	09/27/83	15
Connecticut Indemnity Co.	Orion	05/15/83	10
Covenant Mutual Ins. Co.	Covenant	09/14/83	10
Erie Ins. Co. of New York	Erie Ins. Co.	01/01/95	5
Excelsior Ins. Co. of New York		08/01/83	10
		(1)	0
Exchange Ins. Co.		05/10/85	10
		08/01/86	5
Exchange Mutual Ins. Co.		08/01/83	15
Farm Family Mutual Ins. Co.		10/15/83	10
		06/01/87	0
Farmington Casualty Co.	Aetna Life & Cas.	03/01/87	10
Fidelity & Guaranty Ins. Co.	U.S.F. & G.	08/04/83	15
Fireman's Fund Ins. Co.	Fireman's Fund America Ins. Co.	06/13/83	16
		02/15/85	10
Fireman's Ins. Co. of Newark, NJ	Continental Ins. Co.	03/24/83	10
Fireman's Ins. Co. of Washington, DC		07/01/93	8
Florists' Mutual Ins. Co.		09/01/83	10
		02/01/89	0
General Assurance Co.	General Accident	09/01/88	10
Globe Indemnity Co.	Royal Ins. Co.	03/01/83	10
		08/25/83	15
		12/01/85	10
Graphic Arts Mutual Ins. Co.	Utica/National	01/01/84	15
Great Northern Ins. Co.	Chubb & Son, Inc.	01/13/83	15
		08/12/85	7
Hartford Casualty Ins. Co.	Hartford Ins. Co.	04/11/83	15
		05/10/85	10
		05/02/86	0
		10/20/92	17.5
Hartford Fire Ins. Co.	Hartford Ins. Co.	10/01/86	15
Hartford Ins. Co. of the Midwest	Hartford Ins. Co.	05/02/86	10
Home Ins. Co. of Indiana	Home Ins. Co.	06/22/83	15
Illinois National Ins. Co.	New Hampshire Ins. Co.	09/28/82	20
		12/01/86	0
		09/15/87	15
		11/25/91	0

<u>Company</u>	<u>Affiliated with Group</u>	<u>Effective Date</u>	<u>Downward Deviation</u>
Indemnity Ins. Co. of North America	CIGNA	11/15/83	15%
		11/01/91	10
		03/23/95	10
Ins. Co. of Greater New York	Greater New York Ins. Co.	(2)	10
Ins. Co. of Evanston		08/01/92	5
International Ins. Co.	Crum & Forster	08/19/83	15
		10/15/85	10
Liberty Ins. Corp.	Liberty Mutual	09/01/86	15
		02/01/95	12.5
Liberty Mutual Fire Ins. Co.	Liberty Mutual	06/01/83	15
		09/01/86	10
		10/01/91	0
Liberty Mutual Ins. Co.	Liberty Mutual	11/01/83	15
		12/16/85	10
		03/01/87	5
		10/01/91	0
Lumber Mutual Ins. Co.		08/04/83	10
		06/01/88	0
Lumbermens Mutual Ins. Co.		12/20/84	10
		02/01/86	0
Massachusetts Bay Ins. Co.	America Group Cos.	11/15/83	15
		03/01/86	0
Merchants Ins. Co. of NH	Merchants Mutual	03/15/84	15
		05/10/85	10
		(3)	0
Motor Vehicle Casualty Co.	Providence Washington	06/27/83	15
		08/01/86	0
National Grange Mutual Ins. Co.		09/01/84	15
		06/01/86	10
		04/01/95	0
Nationwide Mutual Fire Ins. Co.	Nationwide Ins. Co.	10/04/83	15
		11/01/86	0
Netherlands Ins. Co.	Peerless Ins. Co.	08/15/83	10
		(1)	0
		(4)	10
		08/07/91	10
New York Casualty Ins. Co.		11/01/94	5
Newark Ins. Co.	Royal Ins. Co.	10/01/88	10
Niagara Fire Ins. Co.	Continental Ins. Cos.	03/24/83	10
North River Ins. Co.	Crum & Forster	03/08/84	20
		10/15/85	15
		08/21/91	10
		10/01/94	7.5
Northbrook Indemnity Co.	Allstate	03/15/83	10
		01/15/86	0
Northbrook National Ins. Co.	Allstate	03/15/83	10

<u>Company</u>	<u>Affiliated with Group</u>	<u>Effective Date</u>	<u>Downward Deviation</u>
Northbrook Prop. & Cas. Ins. Co.	Allstate	03/15/83	10%
		01/15/86	0
Northern Assurance Co. of New York	Commercial Union Ins. Co.	02/24/84	10
		12/31/89	0
Northwestern National Ins. Co.		08/01/84	15
		03/01/88	0
Pacific Indemnity Co.	Chubb & Son, Inc.	01/13/83	15
Paramount Ins. Co.	Public Service Ins. Co.	08/05/83	10
		10/03/83	15
Patriot General Ins. Co.	Sentry Ins. Co.	04/15/83	15
		02/01/86	0
Peerless Ins. Co.	Peerless Ins. Co.	01/01/87	15
		(5)	15
		(6)	10
		02/01/95	5
Pennsylvania Manufacturers Ind. Co.	PMA Group	03/01/91	10
Potomac Ins. Co. of Illinois	General Accident Ins. Co.	01/01/93	15
Preferred Mutual Ins. Co.		08/01/84	10
		10/01/85	0
Preferred Risk Mutual Ins. Co.		02/01/92	5
Reliance Ins. Co.	Reliance Ins. Co.	08/08/83	15
		10/15/87	0
Republic-Franklin Ins. Co.	Utica/National	01/01/88	10
Royal Indemnity Ins. Co.	Royal Ins. Co.	11/01/82	10
		08/25/83	15
		12/01/85	10
Safeguard Ins. Co.	Royal Ins. Co.	11/01/82	10
		08/25/83	15
		12/01/85	10
		10/01/88	0
Sentry Indemnity Co.	Sentry Group	04/15/83	15
		02/01/86	0
		01/01/87	15
St. Paul Mercury Ins. Co.	St. Paul Ins. Cos.	03/01/83	10
		06/01/86	5
Standard Fire Ins. Co.	Aetna Life & Casualty	05/25/83	15
		08/12/85	0
State Farm Fire & Cas. Co.	State Farm Ins. Cos.	01/01/84	10
		11/01/85	0
Sun Ins. Office, Ltd.	Chubb & Son, Inc.	12/03/86	7
Transamerica Ins. Co. of New York	Transamerica Ins. Co.	08/09/83	15
Transcontinental Ins. Co.	CNA	02/16/83	20
Travelers Indemnity Co. of America	Travelers	01/01/82	15
		05/10/85	10
		01/16/91	15
Travelers Indemnity Co. of RI	Travelers	08/01/94	7.5

<u>Company</u>	<u>Affiliated with Group</u>	<u>Effective Date</u>	<u>Downward Deviation</u>
Unigard Ins. Co.	Unigard Ins. Co.	03/18/83	15%
		07/01/91	10
		03/01/92	5
		03/01/95	7.5
United Community Ins. Co.		01/05/83	10
United Pacific Ins. Co.	Reliance Ins. Co.	08/08/83	15
United Pacific Ins. Co. of New York	Reliance Ins. Co.	10/15/87	10
		01/15/95	0
Utilities Mutual Ins. Co.		01/01/85	20
		01/01/89	10
Valley Forge Ins. Co.	CNA	06/15/83	15
Wausau Business Ins. Co.	Wausau Ins. Cos.	06/01/95	12.5
Wausau Underwriters Ins. Co.	Wausau Ins. Cos.	10/19/82	10
		10/04/83	10
		11/01/84	10
		01/01/88	15
		05/01/90	7.5
		06/01/95	6
Worcester Ins. Co.		10/01/85	10

* Footnote Numbers:

- (1) Effective: 05/01/86 for renewal policies & 03/01/86 for new policies.
- (2) Effective: 09/01/83 for renewal policies & 07/01/83 for new policies.
- (3) Effective: 09/01/86 for renewal policies & 08/01/86 for new policies.
- (4) Effective: 04/15/87 for renewal policies & 03/01/87 for new policies.
- (5) Effective: 04/15/84 for renewal policies & 02/15/84 for new policies.
- (6) Effective: 08/01/88 for renewal policies & 06/01/88 for new policies.

4. Property/Casualty Insurance Security Fund (PCISF) Net Value and Contributions

Pursuant to Article 76 of the New York Insurance Law, the Superintendent is required to annually determine the PCISF net value and any necessary PCISF contributions. To this end, there exists a Security Fund Task Force, consisting of members from many Bureaus in the Insurance Department, which formulates guidelines for calculating both the PCISF net value and the quarterly contribution amounts. In order for the Superintendent to have the necessary flexibility to carry out his/her statutory obligations concerning the PCISF guidelines as circumstances warrant. A subgroup of this Task Force, consisting primarily of members from the Casualty Actuarial Bureau, annually calculates the PCISF net value and any necessary quarterly contribution amounts.

Prior to 1988, 1973 was the last year in which there were PCISF contributions. In 1988 contributions resumed as a consequence of the Superintendent's determination that the 12/31/87 PCISF net value had fallen below \$150 million for each fund year from 1988 up to and including 1992.

For the 1993 fund year, the Superintendent determined that the PCISF net value was greater than \$150 million. Basically, as a consequence of this fact, it was determined that, except for contributions that were already due on February 15, 1993 from the prior fund year, no additional contributions would be required to be made to the fund until such time as the Superintendent determines that the net value of the fund was once again less than \$150 million.

The following table displays the amount of the estimated PCISF contributions per quarter since the 1988 fund year. The variation from year to year in the magnitude of the estimated quarterly contributions reflects, in part, the variability associated with the PCISF payouts for awards and expenses and the PCISF dividends (returns from estates in liquidation) over the years.

<u>Fund Year</u>	<u>Estimated Quarterly Contributions</u>
1988	\$15.0 million
1989	37.5 million
1990	5.5 million
1991	25.0 million
1992	7.5 million
1993	-0-
1994	-0-

During 1993, settlement was reached with respect to Alliance of American Insurers et al v. Chu et al. (Albany County, Index No. 3279/88). The 1993 fund year net value and contribution amounts described herein reflect the impact of the settlement of this case.

F. POLICY AND PLANNING BUREAU

The Policy and Planning Bureau was involved in several issues during 1994, including the following:

1. Medical Malpractice

Medical malpractice insurance rates for primary coverage for New York State's 28,000 individually insured physicians for policy year July 1, 1994 through June 30, 1995, were increased an average of 8%. This is in contrast to the 14% increase for primary coverage for policy year July 1, 1993 through June 30, 1994. Prior to that time, there was no rate change for policy year 1989-90, a 5% average reduction for policy years 1990-91 and 1991-92, and no change for policy year 1992-93.

This year's 8% increase is a stabilized rate, in accordance with the Superintendent's authority to establish such a rate. The actuarial indications were for a rate increase considerably greater than that amount.

An analysis of medical malpractice insurance company experience showed an increase in the frequency of claims against physicians in New York. This increase in frequency together with a continued rise in the dollar amount of medical malpractice awards (severity of claims) and fluctuating interest rates which limited insurers' investment income, were the main factors in the Department's decision to increase physician medical malpractice rates in 1994. The fact that last year's stabilized rate increase of 14% was also a stabilized rate below the indicated need was an additional factor in the decision.

In order to moderate medical malpractice rate increases, legislation was enacted in 1986 giving the Superintendent the authority to establish stabilized medical malpractice rates for doctors. The Superintendent was further empowered to impose future surcharges to overcome any deficiencies as a result of the rate stabilization.

Five insurance companies write the majority of primary medical malpractice insurance purchased by physicians in New York.

<u>Company</u>	<u>Market Share</u>
Medical Liability Mutual Insurance Company (MLMIC)	61%
Physicians Reciprocal Insurance Company (PRI)	23
Group Council Mutual Insurance Company	7
Frontier Insurance Company	5
Medical Malpractice Insurance Association (MMIA)	3

Due to changes in certain rating territories and adjustments in rates for certain specialists, rate changes for some doctors insured by these five carriers were higher or lower than the average 8% increase.

Since 1985, the Legislature has required hospitals, at the request of their attending physicians, to obtain and pay for an additional \$1 million/\$3 million layer of coverage for those doctors who have purchased their primary coverage through an authorized insurer.

Rates for this excess layer of coverage were increased by 5% for the policy year July 1, 1994 through June 30, 1995, based on projected loss experience. This is the second year in a row that the Department established a 5% rate increase for this layer of coverage.

Chapter 256 of the Laws of 1993 authorized a "demonstration program" that was applicable to malpractice insurers other than HANYS Insurance Company (HIC) and MMIA, the two leading excess writers, and that permitted such insurers, after receiving the approval of the Superintendent, to write excess coverage for those physicians insured by them for primary coverage. The writing of excess coverage was confined to one of an insurer's rating territories, and the insurer's total excess premium could not exceed 3% of its primary writings in all territories. The insurer was also required to pay for that portion of excess premium attributable to the State's Medicaid share of coverage, about 18% of total malpractice premiums, presumably out of its surplus funds. The entire demonstration program was due to expire June 30, 1994.

In the closing days of the 1994 legislative session, Chapter 223 of the Laws of 1994 was enacted, which provided in part that:

- the entire excess program would be extended for an additional year through June 30, 1995;
- the territorial and premium limitations of the 1993 demonstration program would no longer apply;
- a primary insurer newly entering the excess market could write excess coverage for those of its primary insureds who, as of June 30, 1994, were covered by MMIA for excess, at the physicians' choice and provided that the primary insurer paid for the State's Medicaid share of the physicians' excess premium; and
- such a primary insurer could not write excess coverage for those of its primary insureds who, as of June 30, 1994, were covered for excess by an insurer other than MMIA (e.g., HIC).

2. Current Issues Seminars

The Policy and Planning Bureau continued to coordinate the Department's in-house seminars on current issues.

In February 1994 the sixth seminar of the series (which began in 1992) was held. It focused on "Disaster Preparedness" and was moderated by Deputy Superintendent Richard Hsia. It included a panel made up of the Insurance Commissioner from South Carolina (discussing his state's experiences with Hurricane Hugo), an industry claims executive, and a representative from the Federal Emergency Management Association.

In November 1994, our seventh seminar, on "Risk-Based Capital," was moderated by Assistant Deputy Superintendent and Chief Examiner of the Property Companies Bureau Vincent Laurenzano. It included a panel made up of an insurance company executive and a managing partner from one of the major accounting firms.

The seminars are attended by over 100 Department employees, and are video taped to be loaned to individuals or groups unable to attend. Topics planned for seminars in 1995 include the latest developments in information technology for insurance; derivatives; and fraud investigations.

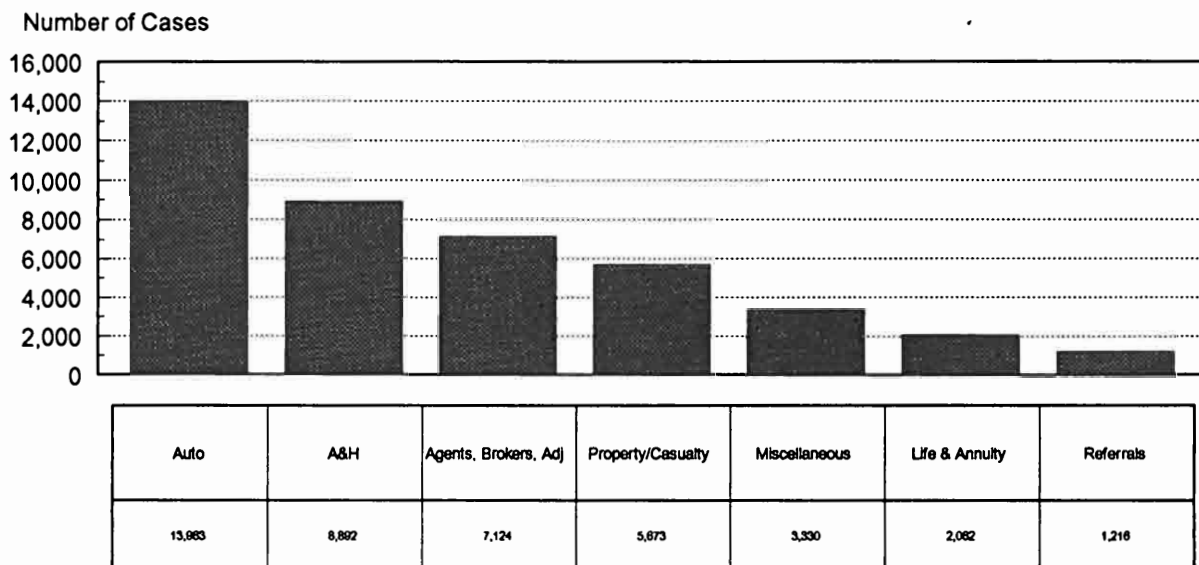
G. CONSUMER SERVICES BUREAU

The Consumer Services Bureau is the arm of the Department that has as its primary function the responsibility to respond to consumer complaints and inquiries and to investigate the actions of licensed producers. The Bureau closed a total of 42,260 cases in 1994. Of these, 30,735 involved loss settlements or policy provisions, of which 45% were automobile complaints, 29% were accident and health complaints, 19% were property and liability complaints and 7% were life and annuity complaints. Another 7,124 cases involved complaints against agents, brokers and adjusters. Written inquiries and miscellaneous complaints accounted for 3,330 cases and referrals accounted for an additional 1,216. All told the Bureau received 42,211 cases during 1994.

Total Complaints & Investigations Closed

Consumer Services Bureau

1993



The Bureau responded to well over 250,000 calls on the Albany information line and over 300,000 calls on the New York City information line. The number of calls answered increased dramatically from previous years due to the installation of a telephone attendant system in Albany in early 1993 and in New York City in late 1993. The system has substantially reduced the number of busy signals and no-answers previously experienced by the public. With the new system, the caller listens to a menu of topics and selects one by pressing the appropriate number on the dial. The caller is also given the option of speaking in person to an insurance information specialist.

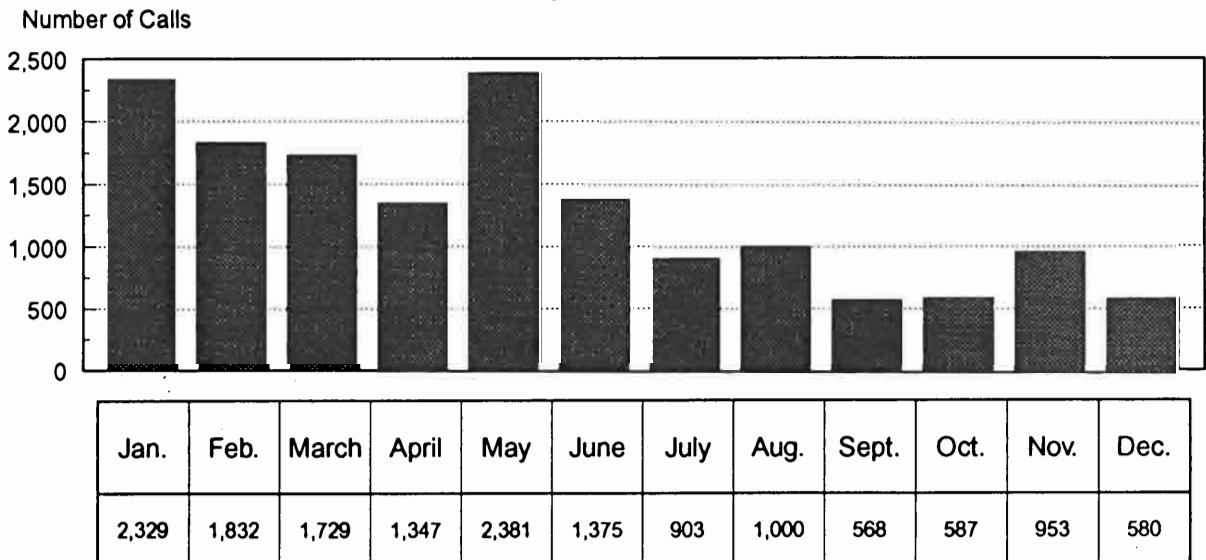
The Bureau, through a dedicated toll-free line, responded to 15,584 calls from consumers on issues relating to the New York State Partnership for Long Term Care. The Partnership was established under a grant by the Robert Wood Johnson Foundation and was authorized by the Governor and the State Legislature in 1989 and by the federal government in February 1992.

The Program allows individuals to qualify for Medicaid after their long-term care policy benefits are exhausted without divesting themselves of their assets. In this way, the Program encourages self-sufficiency by guaranteeing asset protection for policyholders and the saving of the state's Medicare funds. In addition, the Bureau mailed Partnership literature to thousands of consumers and cooperated with both the Department of Social Services and the State Office for the Aging on consumer issues related to long-term care insurance.

NYS Partnership for Long Term Care

Consumer Calls

January-December 1994



The Bureau provided assistance to consumers who were affected by disasters in 1994 as follows:

1. On January 21, 1994 a major water-main break caused damage to many homes in the Carroll Gardens section of Brooklyn. The Bureau responded by sending staff to an emergency community meeting held by New York City Mayor Rudolph Giuliani where residents were able to ask questions and file complaints relating to their insurance coverages. The Bureau also contacted the insurers that had risks in the break area. As a result of the extensive discussions between Bureau staff and the insurance carriers, many claim denials were reversed.

2. On August 17, 1994, floodwaters caused damage to homes and businesses in addition to several bridges and roadways in Chemung, Steuben and Tioga Counties and several small areas in the central-southern tier of New York State. A news release was issued providing the Bureau telephone number for affected residents to receive information and assistance.

3. The Bureau participated in a public meeting sponsored by Congresswoman Louise M. Slaughter in Rochester concerning consumer inquiries related to the damage caused by high-tide problems in Lake Ontario.

4. The Bureau provided speakers for the 1994 Disaster Preparedness Conference held in Albany which centered on hazard mitigation. The Bureau also testified before the New York State Senate Task Force on Catastrophe Insurance.

In April 1994, the Bureau set up a dedicated toll-free telephone line to assist those consumers who require multi-lingual telephone service. The state-wide number, 1-800-218-8222, is answered by trained Department personnel who access a translation telephone service provided by AT&T Language Line Services. This service can translate 140 languages.

Bureau examiners staffed the Department's information booth at the State Fair held in Syracuse from August 24 through September 6, 1994. The examiners answered consumer questions, took complaints and distributed various Department consumer guides and booklets. The booth was well attended and over 16,000 publications were distributed to the public.

The Bureau continued to provide speakers as part of its program of assistance to senior citizens, for whom Medicare supplement and long-term care insurance were the issues of primary concern. Bureau staff participated in educational and training seminars on these issues for social workers and senior citizen representatives. As an example, the Bureau assists Health Insurance Information, Counseling and Assistance Program (HIICAP) volunteers in understanding the laws and regulations that affect senior citizens.

The Bureau continues to meet with representatives of insurance companies to review complaint data used to formulate the annual automobile and health rankings. These meetings also provide an opportunity to inform insurers on ways to improve claims-handling and underwriting practices. In addition, the Bureau is closely monitoring the response time of insurers to consumer complaints filed with the Bureau. One insurer, Allstate Insurance Company, has been fined for untimely responses and several others are being monitored for improvement in their response time.

The Bureau continues to respond to inquiries relating to the community rating/open enrollment legislation. Several thousand copies of updated information on the availability of individual and small group policies in New York State were mailed in 1994. Information on rates was also provided to allow consumers to effectively comparison shop for coverage. In addition, the Bureau responded to inquiries related to the court ruling on Regulation 145 pertaining to groups of one and two lives and the portability provision of the legislation as it pertains to larger groups.

The Bureau is continually called upon by both our licensees and the general public to verify that health plans are licensed and legitimate. However, certain self-funded multiple employer programs may be exempt from the licensing provisions of New York State law (e.g., programs established pursuant to collective bargaining agreements). Bureau staff continues to investigate the activities of unlicensed health plans and third-party administrators--such as multiple employer welfare arrangements (MEWAs), unions, associations and other self-funded mechanisms--that operate as alternatives to traditional health insurance plans.

The appeal of such alternatives is the offer of attractive rates for consumers and attractive commissions for solicitors. The passage of the community rating law has made the small group market particularly sensitive to these alternative plans in view of their price undercutting. Unfortunately, some of these entities have been mismanaged and underfunded, leaving thousands of consumers across the country with unpaid claims and many more without insurance protection.

The Bureau has successfully investigated certain entrepreneurs masquerading as MEWAs and third-party administrators who have proved untrustworthy by converting collected funds to personal use and failing to pay the claims of their participants. These investigations have resulted in administrative hearings as well as cease and desist orders and in some cases criminal prosecutions involving the New York State Attorney General, several district attorneys and the U.S. Attorney. To illustrate, the Department revoked the license of Charles Levine, as a result of this Bureau's investigation into a complaint received from Travelers indicating the Wellness Group owed to Travelers Healthnet premiums in the amount of approximately \$500,000. The investigation determined that Mr. Levine acting as a third-party administrator purchased a group health policy from the Travelers on behalf of the members of the Wellness Group. Mr. Levine withdrew in excess of \$100,000 of premium funds for his personal use contributing to the delinquency with the Travelers. The Bureau's investigation was presented by the Frauds Bureau to the U.S. Attorney, Northern District, which resulted in successful prosecution of Mr. Levine with a conviction by jury trial at which the Bureau provided key testimony. At the time of notice of complaint, the Department worked with Travelers to ensure that the participants in the Wellness Group received continuous coverage and the payment of claims.

The Department is a member of the Consumer Health Information Council. The Council's mission is to review issues--such as long-term care, occupational health and safety, women and child health, and hospital and medical practices--and to make recommendations to the New York State Commissioner of Health. A Consumer Services Bureau representative sits on the Long-Term Care and Hospital and Medical Practices Committees. The committees have been involved in developing educational health brochures and booklets, and physician and hospital directories for consumers and medical providers.

The Department is also a member of the Head Injury Services Coordinating Council. The Council facilitates the implementation of policies, services and standards that would create in New York State a coordinated and comprehensive system of care for persons with head injuries. A Consumer Services Bureau representative is on the Case Management Committee, which focuses on issues concerning case management systems and a state-wide patient registry.

The Bureau is a member of the New York State Consumer Protection Board's Consumer Services Committee. The committee includes representatives of federal, state and local consumer protection agencies and nonprofit organizations. The Committee meets to share program initiatives with peers in an effort to keep abreast of consumer concerns.

The Bureau participated in the Department committee that drafted a proposed no-fault managed care coverage regulation. The purpose of this regulation is to reduce costs while maintaining the quality of medical and other health care services by providing managed care alternatives for those injured as the result of an automobile accident. At this writing, the regulation had not yet been finalized.

The Bureau responded to inquiries related to the rehabilitation or liquidation of several insurers licensed in this State. The inquiries concerned policy status and protection afforded by the life and property/casualty insurance guaranty funds. United Community Insurance Company, American Integrity Insurance Company, Mutual Benefit Life Insurance Company, Confederation Life Insurance Company and Monarch Life Insurance Company were among the insurers that generated the greatest volume of inquiries.

The Bureau's workload included many cases that dealt with special issues and/or complex matters. Several of these cases warrant a brief summary:

The Bureau participated in the investigation of the sales practices of the Metropolitan Life Insurance Company (MetLife). The investigation focused on advertising that portrayed life insurance products as investment vehicles. Although most of the solicitations in New York State emanated from MetLife's Tampa, Florida sales office, there were several offices in this State that also used the misleading sales literature. Under the auspices of the National Association of Insurance Commissioners (NAIC), a country-wide resolution has been implemented which includes restitution and disciplinary action.

The Bureau's assistance to the Albany office of the U.S. Attorney led to the conviction of Edward McDonough, former Chairman of the Rensselaer County Democratic Committee, for federal extortion, conspiracy, racketeering and mail fraud. One of the allegations was that Mr. McDonough, assisted by his wife, used his position and influence as Chairman to obtain a portion of the commissions paid to two insurance agents by government entities in Rensselaer County in return for his assistance to these agents in obtaining and keeping the insurance contracts for those entities.

The Bureau participated in the investigation of the Equitable Life Assurance Society and two of its subsidiaries, Equitable of Colorado and Equitable Variable Life. Fines totaling \$550,000 and back premium tax liabilities of \$1.4 million resulted from a number of violations, including the sale of unapproved products by an unlicensed insurer. Disciplinary action was also taken against about 80 agents who were involved in the sale of these products.

The Bureau's investigation of approximately 80 National Benefit Life Insurance Company agents revealed that they did not have the training required by the Insurance Law for licensure by the Department. These agents were suspended pending completion of the Department's investigation and completion of an approved training course.

The Bureau was involved in the investigation of a number of improper financial transactions of the Lawrence Agency, including a substantial deficit in its premium account. The Agency is a subsidiary of United Community Insurance Company, an Albany-based insurer that has been under the control of the Department since July 7, 1994 through a court approved rehabilitation plan.

The Bureau investigated agents of the John Hancock Life Insurance Company who were selling unapproved life insurance policies in New York and falsely claiming the sales were completed outside this State. Approximately 50 agents signed stipulations and paid fines.

The Bureau investigated several insurers and determined that there was widespread incidence of improper cancellations of insurance policies. One insurer, Midwest Mutual Insurance Company, improperly cancelled 12,500 personal lines property and liability insurance policies on recreational vehicles during the period January 1991 through June 1994.

Table 55
 CONSUMER SERVICES BUREAU CASES
 INVOLVING LOSS SETTLEMENTS OR POLICY PROVISIONS
 CLOSED IN 1994

Line of Business	Total Processed	Upheld	Adjusted	Not Upheld	Other Action Taken
Total	30,735	4,372	914	20,905	4,544
Life and Annuities, Total	2,062	448	55	1,300	259
Individual Life	1,782	410	46	1,101	225
Individual Annuity	162	22	4	120	16
Group Life & Annuity	117	16	5	79	17
Viatical Settlements	1	0	0	0	1
Accident & Health, Total	8,891	1,800	380	5,344	1,367
Individual Accident & Health	834	117	38	572	107
Group Accident & Health	2,699	331	65	1,531	772
Article IX-C Corps	5,114	1,302	264	3,100	448
Medicare	31	6	2	10	13
Medigap	177	36	10	111	20
Long-Term Care	36	8	1	20	7
Auto, Total	13,966	1,406	359	10,167	2,034
Auto Liability (B.I.)	1,729	234	49	1,325	121
Auto Liability (P.D.)	4,107	330	93	2,988	696
Auto Physical Damage	4,200	290	75	3,157	678
Auto No-Fault	3,901	551	140	2,672	538
NYAIP Taxicab/Limo Pool	29	1	2	25	1
Other Property & Liabil., Total	5,673	708	116	3,991	858
Liability other than Auto	530	48	7	374	101
Professional Malpractice	26	2	1	14	9
Fire & Extended Coverage	129	8	0	102	19
Homeowners	2,461	189	35	1,857	380
Inland Marine/Ocean Marine	78	7	1	56	14
Workers' Compensation	1,721	400	62	1,094	165
Commercial Multiple Peril	624	48	9	428	139
Burglary & Theft	23	3	0	9	11
Fidelity & Surety	47	1	1	35	10
Flood	10	1	0	4	5
Title	24	1	0	18	5
Miscellaneous	143	10	4	103	26

Table 56
 CONSUMER SERVICES BUREAU CASES NOT INVOLVING
 LOSS SETTLEMENTS OR POLICY PROVISIONS
 CLOSED IN 1994

Subject of Cases or Investigations	Total Processed	Fines, Revocations & Other Actions	Upheld	Not Upheld
Total	7,124	4,766	523	1,835
Misleading Advertising	50	11	14	25
Application for License	1,120	1,086	22	12
Acting Without License	81	33	19	29
Aiding Unauthorized Company	412	339	12	61
Misappropriation of Premium	510	178	148	184
Issuing Bad Checks	1,011	840	66	105
Commingling	4	4	0	0
Rebating	10	5	0	5
Misrepresentation of Coverage	615	226	79	310
Excess Comp. Without Contract	65	18	7	40
Twisting	274	147	29	98
Public Adjusters, Prohibited Practices	81	57	1	23
Violation of NYAIP/NYPIUA Rules	319	199	22	98
Commission Disputes	193	27	41	125
Return Premium, Producer	92	18	6	68
Other Violations of Ins. Law	584	252	40	292
Violations of Other Law	46	20	2	24
Fraudulent NYAIP Application	549	275	1	273
Incorporators and/or Directors	832	832	0	0
Illegal Insurance Enterprise	36	25	6	5
Ending of Agency/Broker Acct.	57	43	2	12
Miscellaneous Complaints	21	8	0	13
Delay in Issuing Policy	5	0	0	5
Policy Status	2	0	0	2
License Status, Company	1	1	0	0
Voluntary Surrender of License	39	35	1	3
Misleading Sales, Life	10	7	0	3
Other	105	80	5	20

H. INSURANCE FRAUDS BUREAU

The Insurance Frauds Bureau (IFB) was established by the Legislature in 1981 as a law enforcement agency. The legislation empowered the Superintendent to grant peace officer status to its investigators. The primary mission of the IFB is the detection, investigation and referral for prosecution of individuals who commit insurance fraud. The IFB is headquartered in New York City and operates satellite offices in Albany, Buffalo, Rochester and Syracuse.

There was significant change to the IFB in 1994. A transition in management occurred with the appointment of a new director in January and a new assistant director in May. A newly created title of principal investigator was filled in March, and two new associate investigators were appointed in June and July.

John T. Dolan was appointed Director of the Insurance Frauds Bureau on January 13, 1994. Mr. Dolan served as a Special Agent of the Federal Bureau of Investigation for 28 years and most recently was supervisor of a multi-jurisdictional task force in Southern California. Mr. Dolan is a Certified Fraud Examiner (CFE).

In July 1992 legislation was passed enabling the Superintendent to impose monetary civil penalties for virtually all categories of fraudulent insurance acts. By year's end, IFB investigators had proposed civil penalties in the amount of more than \$7 million and had obtained court orders for an additional \$25 million in restitutions. The proposed civil penalties were allocated to insurance fraud and possession, use or sale of fraudulent automobile insurance identification cards as follows: 80 penalties totaling \$682,166 to insurance frauds and 110 penalties totaling \$6,566,950 to fraudulent identification cards.

In addition, 1994 brought a re-energized spirit of cooperation with insurance companies to combat fraud in all lines. The submission to the IFB by licensees of over 15,000 reports of suspect transactions represented a 41.5% increase over the previous year's submissions. The number of these reports opened as cases for assignment to IFB investigators for full field investigations totalled 1,431 by year's end. The IFB in 1994 initiated 108 investigations while 118 investigations were predicated on information from other law enforcement agencies. Thus, 226 investigative cases were opened from information other than licensee mandated reports.

On May 20, 1994, the Insurance Frauds Bureau, for the first time in its history, became a member of a federal/state task force. The invitation to join the task force was extended after a series of meetings attended by IFB Director Dolan and task force representatives. The task force is responsible for investigating widespread corruption centered around public adjusters in the property and casualty field.

A Frauds Bureau investigator has been assigned full-time to the task force operating in New York City. In addition, the task force is comprised of F.B.I. Agents, U.S. Postal Inspectors and I.R.S. Agents from the Criminal Investigation Division. The task force to date has been responsible for the convictions of over 100 individuals. More than 120 defendants are suspected of cheating dozens of insurance companies out of an estimated \$500 million by inflating or fabricating losses to commercial property and inventory. These cases are being prosecuted by the U.S. Attorney's Office, Eastern District of New York, Brooklyn, New York.

Individuals indicted and convicted include public adjusters, company adjusters, and insureds. Forty-five public adjusters have been convicted of at least one felony each in U.S. District Court, Eastern District of New York. As of December 31, 1994, 39 of those individuals are no longer licensed as public adjusters in the State of New York. The Insurance Department is closely monitoring the prosecution of each public adjuster and other licensees of the Department who are subjects of the task force investigation. After each licensee is convicted and sentenced, the Department vigorously moves to revoke licenses or preclude the renewal of those licenses. As the investigation enters its second stage the task force is expected to focus on individuals implicated during this investigation but not as yet indicted.

One resolve of IFB management in 1994 was the implementation of a program to target fraud that impacts heaviest on public safety and economic welfare. One such activity identified for intensive investigation was the danger posed to the public by uninsured and unlicensed drivers. These drivers are responsible for the pernicious and widespread practice of fraudulently registering motor vehicles that has reached intolerable levels in the greater New York City metropolitan area.

The proposal to target these drivers was presented to the Brooklyn District Attorney in August and was greeted with enthusiasm and a promise of support for the prosecution of subjects fitting the parameters of the unlicensed and uninsured drivers investigative program.

In November, six Brooklyn men were arrested for the possession of forged and counterfeit automobile insurance identification cards. The arrests were a result of the joint investigation with the Brooklyn District Attorney's Office. Investigation disclosed that in many cases these individuals had poor driving records and their operator licenses had been revoked or suspended numerous times. The main objective of this program is to get drivers who have no valid licenses and insurance off the roads. This program will be presented to all other New York City Area District Attorney's offices.

A major area of concern impacting on economic welfare is fraud in the workers' compensation system. Fraudulent activity in this area is widespread, and to date has not been aggressively addressed by the criminal justice system. To this end, the IFB in 1994 initiated action to form a multi-agency task force for the purpose of addressing fraud in the workers' compensation system. Meetings were held and attended by representatives of the IFB, Federal Bureau of Investigation, United States Attorney's Offices, Eastern and Southern Districts of New York, State Insurance Fund, National Information Crime Bureau and the Workers' Compensation Board. At year's end, representatives of the top nine writers of workers' compensation insurance were contacted to solicit their cooperation and advice with respect to the formation of the task force.

Of continuing concern to the IFB investigative program is the close scrutiny of all reports that allege fraud committed by Department licensees. In addition to the public adjusters investigated by the task force in 1994, a number of agents and brokers were also subjects of prospective action.

In addition, the IFB during 1994 addressed certain fraud matters known as "problem areas" by the use of unconventional investigative methods. Several ongoing specialized and undercover operations are providing investigators with information and evidence that will be the basis for prosecutive action at a later date. These operations when utilized in the past have been highly successful in combating and deterring fraud in these problem areas.

In 1994 the IFB requested and received \$37,000 and one vehicle from the insurance industry to support an undercover operation.

On July 5, 1994, the Superintendent of Insurance issued Circular Letter No. 8 to the insurance industry. This communication requested that the name, title, address, telephone number, and fax number of the person responsible for the reporting of suspect transactions be forwarded to the Frauds Bureau. The responses facilitated the conducted of the annual SIU survey required by Section 405 of the Insurance Law.

Responses to the Circular Letter also helped to identify those individuals that the Bureau would need to contact to resolve problems or questions relevant to report submissions.

INSURANCE FRAUDS BUREAU STAFF
as of December 31, 1994

New York City Office

Director
Assistant Director
Chief Investigator
Principal Investigator
Associate Investigator (3)
Senior Investigator (4)
Investigator (17)*
Principal Insurance Examiner
Senior Insurance Examiner
Insurance Examiner (1)**
Secretary I
Senior Typist
Keyboard Specialist (4)

Albany Office

Senior Investigator (2)

Buffalo Office

Associate Investigator
Investigator

Rochester Office

Senior Investigator

Syracuse Office

Senior Investigator

* Two investigator titles are unfilled.

** Two examiner titles are unfilled.

INSURANCE FRAUDS BUREAU OFFICES

NEW YORK CITY OFFICE

160 West Broadway
Suite 1928
New York, NY 10013
(212) 602-0581
FAX (212) 602-8819

ALBANY OFFICE

Agency Building One
Empire State Plaza
Albany, NY 12257
(518) 474-2632
FAX (518) 486-6809

BUFFALO OFFICE

Walter J. Mahoney State Office Building
65 Court Street - Room 7
Buffalo, NY 14202
(716) 847-7622 or 7618
FAX (716) 847-7925

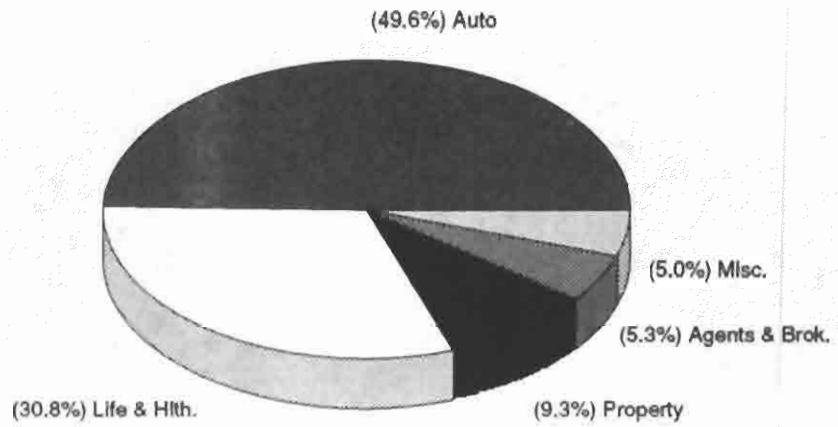
ROCHESTER OFFICE

189 North Water Street
Rochester, NY 14604
(716) 325-1857
FAX (716) 325-1681

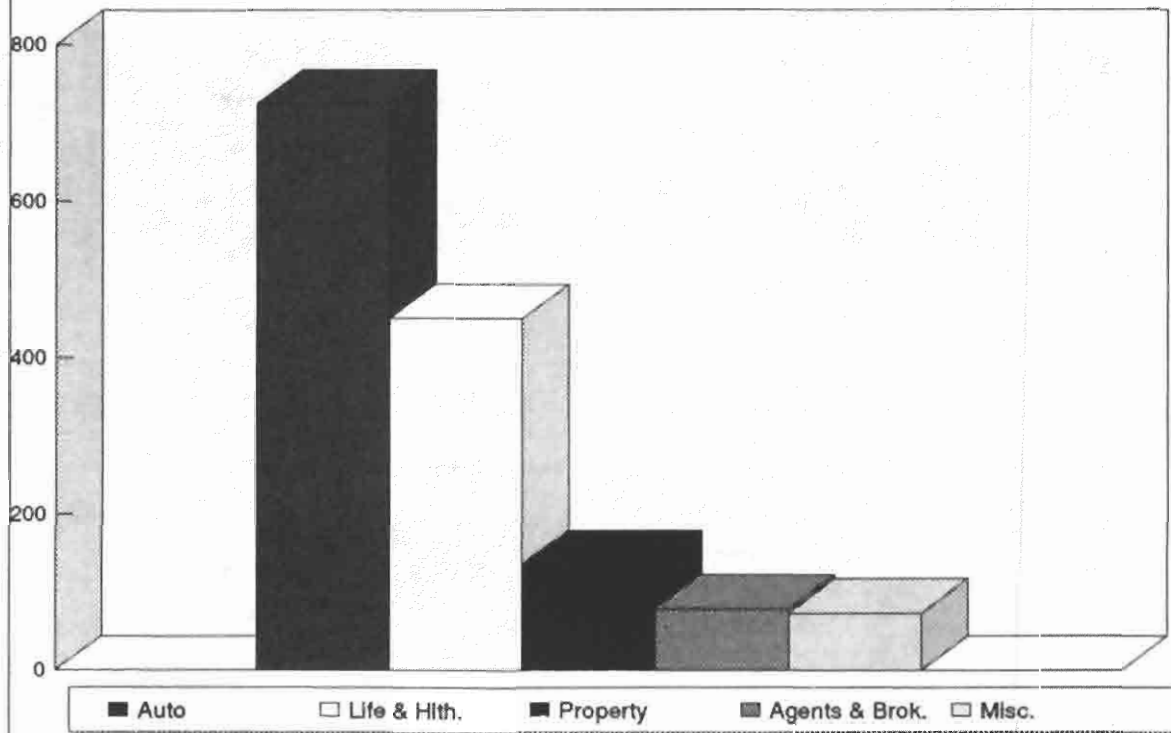
SYRACUSE OFFICE

620 Erie Blvd., West
Suite 105
Syracuse, NY 13204
(315) 423-1102

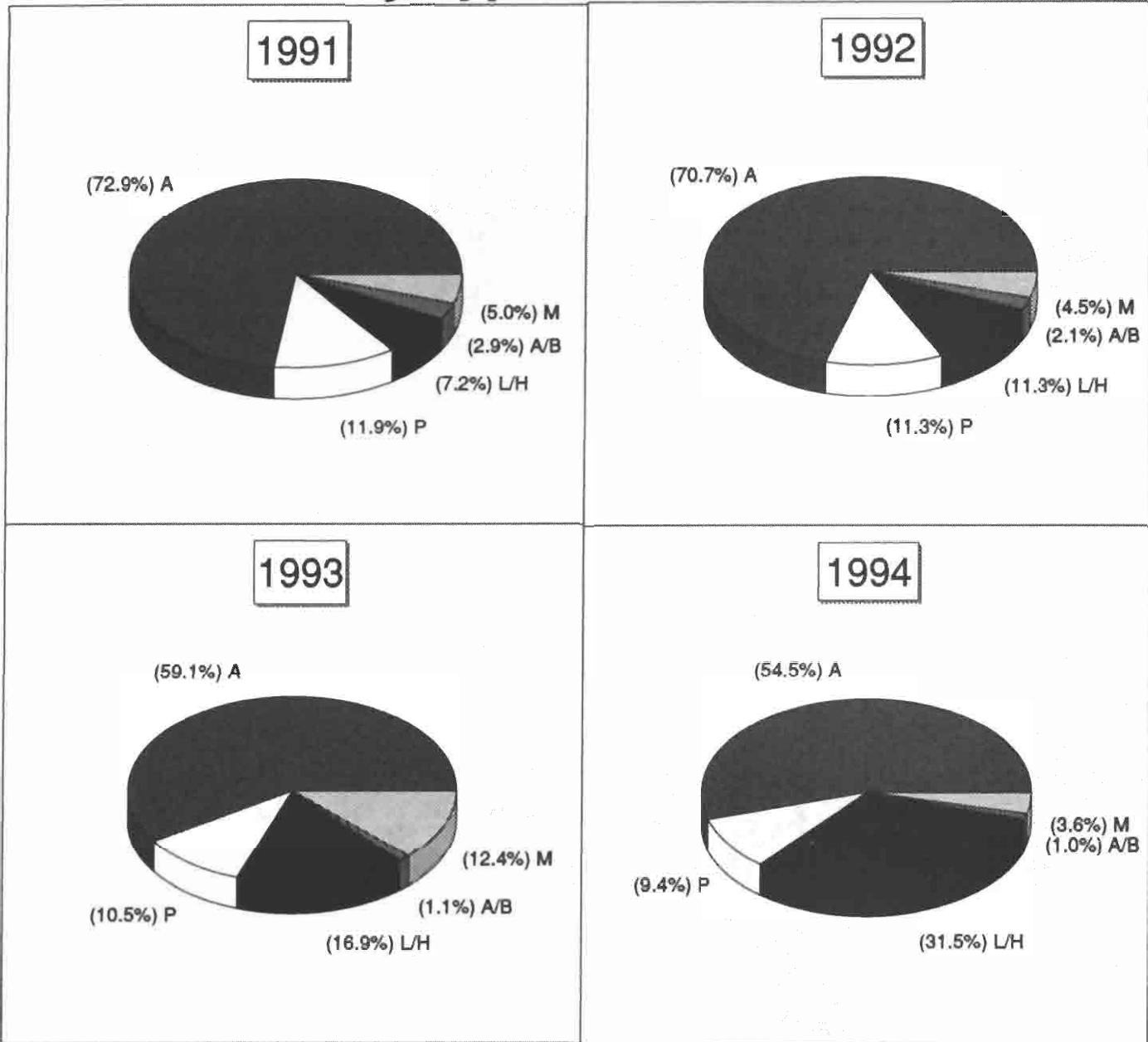
PERCENTAGE OF CASES INVESTIGATED BY TYPE, 1994



NUMBER OF CASES INVESTIGATED BY TYPE, 1994



Percentage of Fraud Reports Filed By Type, 1991-1994



A = Auto P = Property L/H = Life & Health A/B = Agents & Brokers M = Miscellaneous

Table 57
 REPORTS OF FRAUD TO NEW YORK STATE INSURANCE DEPARTMENT
 By Type, 1991-1994

	<u>1994</u>	<u>1993^r</u>	<u>1992</u>	<u>1991</u>
Auto Theft	1,892	1,924	1,969	1,909
Auto Fire	146	122	186	216
Theft From Auto	222	207	158	159
Auto Vandalism	200	103	258	209
Auto Collision Damage	1,708	1,378	820	475
Auto Fraudulent Bills	49	40	66	100
Auto I.D. Cards	771	*	*	*
Auto Miscellaneous	421	1,101	946	559
Fire - Residential	171	170	96	71
Fire - Commercial	64	111	74	65
Burglary - Residential	436	479	344	263
Burglary - Commercial	66	*	*	*
Homeowners	469	*	*	*
Larceny	180	266	187	180
Lost Property	58	49	55	55
Robbery	34	25	29	25
Bonds	8	1	11	2
Life Insurance	36	14	23	10
Disability Insurance	168	757	237	84
Workers' Compensation	585	*	*	*
Health/Accident Ins.	3,854	1,075	525	305
No-Fault Auto Insurance	2,891	1,364	489	400
Ocean Marine Insurance	30	11	6	3
Reinsurance	0	0	1	0
Appraisers/Adjusters	27	34	5	8
Agents	56	31	76	53
Brokers	65	59	64	100
Ins. Company Employees	4	1	6	20
Insurance Companies	2	2	8	5
Miscellaneous	457	1,324	280	246
Total	15,070	10,648	6,919	5,522

^r revised

* New categories in 1994

Number of Fraud Reports Filed By type, 1991-1994

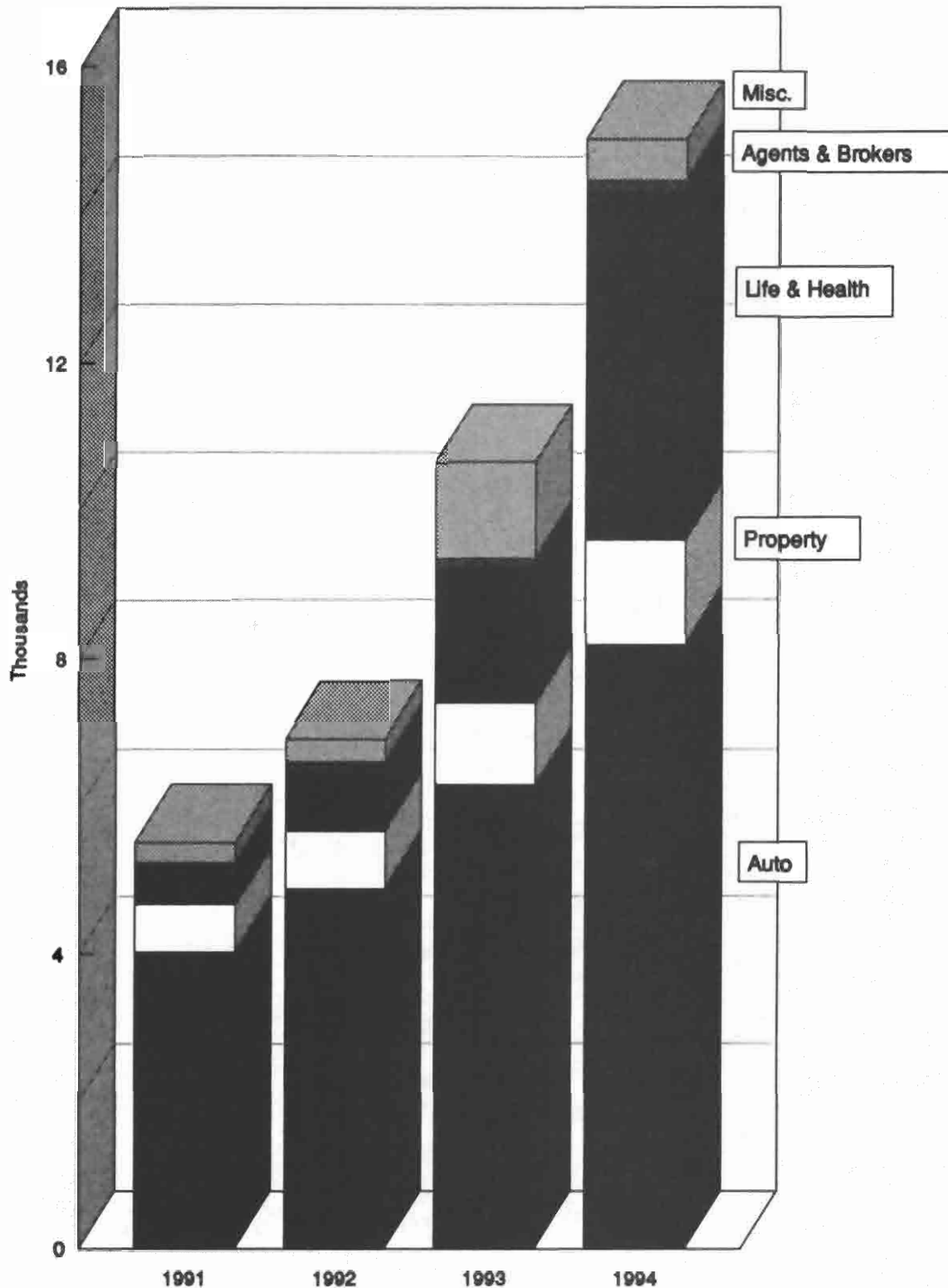


Table 58
 NEW YORK STATE INSURANCE DEPARTMENT FRAUD INVESTIGATIONS
 By Type of Case, 1991-1994

	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
Auto Theft	140	42	47	35
Auto Fire	14	2	1	8
Theft From Auto	18	10	10	5
Auto Vandalism	7	4	14	18
Auto Collision Damage	26	34	34	32
Auto Fraudulent Bills	7	1	4	14
Auto I.D. Cards	357	*	*	*
Auto Miscellaneous	39	483	102	44
Fire - Residential	30	16	13	5
Fire - Commercial	21	13	10	7
Burglary - Residential	42	32	25	32
Burglary - Commercial	11	*	*	*
Homeowners	23	*	*	*
Larceny	9	13	25	10
Lost Property	2	0	6	8
Robbery	2	6	3	4
Bonds	8	3	9	1
Life Insurance	12	5	10	9
Disability Insurance	8	24	23	9
Workers' Compensation	55	*	*	*
Health/Accident Ins.	364	192	76	59
No-Fault Auto Insurance	89	18	22	12
Ocean Marine Insurance	4	0	1	0
Reinsurance	0	0	1	0
Appraisers/Adjusters	14	12	1	3
Agents	32	39	44	35
Brokers	33	58	37	43
Ins. Company Employees	4	2	4	6
Insurance Companies	2	0	1	0
Miscellaneous	58	140	49	32
Total	1,431	1,149	572	431

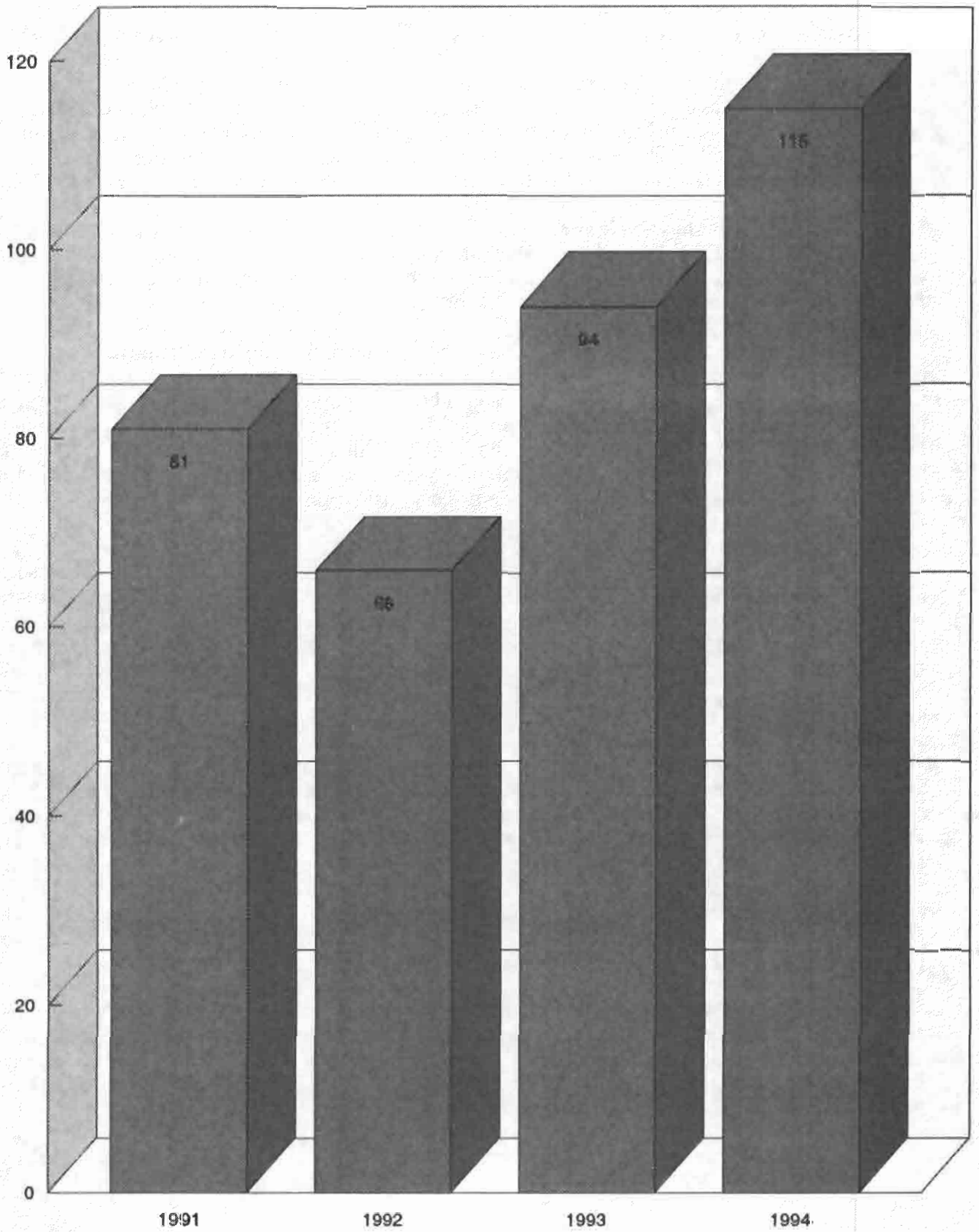
* New categories in 1994

The following are the Frauds Bureau's operating statistics for 1991-1994:

	1994	1993	1992	1991
I. INVESTIGATIONS	1,431	1,149	572	431
II. ARRESTS				
Felonies	97	89	59	79
Misdemeanors	18	5	7	2
Totals	115	94	66	81
III. RESULTS				
Convictions	76	38	55	75
Dismissals	1	0	5	1
Pending	32	56	6	74
IV. REPORTS RECEIVED	15,070	10,648	6,919	5,522
V. INDEX ENTRIES	45,542	33,878	22,861	21,589
VI. INDUSTRY BRIEFINGS	24	18	16	18
Participants	1,545	690	1,378	471

During 1994, 24 reports of suspect activity were submitted to the IFB by nonlicensees. There were 40 cases referred by the IFB to other licensing or investigative agencies. All of these referrals are pending action by those agencies. In addition, 28 cases referred to prosecutors by the IFB were declined for prosecution.

TOTAL ARRESTS 91-94



1. Data Bases

During 1994, access to new data bases and the expanded capabilities of existing data bases was made possible. The IFB is now on line with the New York City Parking Violations Bureau's Stars data base. Investigators have found the information contained in the Stars data base to be a useful tool in locating individuals believed to be involved with fraudulent insurance identification cards. It is axiomatic that once a fraudulent card is identified, the matching Department of Motor Vehicle records are found to contain fictitious names and addresses. By researching data contained on the summonses issued to these vehicles, IFB investigators attempt to establish a pattern of times and locations of the parking violations. Subsequent visits to these locations have oftentimes located a suspect. Once a suspect has been located, the Parking Violations Bureau is notified so that they can seize the vehicle, which is usually a scofflaw. The IFB then pursues a civil penalty for use of the fraudulent identification card.

In 1994 a change was made from the voluminous Coles Directories, which allows an investigator to look up telephone numbers to find names and addresses, or addresses to find names and telephone numbers, to an electronic retrieval system on CD-ROM. Now investigators can instantly research telephone numbers, names, addresses, ZIP Codes, etc., throughout New York State. The data base is updated monthly with the latest available information. Training in the use of the data base was provided to investigators at the time it was introduced.

Access to the data base of the National Insurance Crime Bureau (NICB), which has mandated reporting requirements for New York insurers, was expanded to all investigators in the IFB. Two on-site training sessions were given to IFB staff in order to insure the maximum utilization from NICB's over 200 million records. This data base allows the user to identify parties to a claim along with addresses and vehicle history dating back to its manufacture and all subsequent registrations.

Two data bases designed to locate individuals were added. They contain basic name and address information derived from numerous sources ranging from credit headers to listings for magazine subscriptions. They identify pending lawsuits, property owned and other assets. IFB investigators have utilized these data bases to identify and locate individuals submitting fraudulent claims for staged accidents. Investigators now have the capability of verifying social security numbers and other identifying data in minutes rather than days or weeks. Investigators are therefore able to expedite investigations and handle leads more efficiently than in the past.

Certified Colateral Corporation has allowed access to their data base in the past providing vehicle identification number (VIN) verification and identifying duplicate claims from member companies. Meetings during the year have led to expanded services including the availability of printed reports profiling payments made for total loss vehicles in New York State.

Lexis and Nexis data bases were available to the IFB in the past through the Office of General Counsel. In 1994 authorization was obtained for IFB staff to access this service directly.

As a qualified criminal justice agency, the IFB enjoys participation in the New York State Police Information Network. New employees are participating in training and are becoming certified. This system links all law enforcement agencies nation-wide providing criminal histories, law enforcement bulletins, driver and vehicle information for all 50 states, stolen vehicle and property information, etc.

The Insurance Department's Systems Bureau has completed two new computer systems for the IFB. The two bureaus worked together to develop a system to log, enter, categorize and index reports of suspect claims. When fully operational the system will send acknowledgement letters for fraud reports received, search prior references and cases to assist in proper disposition, and provide periodic statistical reports. Users will be able to conduct searches and generate on line reports. Data comprising over 200,000 records from the existing system was converted for future use. In conjunction with the above, a case-tracking system was developed. The chronological history of a case will be tracked with reports being generated for management purposes.

2. Frauds Bureau Bulletin

On December 1, 1994, Director Dolan issued the first Insurance Frauds Bulletin. This Bulletin targeted all State of New York Criminal Justice Agencies and requested that they report all arrests in their jurisdiction for violation of the following sections of the Penal Law:

176.00 - Insurance Fraud
155.00 - Larceny Relating to Insurance Fraud
170.00: 170.20 - Forgery or Possession of forged documents relating to Insurance Fraud (i.e., forged insurance identification cards)

The Bulletin notified its recipients of the civil penalties that may now be imposed by the Superintendent of Insurance. In conjunction with this mailing Bureau personnel have visited and contacted numerous law enforcement agencies to request their cooperation. A copy of Bulletin No. 1 can be found in the appendix.

3. Legislation

On December 27, 1993, Governor Cuomo signed into law Chapter 729 of the Laws of 1993. As it affects the Insurance Frauds Bureau, this law amends Section 403(c) and (d) of the Insurance Law regarding a warning notice concerning fraud required to be inserted in applications for individual, group or blanket accident and health insurance.

Also amended was Section 8 of Chapter 720 of the Laws of 1981 removing the sunset clause regarding the Insurance Frauds Bureau. However, the January 1, 1997 sunset clause that relates to the status of the Insurance Frauds Bureau as a qualified law enforcement agency was retained.

4. Regulation 95

On February 2, 1994, the First Amendment to Regulation 95 became effective. This Amendment specified fraud warning language for nonautomobile commercial insurance applications, and all claim forms. Applicants and claimants are now warned of substantial civil penalties as well as being subject to criminal prosecution. There is a separate warning statement for personal automobile claim forms. Copies of the Amendment are available from the Department's Research Bureau.

Provisions for alternate language of warning statements are included. There were 44 requests to the IFB from carriers or groups of carriers for approval of their own versions of the warning statements.

Reports of suspect activity may now be submitted on either the Frauds Bureau form or the U.S. Department of Justice form. This measure was added to avoid duplicating paper work on the part of licensees. Forms may be obtained by calling the New York City Office of the Frauds Bureau at (212)602-0581.

5. Special Investigation Unit Survey

In the fall of 1994 the Frauds Bureau updated the special investigation unit (SIU) survey. This year there were 125 respondents with SIUs. Methods for detecting, investigating and reporting as a whole were unchanged from the last survey. A listing of the carriers and their unit sizes begins on page 173.

6. Proposed Legislation

The Insurance Frauds Bureau has requested the following changes in legislation:

a. Insurance Law Section 408

The current law empowering the Superintendent to designate employees of this Bureau as peace officers as defined in Section 2.10 of the Criminal Procedure Law sunsets on January 1, 1997. It is requested that the sunset provision be repealed.

It is imperative that this Bureau remain a qualified agency and its investigators peace officers.

If this Bureau loses its status as a recognized Criminal Justice Agency, severe restrictions will be placed on the interaction of its personnel and operations with the criminal justice community. We will have to terminate access to the New York State Police Information Network (NYSPIN). The NYSPIN data base is an essential service, basic to all criminal investigations handled by this Bureau. It enables our investigators to make inquiries concerning criminal histories, outstanding arrest warrants, stolen vehicle alarms and provides access to the Federal Bureau of Investigation National Crime Information Center (NCIC) data base.

This Bureau would no longer effectively be able to participate in joint federal/state task forces, conduct undercover operations or be considered a deterrent by individuals committing or contemplating insurance related fraud.

b. Insurance Law Section 405 (d) (6)

This Section directs the Superintendent to provide an assessment of insurance company activities in regard to detecting, investigating and reporting fraudulent activities. The Section also directs that a list be maintained of companies that have special investigation units for the sole purpose of detecting, investigating and reporting fraudulent activities and the number of investigators assigned to such units per every 30,000 policies in force. This was done in 1993 and 1994 in the form of a survey mailed to every insurance carrier operating in New York State. The mailing generated many questions and much confusion on the part of respondents. Repeating this process every year involves a large portion of the Frauds Bureau's support resources which are needed elsewhere. It is requested that this requirement be repealed.

c. Insurance Law Section 405 (d)

This Section requires the Superintendent to furnish an annual report on the operation of the Insurance Frauds Bureau to the Governor, the Speaker of the Assembly and the President Pro Tem of the Senate, no later than January 15 of each year. The complexity and volume of information required for this report has greatly increased, making it impossible to complete without some projected statistics. It is requested that the Insurance Frauds Bureau have its reporting date changed to coincide with the submission date of the Superintendent's report on the operations of the Department.

d. Insurance Law Section 403 and Penal Law Section 176.05

The Frauds Bureau requested a change of either the Penal Law or the Insurance Law regarding misrepresentations on applications for personal lines insurance. Section 403 of the Insurance Law requires that applications and claim forms contain a notice stating that making false statements is a fraudulent insurance act, which is a crime. This would include personal lines policies. The Penal Law excludes applications for personal lines policies. In order to end the confusion about this matter within the insurance industry and among members of the public, this discrepancy should be resolved.

e. Insurance Law Section 406

This Section grants immunity to persons subject to the Insurance Law and their employees or agents who furnish information relating to suspected fraudulent insurance transactions. The Frauds Bureau is requesting that immunity also be extended to members of the public who furnish such information. A campaign to encourage reports from the public was initiated for 1995.

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
ACSTAR Insurance Company	1 per 425 policies
Aetna Casualty & Surety	1 per 25,000 policies
Aid Association for Lutherans	3-4
Allstate Insurance Company	2.2 per 30,000 policies (35)
American Bankers Insurance Group	2
American Modern Home Insurance	2 per 14,593 policies
American International Ins. Group	15 for 30,000 policies
American Int'l. Insurance Co.	
Nichido Fire & Marine	
Union & Phoenix	
AIU Insurance Company	
Abielle	
Granite State Insurance Co.	
New Hampshire Insurance Co.	
Illinois National Ins. Co.	
National Union Fire Ins. Co.	
The Ins. Co. of the State of PA	
American Home Assurance Company	
Birmingham Fire Insurance Company	
Commerce & Industry Insurance Co.	
American States Insurance Companies	1.38 per 30,000 policies
American States Ins. Co.	
American Economy Ins. Co.	
American States Life Ins. Co.	
American States Ins. Co. of Texas	
American States Preferred Ins. Co.	
American States Lloyds Ins. Company	
American Transit Insurance Company	1 per 30,000 policies
Amerisure Companies	8
Michigan Mutual Ins. Company	
Amerisure Inc.	
Amerisure Insurance Company	
Unisun Insurance Company	
AMICA Mutual Insurance Company	4
Atlantic Mutual Companies	2 per 37,285 policies
Balboa Life & Casualty	1 for 3,676 policies

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
Bankers & Shippers Ins. Company	1 per office
Blue Cross/Blue Shield of the Rochester, GVGHA	2
Benefit Trust Life Insurance Company	3
Blue Cross/Blue Shield of Central NY	0.5 per 30,000 contracts
Blue Cross/Blue Shield of Western NY	10 for 818,509 policies
Blue Cross/Blue Shield of Utica-Watertown	1
Business Men's Assurance Co. of America	.26 per 30,000 policies
Calvert Insurance Company	
Carolina Casualty Insurance Company	part-time
Chubb LifeAmerica Chubb Life Ins. Co. of America Colonial Life Ins. Co. of America Chubb Sovereign Life Ins. Co.	1.21 per 30,000 policies
CIGNA Property & Casualty Companies	4 per 105 policies
CIGNA Individual Insurance	2
Cincinnati Companies	6 for all states
CNA Insurance Companies Valley Forge Ins. Co. Transportation Ins. Co. National Fire Ins. Co. of Hartford Continental Casualty Co. Transcontinental Ins. Co. American Casualty Co. of Reading, Pa.	6 for 141,960 policies
Colonial Penn Insurance Company	1 per 32,919 policies
Commercial Union Life Insurance Co.	1 per 7,879 policies
Crum & Forster Ins. - US Fire Insurance Co. North River Insurance Co.	1 for less than 30,000 policies
Electric Insurance Company	1 for 111,000 policies
Empire Blue Cross/Blue Shield	0.7 Medicare, 0.17 for remainder

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
Empire Insurance Group Allcity Insurance Co. Centurion Insurance	19 per 160,000 policies
Employers Insurance of Wausau & WUI	
Equitable Life Assurance Society of US	2
EMC Insurance Companies	
Erie Insurance Group Erie Insurance Company Erie Insurance Exchange	No policies in NY
Empire Fire and Indemnity Insurance Co. Empire Indemnity Insurance Co.	1
Farm Family Insurance Companies Farm Family Mut. Ins. Co. United Farm Family Ins. Co. Farm Family Life Ins. Co.	1 for 32,600 policies
Farmers Insurance Group Truck Ins. Exchange Fire Insurance Exchange Mid-Century Ins. Company	staff based on volume of claims
Federated Insurance Federated Mutual Ins. Co. Federated Life Ins. Co. Federated Service Ins. Co.	no policies in NSY
Fireman's Fund Fireman's Fund Ins. Co. The American Ins. Co. National Surety Corp. Associated Indemnity Corp. American Automobile Ins. Co. Fireman's Fund Ins. Co. of Wisconsin	3 staff & utilize Robert Plan
First UNUM Life Insurance Company	3
Fremont Comp. Pacific Compensation Insurance Beaver Insurance Company Fremont Indemnity Company Comstock Insurance Company	5 per 18,000 policies

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
GEICO	1 per 37,000 policies
General Accident Insurance General Accid. Ins. Co. of America The Camden Fire Ins. Association Potomac Ins. Co. of Illinois Pennsylvania General Ins. Co. GA Ins. Company of NY General Assurance Company PG Ins. Co. of NY	15 per 462,316 policies
Gerber Life Insurance Company	.25 per 30,000 policies
Great American Insurance Companies	4
Greater NY Mutual Insurance Company Ins. Co. of Greater NY	1 for less than 30,000 policies
Group Health Incorporated	8 for 1,040,583 subscribers
Guardian Life Ins. Co. of America	1 per 30,000 policies
Hanover Insurance Company	2 per 30,000 policies
Health Resources	4 per 2,000 policies
Highlands Insurance Group Highlands Ins. Company Highlands Underwriters Ins. Co. Highlands Casualty Co. Aberdeen Insurance Co. Highlands Lloyds	1 per 30,000 policies
Home Insurance Company	1.6. per 30,000 policies
Home State Holdings Inc. NY Merchant Bakers Ins. Co. Home Mutual Insurance Co.	1 with outside vendors
INA Life Insurance Co. of NY	1
Interboro Mutual Indemnity Ins. Co.	
ITT Hartford	4 for 308,112 policies
JC Penney Life Insurance Company	5
John Deere Insurance Company	1
John Hancock Prop. & Casualty Ins. Co.	1 per 30,000 policies

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
Kemper National Insurance Companies Lumbermens Mut. Casualty Co. American Motorist Ins. Co. American Manufacturers Mut. Ins. Co. American Protection Ins. Co.	
Liberty Mutual Insurance Group	6 per 330,000 policies
Lloyd's of London	
Mass Mutual	7
Maryland Insurance Group Assurance Co. of America Maryland Insurance Company	
Merchant Mutual	1
Metlife	13
Metropolitan Property & Casualty Ins. Co.	0.64 per 30,000 policies
Michigan Millers Mutual Insurance Company	
Monarch Life Insurance Company	1 per 28, 634 policies
Motorist Mutual Insurance Company The American Hardware Ins. Group	
Mutual Life Insurance Company of NY	
Mutual of Omaha Companies Omaha Prop. & Cas. Ins. Co.	9 for 2,288,458 individual and 9,364 group policies
National American Insurance Company	3 for less than 30,000 policies
National Grange Mutual Insurance Co.	
National Life of Vermont	
Nationwide Insurance	.7 per 30,000 policies

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
Netherlands Insurance Companies Excelsior Insurance Company First of Georgia Ins. Co. Indiana Insurance Company Peerless Insurance Company The Netherlands Ins. Co.	0.68 per 30,000 policies
New England Insurance & Inv.	.15 per 30,000 policies
NJ Manufacturers Insurance Company	13 per 30,000 policies
North American Company	2
North Country Insurance Company	1 per 30,000 policies
Northland Insurance Company Northland Casualty Company Northfield Insurance Company Mendota Insurance Company	
Northwestern National Life Ins. Co. North Atlantic Life	7 for groups covering 365,000 employees
Northwestern Mutual Life Ins. Co.	0.2 per 30,000 policies
Occidental Fire & Casualty Co. of NC	2 for 19,076 policies
Paul Revere Life Insurance Company Paul Revere Protective Life Ins. Co.	less than 1 per 30,000 policies
Penn Mutual Life Insurance Company	.25 per 30,000 policies
Phoenix Home Life Mutual Ins. Co.	4 for 733,000 direct and 304,000 reinsurance assumed policies; 21,000 group policies
Physicians Health Services	0.94 per 30,000 policies
Physicians Mutual Insurance Company Physicians Life Insurance Company	1 per 200,000 policies
PMA Group Pennsylvania Manufacturers Indemnity Manufacturers Alliance Ins. Company	2
PMI Mortgage Insurance Company	6

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
Preferred Risk Group	6
Preferred Risk Mutual Ins. Co.	
Preferred Risk Life Ins. Co.	
Midwest Mutual Insurance Co.	
Preferred Abstainers Ins. Co.	
Preferred Rick Lloyds Ins. Co.	
Answer America	
Progressive	2 per 30,000 policies
Prudential	107 Nationwide
The Prudential Ins. Co. of America	
Prudential P & C Insurance Co.	29 full-time, 4 in NYS
Quincy Mutual Fire Ins. Co.	1 per 30,000 policies
Reliance Insurance Co.	1 per 26,237 policies
Republic Insurance	5 per 30,000 policies
Republic Insurance Company	
Blue Ridge Ins. Company	
Vanguard Insurance Company	
Robert Plan of NY Corp.	2 per 32,291 policies
Eagle Insurance Company	
Lion Insurance Company	
Executive Insurance Co.	
Royal Insurance	8
SAFECO Insurance Companies	4
Safeco Ins. Co. of America	
Safeco Life Ins. Co.	
General Ins. Co. of America	
First National Ins. Co. of America	
Safeco National Ins. Co.	
Safeco National Life Ins. Co.	
Safeco Ins. Co. of Illinois	
Selective Insurance	1 for 30,000 policies
Exchange Insurance Co.	
Sentry Insurance	8
State Farm Insurance Companies	45
State Insurance Fund	9
State Mutual Life Assurance Company	4

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
TIG Insurance	6
Transamerica Insurance Group	8 claim representatives one unit manager
Travelers Companies The Travelers Ins. Co.	1 per 36,507 policies
Unigard Insurance Group Unigard Security Unigard Unigard Indemnity Unigard Service Corp.	5 for 30,116 policies
Union Central Life Insurance Company	2
US Fidelity & Guaranty Company	2
Universal Underwriters Group	
USAA P & C Insurance Company	2 per 30,000 policies
USAA Life Insurance Co.	2
Utica National Insurance Group	1 SIU Coordinator
Westfield Companies Ohio Farmers Ins. Co. Marine Indemnity Ins. Co. of America Westfield National Ins. Co. Westfield Life Ins. Co.	6
Windsor Group American Deposit Ins. Co. Coventry Ins. Co. Regal Insurance Company Windsor Insurance Company Moore Group Inc.	3
Wm. H. McGee & Co., Inc. The Baloise Ins. Co. of America Marine Indemnity Ins. Co. of America Phoenix Assurance Co. of NY Lucky Insurance Company Ltd.	2

Respondents with Special Investigations Units

<u>Company</u>	<u>Size</u>
Worcester Insurance Company	2
Berkshire Mutual	
Worldwide Insurance Group	1 for 16,000 policies
Capital Enterprise Ins. Co.	
Worldwide Underwriters Ins. Co.	
Force Financial	
Zurich American Insurance Group	1 per 10,000 policies
American Guarantee & Liability	
American Zurich Insurance	
Zurich Insurance Company	
Zurich American of Illinois	

I. INSURANCE REGULATORY SYSTEMS BUREAU

The Insurance Regulatory Systems Bureau (Systems) supports the Insurance Department's technical infrastructure, while providing information technology services to its over 900 employees. Our clients include the public, insurers, federal, state and local agencies and the Department's actuaries, clerks, examiners, frauds investigators, real estate appraisers, lawyers, researchers and statisticians.

Systems provides general support services. These include troubleshooting, training, consulting, maintenance and research and development. Help and Info Centers have been created in both the Albany and New York City offices. We support office automation, including electronic mail and word processing. The Bureau develops custom applications. This can include mainframe, data base applications and personal computer spreadsheets. We use enabling technologies, such as telecommunications, bar code scanning, imaging, optical character recognition (OCR) and electronic data interchange (EDI).

The Bureau has two offices, one located in New York City and the other in Albany. Through a major re-engineering initiative, we have developed a flexible organizational structure based on function, not geographic location. By using this method, duplication of effort and redundant management structures have been eliminated. This structure supports the task-force approach to project assignments and recognizes the Department's common, not geographically isolated needs. Only services requiring hands-on, local support services are repeated at both sites.

There are 77 staff members representing many areas of expertise, including staff familiar with the Department's business operations. The varied titles include programmers/analysts, data entry machine operators, clerical staff, insurance examiners, auditors/accountants, operators, data communications specialists and systems programmers. This mixture enables Systems to keep pace with swiftly changing technologies, while meeting the complex business needs of the Insurance Department.

The Bureau consists of three units, each encompassing several sections: the Technical Services Unit (TSU), the Applications Services Unit (ASU) and the Financial Services Unit (FSU).

The Financial Services Unit works with applications specific to the handling, processing and analysis of mandated insurer financial statements. The FSU is responsible for the annual statement, supplement and other diskette data-capture projects. These form the Department's integrated financial data base. The Data Entry, Forms Production and Help Center functions also reside within this unit. The FSU assists users with all National Association of Insurance Commissioners (NAIC) and in-house automated financial tools for monitoring insurer solvency, liquidity and profitability. The unit is also responsible for managing the integrated financial general ledger and accounts receivable systems, monitoring over \$270 million in revenue accounts.

The Applications Services Unit develops, enhances, maintains, purchases, supports and customizes applications not under the FSU. These systems support the Department's operations and regulatory requirements. Major applications development initiatives and modifications are made to incorporate changes in the New York State Insurance Laws, rules and regulations and to respond to industry crises. Other projects result from updated business procedures or the need to eliminate inefficient and/or duplicate procedures.

The Technical Services Unit maintains advanced platforms in the mainframe, minicomputer, LAN and microcomputer categories. The TSU is responsible for data base administration, network installation and maintenance, mainframe and minicomputer maintenance, the Info Center, data communications, systems programming, operations and site administration and office automation technology support services.

To provide the necessary mainframe power, we maintain an IBM ES9000/260 that runs VM/ESA. Systems has reached its final configuration on this mainframe, and on its minicomputers. We will devote all future expansion and development work to Local Area Network (LAN) connected microcomputers and servers.

Two Wang VS computers, one located in New York City and one in Albany, are networked to the ES9000. This allows data exchange between systems and access via terminals, workstations and microcomputers. The Wang systems provide word processing, office automation and telecommunications services.

A major Systems' initiative for the Department is to migrate all computer hardware and software to one, unified platform. The traditional Wang and IBM networks are being converted to LANs. Towards that goal, we have created and maintain two Novell NetWare Token Ring (16 megabit) networks. Gateways between the Wang systems and the IBM systems are being used during the transition period. The TSU also supports a wide-area network (WAN), connecting Albany, New York City and remote offices to the LANs.

Major accomplishments for 1994 and future goals for each unit and its work groups are fully described below. But three of the year's initiatives took the entire Bureau's full involvement. They are: participation, as a pilot state, in the NAIC's State Interface Technology Enhancement (SITE) project; implementing Systems Liaison Meetings; and the training effort, both within Systems and throughout the Department. The training is required for the LAN and client/server implementations. Descriptions of these critical projects and 1994 major events follow.

The purpose of the State Interface Technology Enhancement (SITE) Project is to bring the advantages of LAN, client/server technologies to the nation's insurance regulators. In the summer of 1993, seven states were chosen to participate in the pilot project: California, Florida, Michigan, Missouri, New Hampshire, New Jersey and New York. These states were chosen to provide a broad regulatory and technical base to produce and test the various components of the proposed system.

During 1994, full SITE implementation was achieved in New York State. It involved many responsibilities for all of the Bureau's units. Since New York was the only pilot state using Novell networks, the TSU was intensively involved, particularly members of the data communications and LAN products work groups. The TSU helped develop the national platform in use for Novell clients. This is a substantial contribution since this product commands a 75% market share.

The ASU helped in writing and interpreting client/server programs. The FSU was responsible for training, supporting and testing the applications that were developed under the new platform. These units worked closely with the regulatory staff of the Department.

The second goal, the need to maximize use of Systems Liaisons or Contacts, was recognized as a Department initiative. In April, the Bureau Chiefs designated new bureau representatives. There was a need to reach the varying Department clients more directly and disseminate information about the use of technology throughout the Department. The goals of the liaisons were redefined and the meetings proved to be a forum for the dissemination and exchange of ideas and information between each bureau and Systems.

The third initiative was Systems' training effort. Within Systems, training efforts included technical training for LAN and WAN equipment and products, gateway support, Novell Netware, token ring technology and new communications methods. The programmers took, and are continuing, training in client/server application programming tools and techniques.

The entire Department, including Systems, required training for Windows and using Windows-based applications. Over 190 employees were given professional training in the Windows environment this year. More than 90% of the staff is now using Windows.

Work continued on the massive conversion project from Wang WPPlus to MS-Word. Coordinated efforts in training, conversion, purchasing and support have allowed us to convert the majority of the Department's employees to Word. About 75% of the Department now uses Word as their principal word processing package. We plan to phase out WPPlus during 1995. By the end of 1994, at least 265 staff members received Word and Lotus training arranged by Systems.

1. Technical Services Unit (TSU)

During 1994, the Systems Bureau continued to expand its client base, the number of products and services offered, the power and speed of its computing platforms and the scope of its networks. We also eliminated a great deal of obsolete hardware and software.

a. Local Area Network Growth

In 1994, our LAN installation more than doubled in size. This has been a major move toward a user friendly, fully integrated environment with better service at lower cost. At the close of 1994, there were more than 400 LAN nodes representing about 350 user PCs plus printers and other equipment.

We are configured as two LANs connected by a wide-area network. The IBM mainframe is also connected to the network via a gateway. Gateway service to the Wang Systems provides basic E-mail services.

Other TSU milestones reached this year include a complete conversion to intelligent hub technology at the Albany site and its first use at the New York City office. All remaining shielded twisted pair cables were replaced with unshielded twisted pair links. The majority of Department clients have been switched over from 4 MB transmission speeds to 16 MB. The comprehensive cable installation at the Albany site was completed as scheduled. All inter-floor links were converted to fiber optic cable.

A move from Netware 3.11 to Netware 4.0 is scheduled for 1995. This is a major undertaking that will improve both the number of users we can support and system efficiency.

Despite the fact that the Department was unable to upgrade the cables in its New York City office, Systems is still close to its original timetable for connecting to the LAN. The 1994 projection for New York City LAN saturation was 75% by year end. We are 58% LAN converted. Conversion to 100% LAN by mid-1995 is still possible, if issues surrounding relocation of the New York City office are resolved and the cabling project proceeds immediately. Albany is on target, currently being 70% LAN converted. Until cabling is installed, no more than 70% of the New York City office can be LAN connected.

b. CD-ROM Services

Sharing of CD-ROM services is a major advantage of the LAN. Systems is anxious to exploit this technology to eliminate paper and increase productivity. We released, provided training for and supported the following CD-ROM products during 1994:

- the NAIC's Financial Analyst Workbench (FAW);
- a product for calculating automobile book values;
- a reverse phone-book product for frauds investigations;
- a technical support product from Microsoft; and
- valuations of Securities (VOS).

These CD-ROM products, in addition to Lotus OneSource and Insurance Profiles, are used by insurance examiners, actuaries, Consumer Services' examiners and frauds investigators.

c. Imaging

Two pilot projects in the use of optical imaging technology were launched at the end of 1993. These store-and-retrieve projects were for use by the Health and Life Policy Bureau and Office of General Counsel (OGC). The two pilot projects, including equipment purchases, familiarization with and testing of the technology and processes, reached maturity in 1994.

There were 45,000 pages of data scanned and stored for the Policy Forms Project and 60,000 for the OGC Opinion Project. Significant events in 1994 include the first access of images from the LAN; transfer of all scanning functions from Systems to the users; Systems and client staff training; use of oversize image monitors; and updating all Wang machines to the new icon image configuration. Customization work was done during the year pursuant to the users' needs. There were many changes to the data keying and retrieval methods to improve the system. More than 30 stations are now image enabled.

Systems, in partnership with OGC and the Health and Life Policy Bureau, has begun to provide a solution to the Department's long-term records storage and retrieval needs. At the end of 1994, preparatory work began on a project to migrate the imaging data bases to the LAN. This will be a major 1995 strategic goal. After completion of this conversion, Systems will begin to offer imaging to other bureaus.

d. Personal Computers (PCs)

Progress towards PC hardware and software standardization and integration continued during the year. Almost all dumb terminals and PCs with 286 processors have been eliminated. Trade-in agreements for the remaining equipment were negotiated.

Systems upgraded its standard PC platform due to power demands made by new software. Instead of 386SX 16 MHz machines with 4 MB of memory, we moved to 486DX 33 MHz units with 8 MB of memory as the minimum platform. The entire PC fleet will be converted to a 486DX2 66 MHz platform during 1995. Power clients will have 16 MB memories. The minimum disk drive will be 120 MB with the majority of new users receiving 170 to 340 MB drives.

To economically accommodate this demand, the TSU used strip upgrades. This is a process where all usable parts of an older PC (such as memory and drives) are moved to a new, more powerful chassis. There were 40 such upgrades done in 1994 with 200 more arranged for 1995. This will eliminate the entire 386 fleet. In addition to the processor upgrades, many PCs that do not have cache memory will have it added in 1995 along with faster IO controllers.

The laptop fleet is comprised of nearly 180 machines including 78 IBM Thinkpad 750Cs. The remaining units are Zenith Mastersports and GRID laptops. The GRIDs are no longer being repaired and will be replaced by Thinkpads in 1995.

In 1994, Systems, with Administration, formulated a "Microcomputer Security Policy" to prevent PCs from being used for inappropriate purposes. Through the liaison meetings, the Department was informed and forewarned of the policies.

The TSU expanded the use of CopyAlert, a security product that prevents the use of unauthorized software on Insurance Department machines. We are currently loading this product on all LAN configured machines. This supplements the standard security systems and anti-virus products already installed on Department equipment.

e. Networks

New network subscription services were offered to the Department. All services accessible through IBM were consolidated to a network director product. Links to the Honeywell system and unused IBM links were eliminated, as we streamlined the network. Major upgrades were performed to our connections with the State Comptroller's office including using FTP as the principal protocol for this link.

The TSU began work toward using the Internet for accessing data bases at other state agencies. Internet use is a potential large growth area in 1995. Through other networks we currently offer access to the Office of General Services, Department of State, Legislative Bill Drafting, CityNet, Office of State Comptroller, National Insurance Crime Bureau, Lexis/Nexis and the National Association of Insurance Commissioners.

As 1994 ended, Systems replaced the last SNA (SDLC) connected terminals, controllers and printers. The network was reconfigured to take full advantage of the freed resources.

Plans are being developed to install 8650 servers at both sites. These powerful supersavers will enable the migration from all other platforms to the LAN. The 9430 gateway, which provides connectivity between the mainframe and LAN, was upgraded to a 9460 gateway.

2. Financial Information Services Unit

a. Annual Statement Filings

In 1994, the Department's on-line financial data base of over 900 companies was available nine business days after the diskette processing procedures began. This is the shortest time ever taken for constructing the data base. Data was accessible to clients by the second day of processing. This dramatic improvement was the result of 1993's annual statement processing re-engineering initiative. Annual statement filing processes were revised, streamlined and fully automated, or eliminated when possible. A task force was also deployed, assigning additional staff where and when the process needed it.

Timely financial data capture is crucial to the Department's regulatory effort. Reports and manipulation of downloaded data, using annual statement query tools, help all bureaus in the audit, analysis and summarization of annual statement data.

During 1994, the annual statement printing process was reviewed. The FSU determined the process should be bid to acquire a more economical, efficient and technologically advanced vendor. The subsequent contract award resulted in savings of \$18,000 while providing a timely, professional final product.

b. Publications

Systems continued to extract and format all of the data required for several internally and publicly distributed publications. These include the Statistical Tables from Annual Statements and the Directory of Insurance Companies Regulated by the New York State Insurance Department. By effectively using the Department's high-speed laser printers during nonpeak hours, these publications were produced in-house. This controlled output, eliminated storage and excess handling and saved costs by eliminating the commercial vendor. This approach was also applied to producing, rather than outsourcing, the Annual Fire Premium Tax Code Manual, and resulted in a \$3,000 savings to the Department. Over 4,000 copies were distributed.

The FSU provides the Life Insurance and Companies Bureau and the Property Companies Bureau with reports and statistics used in The Annual Report of the Superintendent of Insurance to the New York Legislature. Data is provided for all regulated companies including life, property, health, title, financial guaranty, mortgage guaranty, HMOs, fraternal benefit and charitable annuity societies and pension funds. More than 25 statistical tables are provided, as well as special requests.

c. Help Center

The mission of the Help Center is to provide our users with a single point of contact for supported products and services, assure the highest level of user satisfaction and increase customer self sufficiency.

Due to technological re-engineering efforts, there was an unusually large increase in the new products we installed and support. These changes include a PC-based word processing package, third-party software and CD-ROM services available to LAN users and Department and NAIC client/server applications. These changes resulted in the near doubling of Help Center calls over each of the last two years.

To aid in managing and improving support despite this sudden growth, Systems is currently installing a new Help Center management product. It helps to efficiently and quickly route, track and resolve calls. The Help Center also contracted for an outside service to aid in replying to software product questions while building our Help Center knowledge base.

c. TARIF System (Taxes and Accounts Realtime, Integrated Financial System)

The Taxes and Accounts Unit is responsible for maintaining revenues in excess of \$270 million. Previously, the General Fund, comprised of 22 revenue sources and the four security funds were manually and independently maintained. The general ledger and the accounts receivable systems are now part of the integrated financial system, TARIF. On-line, ad hoc reports, using consistent, consolidated and current information can be created.

While continuing with the general ledger subsystems, much work was done on complying with new legislative mandates. Compliance with the "Chapter 55" Laws was completed in 1994. A dramatic increase in fees and assessments collected has resulted from these changes.

A major undertaking was the inclusion of the Fire Fee subsystem into TARIF. Several interfaces to other Department systems and the generation of customized, on-line transactions and reports were required. The subsystem will be in production for 1995 processing of fire fees.

Future project goals include LAN conversion during 1995 and the eventual incorporation of the Budget, Accounts Payable, Travel and Purchase Order modules.

d. Bar Code Technology

Bar code scanning was used to track the receipt of annual statements for the first time in 1994. This greatly improved statement processing and tracking. New York is the second state to use bar code scanning to automate this labor intensive process.

e. Financial System Support and Training

The FSU provides in-house support and training on the use of financial data base access tools. Support is provided for the Department's query tool and the NAIC's financial subsystems. In both cases, new insurance examiners and professionals are trained by FSU staff through the In-Service Training Program.

3. Applications Services Unit

During 1994, the Applications Services Unit performed system maintenance, enhancement and development activities on approximately 50 mainframe computer application systems and several personal computer application systems. Work continued on the client/server LAN conversion which included training and retraining the staff.

In late 1994, management determined that all new project development will only be in client/server products. LAN and DBA staff have been laying the technical foundation to make this possible. Evaluation of applications development tools in addition to Access and Visual Basic continues.

The ASU released the first major client/server project developed in Access to track rejected license applications. The project required the combined resources of the applications programmers, data base administrators, systems programmers and site administrators.

During the year, Systems forged a partnership with the new Frauds Bureau's administration. The following project descriptions, participated in by the ASU, TSU and FSU, illustrate the successful use of enabling technologies and applications development.

Two on-site demonstrations of the National Insurance Crime Bureau's data base was provided for all investigators and examiners. Access was then given to all approved employees.

Data communications set up connections to several outside data services, as well as to the New York City Parking Violations Bureau's data base, Stars. Systems worked with the Office of General Services, Citynet and the Parking Violations Bureau to gain technical access to Stars. Frauds personnel completed the authorization approvals.

A CD-ROM Reverse telephone-book product, which instantly provides investigators with the latest information for their investigations, was installed by Systems. Training was also provided.

In addition to these powerful information technology tools, two new automated systems were developed by the ASU. The Frauds Investigation Tracking System monitors the status of each investigation and includes case data. This includes fines imposed by Section 403 of the Insurance Law, referrals and arrest totals.

The second system, Frauds Suspect Tracking, keeps track of individuals suspected of committing insurance frauds. The system processes reference information from approximately 12,000 annual reports. In addition, automated several clerical tasks and reduced administrative paperwork. The system includes both data entry and search functions.

Together, these two systems improve workflow processes and assist in the early detection and prevention of insurance fraud.

New initiatives and major modifications completed in other application areas are:

The complaint portion of the **Consumer Services Bureau Information System** provides on-line access to consumer complaints, inquiries and referral cases. On an annual basis, this system handles about 32,000 complaints.

This system was modified to facilitate collection and transmission of closed complaint information to the National Association of Insurance Commissioners' nation-wide Complaint Database System.

Several steps were taken to consolidate the complaint data base and respond to new rules and regulations. These include unification of the Albany and New York City insurer files, search screen modifications and the consolidation of Albany and New York City dispute letter generation. Additional modifications were made to accommodate new lines for gap insurance (Sections 3427 and 1113(a) 26) and dispute codes for community rating.

The **Corporate Affairs Data Base** is the central repository for administrative information concerning insurance companies doing business in New York State. It provides on-line access to insurer names, lines of business, state of domicile, addresses, company history, closed and filed complaints, examinations, financial holdings and status. Major modifications were made to this System due to 1994 regulation changes.

The **Licensing Data Base System** was developed to support legislation mandating periodic renewal of agents' licenses. The System maintains information for each agent, including business and/or residence address, qualifications, company affiliations and any disciplinary action taken.

Some of the manual tasks automated by this System include acceptance of examination results electronically and the automatic incorporation of licensing information onto renewal applications. It has also helped Licensing to streamline and consolidate some functions.

Due to several legislative mandates and regulation changes, the System was modified to include cash sheets, licensing fee tracking, satellite office filings (Section 2129), reinsurance licenses, fees for returned checks, two year licenses and a new class of license for viatical settlement brokers.

The **Property Bureau Tracking System** allows the user to access, through a variety of search keys, both open and closed items that have been assigned to bureau staff. It also generates a series of management reports. This system underwent extensive revisions to automate several key functions.

The sophisticated **Property & Casualty No-Fault Unit Information System** provides tracking, status, automatic letter generation and management report capabilities for no-fault arbitration requests. It also automatically generates bills to self-insurers and others for fees as required by Regulation 68. This System was modified to include an automatic transfer of financial information to the Taxes and Accounts Realtime, Interactive Financial System (TARIF).

An electronic transfer facility was added to the **No-Fault Arbitration System**. The facility transfers and receives arbitration case information between the Department and the American Arbitration Association (AAA). Since its implementation, this facility has saved the Department a significant amount in postage costs, handling and printing time and clerical work.

The **Property & Casualty Liability Availability Survey System** was developed to automate a manual process that complied with provisions of Section 308 of the Insurance Law. It utilizes OCR (Optical Character Recognition) scanning technology and is used to help organizations and individuals find appropriate coverage. It is also a helpful tool in the Department's analysis of constricted conditions for types of coverage and/or types of risk.

4. NAIC Involvement

a. Task Force/Working Group Participation

The Systems Bureau represented the Department on various NAIC task forces and working groups during 1994, for example:

- the Audit Software Working Group of the Examination Oversight (EX4) Task Force;
- the (EX) Special Committee on Information Systems and the following working groups thereunder;
 - the Systems Strategic Planning Working Group (determining the best short- and long-term plans for the architecture of the NAIC/State interface) and its two subgroups:
 - the State Interface Technology Enhancement Subgroup - S.I.T.E. (determining the technical approach to enhance information technology provided to the states); and
 - the State Insurance Regulation Interface Modeling Subgroup -S.I.R.I.M. (defining the model of a state insurance department so interfaces between and among the NAIC, the states and the industry can be facilitated).
 - the Producer Database Working Group (developing a national producer data base, exploring the viability of national licensing, and the clearinghouse concept for Continuing Education).
 - the Filing Submissions Working Group (seeking ways to expedite and facilitate the transfer of rate and form filings and correspondence among industry and regulators). The current initiative is the System for Electronic Rate and Form Filing (SERFF).

During 1994, New York was Chair of the following working groups under the (EX) Special Committee on Information Systems:

- the Data Capture Working Group (responsible for diskette specifications and crosschecks for the annual and quarterly statement project and various other data collection initiatives);

- the Filing Performance Working Group (developing objective criteria to evaluate the quality of an insurer's filing with the goal of improving the timeliness, accuracy and completeness of filings); and
- the Group Code Working Group (defining the group code to facilitate consistency in data base usage). This group completed its charges during 1994 and received approval to be dissolved.

Systems prepared and presented several proposals to the Blanks (EX4) Task Force. We chaired the Blanks (EX4) Printing Standards Working Group, the Blanks (EX4) Annual Statement Instructions Working Group, and the Blanks (EX4) Standard Reporting Format Working Group (trying to combine/streamline state specific reporting forms required as part of the annual statement filing process), and served on the Blanks (EX4) Blanks Procedures Working Group (strengthened and clarified the procedures involving submission of proposals to change the annual and quarterly statement blanks).

J. Motor Vehicle Accident Indemnification Corporation

The Motor Vehicle Accident Indemnification Corporation (MVAIC) was originally created to provide compensation for injuries to persons who, without fault on their part, were involved in accidents caused by hit-and-run drivers, operators of stolen vehicles or uninsured motorists. This law became effective on January 1, 1959. The tort law has since been amended so that comparative negligence is now the law of the State of New York. In that respect, MVAIC's obligations to provide compensation have been changed.

Chapter 665 of the Laws of 1979 increased the Corporation's coverage in death actions from the former \$10,000/\$20,000 limits to \$50,000/\$100,000 limits. The bodily injury coverage of \$10,000/\$20,000 remains unchanged. This law became effective December 1, 1979. Assessments covering the cost of MVAIC administration and claims are levied against all insurers licensed to write motor vehicle liability insurance in New York State in proportion to each insurer's share of net auto liability premiums in the State.

During 1994, MVAIC opened 4,471 new files. A total of 3,588 cases were settled with payment in 1994 at an average cost per claim of \$6,474. In 1992 and 1993, the average settlement per claim was \$9,072, and \$7,389, respectively. An additional 1,476 cases were closed without payment for various reasons, including the discovery of applicable automobile insurance, the abandonment of claims, and findings that MVAIC was not liable. The number of pending claims at the close of 1994 was 11,791, an increase of 219 from the prior year.

Qualified claimants (persons who are residents of the State of New York or of another state that has a similar program, and who do not own automobiles or are not resident relatives in a household where there is an insured vehicle) receive maximum benefits under the no-fault law. Legislation enacted in 1965 provided that insured cases would be processed and covered by the insurance company that had issued the Uninsured Motorists Endorsement on policies as of July 1, 1965. The insured cases have now phased out completely.

As a result of the enactment of Section 5221 of the Insurance Law effective December 1, 1977, the Corporation also became involved in the payment of no-fault, first-party benefits as of that date. It should be noted that the Corporation must provide for the payment of such first-party benefits only to qualified persons who have complied with all the applicable requirements of Article 52 of the Insurance Law. Amendment 19 to Regulation 68, effective September 1, 1985, permits MVAIC to arbitrate no-fault cases, thus eliminating the necessity of commencing Declaratory Judgment Actions in unresolved coverage questions. It is estimated that this Amendment will save the Corporation approximately \$300,000 in legal fees yearly.

The law provided that the Board of Directors submit no later than October 1, 1977 a Plan of Operation to the Superintendent of Insurance for approval. The Plan was filed and approved. The Plan of Operation has since been revised. The new Plan was approved by the New York State Insurance Department and became effective July 18, 1989.

Effective November 13, 1991, the no-fault law was amended to increase the maximum monthly lost earnings from \$1,000 to \$2,000. This will definitely have an impact on the yearly no-fault payments.

Effective January 1, 1982, Section 5221(b) 2 and 4 of the Insurance Law was amended so that qualified persons who are in compliance with the requirements are deemed to be covered persons. No payment for noneconomic loss shall be made to covered persons unless such persons have incurred a serious injury as defined by Section 510(d) of the Insurance Law.

The Corporation is funded through levies on insurance companies transacting automobile liability insurance in the State of New York in accordance with Section 5207 of the Insurance Law.

Other sources of funds include fees collected from self-insurers by the New York State Department of Motor Vehicles under Section 316 and Section 370-4 of the Vehicle and Traffic Law, as well as investment income and subrogation recoveries.

Table 59
Sources of Funds
Motor Vehicle Accident Indemnification Corporation
1992-1994

Source	1994	1993	1992
Net assessments	\$30,000,000	\$30,000,000	\$30,500,000
Self-insurers' fees	105,525	114,845	109,535
Investment income & profit	2,675,300	4,591,942	3,819,408
Subrogation recoveries	<u>4,208,133</u>	<u>3,287,986</u>	<u>2,360,228</u>
TOTAL	\$36,988,958	\$37,994,773	\$36,789,171

Table 60
Transactions
Motor Vehicle Accident Indemnification Corporation
1992-1994

Transactions	1994	1993	1992
<u>Number of Cases</u>			
Pending at beginning of year	12,010	10,911	9,027
Total opened cases	4,845	6,005	5,363
Reported qualified	-0-	-0-	-0-
Reported tort and no-fault ^a	4,471	5,762	5,105
Reopened ^a	374	243	258
Total closed cases ^a	5,064	4,906	3,479
Cases closed without payment	1,476	1,773	1,208
Settled cases with payment	3,588	3,133	2,271
Qualified persons	-0-	1	1
No-fault and tort	3,588	3,132	2,270
Pending at end of year ^a	11,791	12,010	10,911
<u>Payments of Settled Claims</u>			
Payments to claimants	\$24,167,020	\$25,940,296	\$24,498,424
Qualified persons	-0-	3,000	4,500
No-fault tort	24,167,020	25,937,296	24,493,924
Allocated claims expense ^b	3,901,816	3,747,823	3,119,615
<u>Reserves Year End (in 000s)</u>			
Total reserves ^c	\$53,028	\$50,590	\$51,483
On pending claims	35,294	34,798	34,150
On claims-IBNR	14,355	12,555	14,052
Special expense reserve	3,026	2,889	2,940
On unallocated claim expense	353	348	341

^a Most claims count as one case for BI or tort and one case for no-fault PIP.

^b The Corporation also expended \$3,632,543 in 1994, \$3,681,927 in 1993 and \$3,106,843 in 1992 for operations and maintenance (unallocated expenses).

^c Surplus was \$10,709,312 at year-end 1994, \$7,807,855 at year-end 1993 and \$2,290,747 at year-end 1992.

Source: Motor Vehicle Accident Indemnification Corporation

The following table distributes, by type of case, the 4,471 claims newly reported during 1994. The uninsured New York automobile driver represents 63.54% of the total reported cases compared with 66.90% for the previous year, a decrease of 3.36 percentage points.

Table 61
NEWLY REPORTED CASES BY TYPE
Motor Vehicle Accident Indemnification Corporation
1994

Types of Case ^a	Number of Claimants	Percent of Total
Total qualified, ^b no-fault PIP	4,471	100.00%
Uninsured out-of-state automobiles	221	4.94
Uninsured hit-and-run drivers	1,313	29.37
Uninsured New York automobiles	2,841	63.54
Stolen automobiles	45	1.01
Automobiles operated without consent of owners	3	0.07
Insured automobiles where the insurance is inapplicable to the accident	34	0.76
Unregistered automobiles	14	0.31

^a This classification of case by type is made at the time claim is received. On subsequent investigation, a large portion of these cases is closed without payment while others are reclassified because the initial determination was not supported by the facts.

^b The Statute of Limitations on qualified cases has now run; consequently no such cases were reported in 1994. However, payments to claimants from previously reported cases continued. As of December 1, 1977, MVAIC has been involved in no-fault. When both tort and PIP are involved, a separate claim count is established for each.

Source: Motor Vehicle Accident Indemnification Corporation

The following table distributes, by type of case, those cases settled with payment in 1994 and provides the amount paid. Unidentified hit-and-run drivers while representing only 34.92% of all cases, accounted for 46.25% of the total amount paid. This is attributable to the large proportion of these cases involving pedestrians in which the incidence of severe injuries and fatalities is relatively high.

Table 62
SETTLED CASES WITH PAYMENT BY TYPE
Motor Vehicle Accident Indemnification Corporation
1994

(dollar amounts in thousands)

<u>Type of Case</u>	<u>Number of Claimants</u>	<u>Percent of Total</u>	<u>Amount Paid*</u>	<u>Percent of Total</u>
Total	3,588	100.00%	\$24,167	100.00%
Uninsured out-of-state	153	4.26	1,147	4.75
Unidentified hit/run	1,253	34.92	11,177	46.25
Uninsured New York automobiles	2,100	58.53	11,266	46.62
Stolen automobiles	31	0.86	254	1.05
Automobiles operated without consent of owners	0	0.00	0	0.00
Insured automobiles where the insurance is inapplicable to the accident	10	0.28	83	0.34
Unregistered automobiles	41	1.14	240	0.99

* Includes PIP partial payments. Excludes subrogation received on cases previously settled and allocated loss adjustment expense.

Source: Motor Vehicle Accident Indemnification Corporation

II. LEGISLATION ENACTED, REGULATIONS PROMULGATED AND
CIRCULAR LETTERS ISSUED IN 1994

A. INSURANCE LEGISLATION ENACTED

1. Amendments to the Insurance Law

Part 1 of this summary covers 27 bills amending the Insurance Law that have been enacted at the 1994 regular Session. Where a bill amended other laws as well, provisions of interest are noted. Part 2 of the 1994 summary covers amendments to laws other than the Insurance Law. These brief descriptions of the laws are intended only to provide highlights of the legislation and should under no circumstances be used in place of the full text of the law or regarded as interpretation of legislative intent or of Insurance Department policy.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
107 339 New 1101 1113 2305 3427	1	1-31-94	1-31-94, generally but see the statute for details.	A.9071-A S. Print 21006	Rules
4101 4102 4103 4107 4108 6102 7603	2	2-1-94	2-1-94, and shall be retroactive to 1-31-94, but see the statute for details.	S.6584	Rules

Banking Law

9-0 Renumbered 9-P

9-q New

9-r New

14-f New

108

212

213

228 Renumbered 227-a

228-a Renumbered 227-b

228-b Renumbered 227-c

228-c

Article 5D (228-a to 228-f) New

491

577

General

Business Law

198-b

396-q

396-z

520-c New

General

Obligations Law

5-327

5-328

5-702

Personal

Property Law

301

302

302-A

Article 9A (330-353) New

331

335

341

343

401

402-B New

403

413

Vehicle & Traffic Law

415

Laws of 1994

Chapter 1

Laws of 1992

Chapter 5

Laws of 1989

Chapter 60

Laws of 1987

Chapter 564

Chapter 548

Chapter 200

Laws of 1980

Chapter 883

Amends the Insurance Law in relation to authorizing the writing of "gap insurance."

Enacts the Omnibus Consumer Protection and Banking Deregulation Act of 1994.

Also amends the Banking Law in relation to establishing basic banking services, providing for small-business and small-farm loan disclosure requirements, prohibiting geographic discrimination, creating a small business investment company and a specialized small business investment company, and the New York Business Development Corporation. In addition, amends the Banking Law in relation to insurance premium financing.

Also amends the Personal Property Law in relation to the definitions of retail installment contracts, cash sale price, goods and services, the retail leasing of motor vehicles, the inclusion of limited powers of attorney, and acceleration provisions in retail installment contracts or obligations.

Also amends the Banking Law, the Personal Property Law and the General Business Law in relation to retail installment credit agreements and the charges applicable to consumer credit transactions.

The provisions relating to gap insurance are as follows:

The Insurance Law is amended to authorize "gap insurance" as a new kind of coverage and to require that rates and forms for this coverage be subject to prior approval. Includes the following eight kinds under the definition of gap insurance:

- motor vehicle lessor gap insurance;
- motor vehicle lender gap insurance;
- non-motor vehicle lessor gap insurance;
- non-motor vehicle lender gap insurance;
- motor vehicle lessee gap insurance;
- motor vehicle borrower gap insurance;
- non-motor vehicle lessee gap insurance; and
- non-motor vehicle borrower gap insurance.

Section 107(a) is amended by adding a new paragraph 52 to define "gap insurance."

Section 1101(b)(1) is amended to include a new paragraph (3) which provides that an agreement or waiver of an obligation is not insurance if the charge to the lessee or borrower for the waiver does not exceed the cost of the lessor or lender gap insurance coverage. The waiver applies only in the event of a total loss of the leased property occasioned by its theft or physical damage.

Section 1113(a) is amended by adding a new paragraph 26 to define gap insurance as insurance covering the gap amount that is payable upon the total loss of personal property that is the subject of a lease or loan and occasioned by its theft or physical damage.

Section 2305(b) is amended to make gap insurance subject to prior approval.

A new Section 3427 is added to regulate cancellation and renewal of gap insurance. A covered policy of gap insurance shall generally be subject to all the provisions of Section 3426 of the Insurance Law except that the provisions of Section 3425 and 3426 shall not apply to a covered policy of lessee gap insurance.

The Superintendent may prescribe by regulation minimum policy provisions for gap insurance that the Superintendent deems to be necessary or appropriate for lessor gap insurance, lender gap insurance, lessee gap insurance and borrower gap insurance contracts or policies.

Section 4101(b) is amended to describe gap insurance as a non-basic kind of insurance. Sections 4102, 4103, 4107, 4108 and 6102 are amended to set forth financial requirements for issuing gap insurance policies.

Section 7603(a) is amended to include specified gap insurance policies as being protected by the Property/Casualty Insurance Security Fund.

A new Section 339 is added to require a report on gap insurance no later than May 1, 1996.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
319	303	7-20-94	9-1-94	S.2774	Sen. Solomon

Amends Section 319(d) to provide that an insurer shall have the right to request relevant information from law enforcement agencies and that the insurer shall also have the right to receive the information within a period not to exceed 30 days "after the receipt of such request."

Also provides that this section shall confer no substantive or procedural rights on a defendant in a criminal action, proceeding or prosecution.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
1112	60	4-11-94	4-1-94, but as respects Section 1112 will expire 3-31-95.	S.7456	Rules (Budget Bill)
<u>Correction</u> <u>Law</u> 2 24 851					

Laws of 1994
Chapter 50

Laws of 1992
Chapter 55

Laws of 1958
Chapter 989

Adds a new subsection (d) and renumbers subsection (d) as (e) of Section 1112 to require retaliation against any state that retaliates against New York because of a loss of accreditation by the National Association of Insurance Commissioners.

Imposes requirements for the operation of State government including that funds appropriated to the Departments of: Audit and Control for management audits of health service corporations; Civil Service for investigations of health maintenance organizations; and for law investigations of fraud shall not be expended without the concurrence of the Superintendent of Insurance.

Amends the Correction Law to regulate work release programs.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
1113	190	6-20-94	6-20-94	S.7042-A	Sen. Larkin Sen. Saland

Amends Section 1113(a)(17) to amend the definition of "credit insurance" to include indemnifying an adoptive parent for verifiable expenses not prohibited under the law paid to or on behalf of the birth mother when either one or both of the birth parents of the child withdraw or withhold their consent to adoption.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
2133	77	5-2-94	11-1-94	S.6890	Sen. Velella

Amends Section 2133 of the Insurance Law to make a technical amendment to the past provisions concerning forged insurance identification cards and imposes penalties upon an individual who uses or possesses a forged motor vehicle insurance identification card with knowledge that such card does not represent an owner's policy of liability insurance or a financial security bond.

Adds a reference in the prohibition to a person who "uses" a forged identification card for a motor vehicle, with knowledge that the card does not represent the owner's policy of liability insurance or a financial security bond. Past law referred only to the possession or transfer of the card.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
2336	335	7-20-94	8-19-94	S.6859-B	Sen. Velella

Amends Section 2336(f) to set forth technical standards for window glass etching performed in order to qualify for a comprehensive premium discount for noncommercial private passenger automobiles.

After setting forth extremely detailed standards for etching, provides that the insurer shall not be relieved from continuing to provide discounts for etching installed on window glass prior to the effective date of this act, notwithstanding any departure of such etchings from the standards set forth in the act.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
2346	454	7-20-94	7-20-94	A.9919-A S. Print 21108	Mr. Tonko

Amends Section 2346(1) to authorize the Superintendent of Insurance to provide for a reduction in the rates of fire insurance policies or the fire insurance component of homeowners insurance policies for residential real property equipped with "approved sprinkler systems."

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3203 3209 4221	251	7-6-94	7-6-94	S.7865	Sen. DeFrancisco

Provides that, to the extent necessary to preserve federal income tax benefits for owners, Section 3203(a)(8) and Section 4221 are not applicable to life insurance policies that qualify for special tax treatment under Section 403(b) of the Internal Revenue Code. In addition, Section 3209 requires that a written notice regarding the appropriateness of purchasing this type of insurance policy be delivered to a proposed insured at or prior to the time an application is taken.

Section 403(b) of the Internal Revenue Code provides that an employee of a Section 501(c)(3) organization or a public school system can exclude from gross income, within limits, the premiums paid on a tax sheltered annuity contract and can, for federal tax purposes, defer income tax recognition on the increased amount of the contract's value until distribution. However, in order to qualify for the favorable tax treatment the policyholder rights to cash values and policy loans are restricted.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3203 3211	714	8-2-94	1-1-95	A.12112	Rules

Adds new paragraphs 15, 16, and 17 to Section 3203(a) to require life insurers to inform insureds that dividends and additional interest amounts are not guaranteed and to specify the minimum guaranteed interest rate. Section 3211(g) is amended to require life insurers to inform insureds of a right to receive an updated policy illustration.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3216 3221 4235 4305	344	7-20-94	9-1-94	S.6899-B	Sen. Daly, et al.

Workers'
Comp. Law
217

Amends Section 4305(c)(2) to require that, when not-for-profit corporations such as Blue Cross and Blue Shield plans and HMOs terminate coverage under a group contract due to a dependent spouse or group member attaining the age of first eligibility for Medicare benefits, notice of termination of coverage must be mailed first class by the corporation or HMO.

Amends Sections 4305(d)(3) and 4305(e)(2)(A) to require that a group member be provided with written notice of the right to convert to an individual conversion policy mailed first class.

Amends Sections 3216(c)(4)(B) and 4235(f)(3) to require that commercial insurers writing accident and health insurance policies provide the same written notice of termination of coverage by first class mail as is required for not-for-profit corporations.

Amends Section 3216(d)(1)(C) to require that where a commercial insurer reserves the right to refuse renewal of an individual accident and health insurance policy written notice of the insurer's intention to nonrenew the policy must be delivered to the insured or mailed by first class mail.

Amends Section 3216(d)(2)(H) to require that where a commercial insurer reserves the right to cancel an individual accident and health insurance policy within the first 90 days after the date of issue written notice of cancellation must be delivered to the insured or mailed to his last known address by first class mail.

Amends Section 3221(e)(8)(B) and 3221(m)(2)(A) to require that commercial insurers writing group accident and health insurance policies provide the same written notice of a conversion privilege by first class mail as is required for not-for-profit corporations.

Amends Section 217(6) of the Workers' Compensation Law to require that in the event that a claim for statutory disability benefits is rejected, the insurance carrier or employer must mail written notice of rejection to the claimant by first class mail.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3420	425	7-20-94	10-18-94	A.825-A	Ms. Pheffer, Mr. Colman, et al.

Amends Section 3420(f)(2) to provide that in addition to the notice provided upon issuance of a policy of motor vehicle liability insurance, thereafter at least once each year insurers shall notify insureds in writing, of the availability of supplementary uninsured motorists insurance. Also requires that the notification contain an explanation of what supplementary uninsured motorists insurance is and the amounts in which it can be purchased.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3425	683	8-2-94	8-2-94	A.11427-A	Rules/ Mr. Weisenberg

Amends Section 3425 to authorize the Superintendent to suspend or modify the cancellation and nonrenewal provisions and limitations for private passenger motor vehicle insurance and personal lines insurance in any area of the State that has been declared to be in a state of emergency due to a disaster or catastrophe. (Part of 1994 Insurance Department Proposal #8)

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3435 3442 New	19	3-21-94	5-20-94, but see statute.	A.6289-B	Mr. Grannis, Mr. Leibell

Amends Section 3435(c) to add financial guaranty insurance to the list of kinds of insurance not permitted to be written on a group basis.

Adds new Section 3442 to authorize the issuance of group property/casualty policies to a commercial creditor that extends credit as part of its vocation.

The policy would cover as group members the authorized users of cards or checking accounts for specific coverages including: 1) physical loss of or damage to personal property purchased with the cards or by check; 2) extended warranty coverage for personal property purchased with the cards or by check; 3) baggage in transit; 4) loss of, damage to or loss of use of motor vehicles rented or leased with credit or debit cards or paid by check; 5) loss of, damage to or loss of use of personal property occurring in connection with the use of rented or leased motor vehicles; and 6) losses to employers incurred in connection with the unauthorized use of a payment medium.

Existing cancellation and nonrenewal provisions of the Insurance Law would not apply to these group policies, but new subsection (n) sets forth requirements applicable to termination of coverage.

Section 3442 shall cease to be of any force or effect after December 31, 1998 and at such time shall be deemed to be repealed, and provided further that in regard to any policy issued, such section shall remain in effect for the remainder of the policy term. (Insurance Department Proposal #11 for 1993)

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3435-a	337	7-20-94	9-18-94	S.6776-A	Sen. Cook, Sen Velella

Amends Section 3435-a to add a provision that insurers shall be prohibited from refusing to renew an existing motor vehicle liability insurance policy solely upon the basis of the named insured having reached 60 years of age and shall be prohibited for the purpose of policy renewal from requesting a physical examination or medical questionnaire solely on the basis of the named insured having reached 60 years of age unless such decision is based on sound underwriting and actuarial principles reasonably related to actual or anticipated loss experience.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
3444 New	586	7-26-94	1-22-95, except that all actions necessary to prepare for the implementa- tion of this act shall be taken prior to such date.	A.9926-D	Mr. Christensen

Adds a new Section 3444 relating to a prescribed flood insurance notice. Requires that insurers provide a clear and plain notice to their homeowners and dwelling fire personal lines insureds, advising them that such policies do not provide coverage for loss caused by mudslide or flood, and that such coverage is available under a separate policy issued in accordance with the National Flood Insurance Program.

The notice will be prescribed by the Superintendent and provided upon the first renewal of such policies after the effective date of the legislation, and to all newly issued policies on and after such date.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
4113	199	6-20-94	6-20-94	A.9781	Mr. McEneny, Mr. Grannis

Amends Section 4113(d) to permit a mutual property/casualty insurance company whose membership is limited to hospitals to issue nonassessable policies subject to the approval of the Superintendent of Insurance.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
4224	713	8-2-94	1-1-95	A.12109-A	Rules

Adds a new paragraph 2 to Section 4224(a) to prohibit life insurance companies from refusing to issue or continue life insurance and from limiting the amount, extent or kind of coverage or charging a different rate for the same coverage, based solely upon the mental or physical disability or disease, or history thereof of the insured or potential insured. An exception is provided where the decision to refuse or limit coverage or differentiate in rate is permitted by law or regulation and is based on sound actuarial principles or is related to actual or reasonably anticipated experience.

Also adds a new paragraph 2 to Section 4224(b) to impose on insurers writing accident and health insurance the same prohibitions and requirements described in the preceding paragraph for life insurance companies.

The legislation does not affect coverage subject to the community rating and open enrollment requirements of Chapter 501 of the Laws of 1992 (*i.e.*, individual and small group accident and health insurance) since Chapter 501 generally prohibits insurers from any discrimination based upon the age, sex, health status or occupation of an individual. The legislation does, however, apply to accident and health coverage not subject to Chapter 501, such as disability income insurance, limited benefits hospital and surgical indemnity coverage with specific dollar amounts, accident only coverage, *etc.*

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
4235 Sen. Tully,		66	4-18-94	4-18-94	S.7459-A
<u>General</u> <u>Municipal Law</u> 854 858 859-b New 862-a New			generally, but see the statute for details.'		Sen. Marino, et al.

Public Health Law

4601

4602

4604-a New

4606

4608

4610

4623

Amends Section 4235(c)(1) to include life care communities within the definition of permissible groups. This amendment permits a group insurance policy covering at least 50% of the residents of a life care community to be issued.

Amends subdivision 8 of Section 4601(8) of the Public Health Law by expanding the definition of life care contract to include a contract where all or part of a life care community resident's nursing home or home care services are paid for by a long-term care insurance policy approved by the Superintendent. The definition is also expanded to include any agreement by which a resident or prospective resident agrees that all or a portion of the funds held in escrow may be applied toward the financing or purchase of the life care community.

Amends Section 4602(2) of the Public Health Law to expand the powers and duties of the Life Care Community Council to include review and approval or rejection of applications by life care community operators to use escrowed entrance fees to assist in financing the construction or purchase of a proposed life care community and to review and approve or reject any proposed financing of life care communities by industrial development agencies (IDAs).

Adds a new Section 4604-a to the Public Health Law to regulate financing through an industrial development agency. No person seeking financing in connection with a life care community through an industrial development agency may undertake such financing without prior approval of the Life Care Community Council. The Council may request technical assistance from any State agency or State public authority in performing its functions, and State agencies or public authorities must provide such assistance.

Amends Sections 4606(1), 4608(8) and 4610(6) of the Public Health Law to regulate the use of any fees and charges in connection with the contract including entrance fees.

Amends Section 4623 of the Public Health Law to expand the types of long-term care insurance contracts that may be used to pay for all or part of a resident's nursing home or home care services to include any acceptable group or individual long-term care insurance coverage approved by the Superintendent and the Life Care Community Council in connection with the application for a Certificate of Authority. The Council, in consultation with the Superintendent of Insurance, must provide for adequate disclosure to residents of their options, rights and obligations under any such arrangement, and further provides that the Council in consultation with the Superintendent shall establish standards for the remittance and collection of premiums and monthly care fees.

Amends Section 854(4) of the General Municipal Law to include a life care community within the definition of "project" that qualifies for financial assistance by IDAs and limits the agencies that can provide such assistance to those created for the benefit of a county and to the agency created for the benefit of the City of New York. Makes conforming amendments to other sections of the General Municipal Law.

Requires reports to be prepared by the Life Care Community Council to the Governor and the Legislature by September 30, 1995 on the advisability of authorizing the development and financing of alternative models of continuing care communities. Requires that the Council in consultation with the Departments of Economic Development, Insurance, Health and the Division of the Budget prepare a report by January 15, 2000, to the Governor and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee on the financing of life care communities in New York State.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
4240	14	3-21-94	3-21-94	S.5518-B	Sen. Velella

Repeals Section 4240(b) of the Insurance Law pertaining to special contingency reserve funds by certain life insurers engaged in a separate account business. These funds represent a segregation of surplus and are not regarded as providing any meaningful protection to policyholders.

Amends paragraphs 1 and 3 of Section 4240(d) to modify and clarify when certain provisions of the Insurance Law do not apply to variable annuities and variable life insurance, as for example the nonforfeiture provisions of Section 4223 for individual annuities and Section 4221 for individual life.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
4308 4312	355	7-20-94	7-20-94	S.7195-A	Sen. Velella, Sen. Tully, Sen. Sears

Amends Section 4308(c)(3) to provide that for a corporation writing more than \$3 billion in premiums and whose service territory is greater than ten counties, the notice of public hearing is to be published in at least one newspaper having general circulation in each county in the service territory where persons are affected by the proposed change. Also makes a change in the date that may be specified for the holding of the hearing.

Further provides that for the corporations described above, the notice of hearing shall also state the changes proposed, the contracts to be affected and the time when such changes would take effect, as well as a toll-free telephone number at the Insurance Department that may be contacted for additional information on the rate application.

Also requires a re-hearing if, subsequent to the hearing and prior to the issuing of the Superintendent's written decision on the rate increase request, a corporation increases its rate request for any contract by 2% or more.

Amends Section 4312(a) to authorize Article 43 corporations to employ solicitors or accept business from agents and brokers on a commission basis, but provides that all solicitors shall be paid on a salary basis only. Commissions shall be included in the corporation's rate manual and rate filings and commissions payable by health maintenance organizations shall continue to be subject to existing regulations governing commissions payable by such organizations.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
Article 47 New (4701-4714)	689	8-2-94	10-31-94, but see the statute for details.	A.11724	Rules

Adds a new Article 47 entitled "Municipal Cooperative Health Benefit Plans" to the Insurance Law to establish a system of authorization and regulation of municipal cooperative health benefit plans in this State, in order to assure that such plans are operated on an actuarially sound basis with appropriate financial and other standards to protect plan participants and local taxpayers and to promote fair competition.

Sections 4701 and 4702 set forth the legislative findings and definitions, respectively.

Section 4703 identifies information and materials that are parts of the application for a Certificate of Authority.

Section 4704 lists the conditions for issuance of a Certificate of Authority, including minimum size and composition requirements.

Section 4705 specifies the requirements for a valid municipal cooperation agreement addressing eligibility, participation, disclosure, reporting, governance and administration of the municipal cooperative health benefit plan.

Section 4706 provides the authority to establish joint reserve funds for the municipal cooperative health benefit plan and specifies minimum reserve and surplus requirements as well as investment, accounting and reporting requirements applicable to the plan's reserve fund and surplus account.

Section 4707 specifies maximum retention levels and stop-loss requirements and describes the circumstances under which the Superintendent can waive the stop-loss requirement or modify stop-loss retention levels.

Section 4708 identifies the documents in which the contingent assessment liability of participating municipal corporations must be disclosed and describes when an assessment order would be made and how the assessment amount for each municipal corporation would be determined.

Section 4709 requires the delivery of the plan document and summary plan description to participating municipal corporations and plan participants with appropriate disclosures, and subjects the summary plan description to regulation as if it were a health insurance subscriber certificate.

Section 4710 sets forth additional filing and reporting requirements, including the requirement for an annual independent financial audit statement, an independent actuarial opinion, and quarterly financial reports. Section 4710 requires that the annual report be furnished to the Superintendent and participating municipal corporations, and made available to covered employees and retirees.

Section 4711 permits the Superintendent to examine the affairs of the municipal cooperative health benefit plan and exercise the powers set forth in Article 3 of the Insurance Law as often as deemed necessary but generally not less than once every three years.

Section 4712 describes the circumstances and conditions under which the Superintendent may suspend or revoke a Certificate of Authority of a municipal cooperative health benefit plan.

Section 4713 provides for plan dissolution by requiring the governing board of the municipal cooperative to submit a plan for winding up the affairs of a terminating plan and by permitting the Superintendent to maintain a proceeding under Article 74 of the Insurance Law to rehabilitate or liquidate the business of a municipal cooperative health benefit plan.

Section 4714 permits a five year phase-in of reserve and surplus requirements for municipal cooperatives that provided medical, surgical or hospital services on or before January 1, 1993 pursuant to a municipal cooperation agreement authorized under the General Municipal Law.

The summary plan description required by Section 4709 shall not be subject to regulation by the Superintendent until the first plan year commencing on or after January 1, 1995. Certain municipal cooperatives may continue to use a gender rule rather than birthday rule for up to five years to coordinate benefits for dependent children of covered employees.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
5502	223	7-1-94	7-1-94	A.11973-A	Rules

Laws of 1986
Chapter 266

Amends Section 5502(c) to extend the authority of the Medical Malpractice Insurance Association (MMIA) to issue policies for one year, until June 30, 1995.

Amends Section 18 of Chapter 266 of the Laws of 1986 to extend the excess medical malpractice program for one year, until June 30, 1995, and to authorize insurers issuing primary policies of medical malpractice, that receive permission from the Superintendent of Insurance, to issue policies of excess medical malpractice insurance for their insureds who were either previously insured for such excess coverage by MMIA or had not requested the excess coverage.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
6501	113	5-24-94	5-24-94	A.9984	Mr. Sidikman Mr. Grannis

Amends Section 6501(c)(1) to raise the maximum loan-to-value ratio to qualify for mortgage guaranty insurance from 95% to 97%.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
6501 6503	661	8-2-94	8-2-94	A.9219	Mr. Kaufman

Section 6501(c)(2) and Section 6503(f) are revised in this legislation to provide, respectively, that first and junior lien mortgages cannot have a combined loan-to-value ratio of greater than 90% of the fair market value of the real estate and that a mortgagor shall not be required to pay, directly or indirectly, the cost of mortgage guaranty insurance when the indebtedness, on a combined basis with all existing mortgage loan amounts, is less than 60% of the fair market value of the real estate at the time the junior loan is made.

Section 6503(c) provides that a mortgage guaranty insurer providing coverage on loans secured by a junior lien shall limit its coverage net of applicable reinsurance to a maximum of 25% of the combined indebtedness of all existing mortgage loan amounts at the time the loan is made; a mortgage guaranty insurer that insures a portfolio of junior loans on a pool basis shall not retain a total amount at risk greater than 20% of the original principal mortgage loans insured.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
7306-a New	670	8-2-94	9-1-94	A.10299-A	Mr. Rappleyea, Mr. Gunther

Adds a new Section 7306-a to the Insurance Law to allow the reconversion of a domestic mutual property/casualty insurance company into an advance premium corporation or assessment corporation.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
7403	457	7-20-94	7-20-94	A.10664	Mr. Grannis

Amends Section 7403(b)(6) of the Insurance Law to extend for three years, to July 1, 1997, the authorization of the Superintendent of Insurance to borrow from the Property/Casualty Insurance Security Fund under certain conditions and subject to court approval an amount not to exceed the greater of \$40 million or 20% of a domestic property/casualty insurer's net direct premium writings for the purpose of rehabilitation of such domestic insurer. Also amends Section 7403(b)(4) to postpone until July 1, 1997 the effectiveness of the existing provision, relating specifically to advances pursuant to this authorization, that no such advance shall be made by the Commissioner of Taxation and Finance to the Superintendent of Insurance that would lower the amount of assets in the Fund below \$195 million. (1994 Insurance Department Proposal #10)

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2. Amendments to Laws Other Than the Insurance Law

This portion of the summary covers bills enacted at the 1994 regular Session amending laws other than the Insurance Law that are of general interest to Departmental personnel and licensees. These brief descriptions of the laws are intended only to provide highlights of the legislation. They should not be used in place of the full text of the law or regarded as interpretation of legislative intent or of Insurance Department policy.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Education Law</u> 537 New	245	7-6-94	7-6-94	S.7528	Sen. Trunzo, Sen. Farley, Sen. Markowitz, et al.

Amends the Education Law by adding a new Section 537 relative to the New York State Teachers' Retirement System. Permits a member of that Retirement System who retires from service with a retirement allowance of less than \$1,000 annually to elect a lump sum in lieu of the periodic lifetime payments of a pension.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>General Obligations Law</u> 5-701	467	7-20-94	9-18-94, but see the statute for details.	A.11513	Rules/ Ms. Weinstein
<u>Uniform Commercial Code</u> 1-206 2-201					

Amends General Obligations Law Section 5-701 and Uniform Commercial Code Sections 1-206 and 2-201 in relation to the enforceability of certain financial contracts.

The amendments affect the provisions of the Statute of Frauds relevant to certain qualified financial contracts (including foreign exchange contracts, financial and commodity swaps and other derivatives) so as to permit, under certain specified circumstances, the parties to enter into enforceable contracts by means of telephone, computer and other electronic communication.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>New York State Printing and Public Documents Law</u> 12	331	7-20-94	7-20-94	S.6772	Sen. Farley

Amends Section 12(1)(a) of the New York State Printing and Public Documents Law by adding a new subparagraph (iv) to require that a copy of each public document produced in an electronic or machine readable format be forwarded to the Gifts and Exchange Division of the State Library, in addition to the hard copies of such documents which must be sent.

<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Public Authorities Law</u> 2407 2427 2428	284	7-6-94	7-6-94, but see the statute for details.	S.5312-B	Sen. Hannon

Laws of 1989
Chapter 555

Law of 1982
Chapter 915

Extends for two years certain statutory provisions governing the State of New York Mortgage Agency (SONYMA) mortgage and mortgage insurance programs. Increases SONYMA's tax-exempt bonding authority, and allows SONYMA to provide mortgage insurance for buildings owned by cooperative housing corporations where such refinancing is not otherwise available. (A Governor's Program Bill)

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Public Health Law</u> 2807-c	311	7-20-94	7-20-94, but see the statute for details.	S.5606-B	Sen. Tully, Sen. Sears, Sen. Wright
<u>Social Services Law</u> 369-b 369-c 369-d					

Amends Section 2807-c(19)(F)(ii) of the Public Health Law to provide that up to \$3.5 million of the Bad Debt and Charity Care Pool established under hospital reimbursement mechanisms may be allocated and distributed to regional and pilot projects to provide health care coverage under insurance or equivalent mechanisms for uninsured or underinsured individuals and families.

Amends Section 369-b of the Social Services Law to revise the measure used to determine eligibility and benefits under the Catastrophic Health Care Expense Program.

Amends Sections 369-b and 369-c of the Social Services Law to expand the Catastrophic Health Care Expense Program to additional counties ("at least four"), and designates Albany, Nassau, Onondaga, and St. Lawrence as sites for the pilot program. References to cost sharing provisions are deleted from the program.

Amends Section 369-d of the Social Services Law to make conforming amendments to the operation of the program in regard to eligibility and cost sharing.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Public Health Law</u> 2510(4)	731	8-2-94	8-2-94, but see the statute for details.	A.12232	Rules

Amends Section 2510(4) of the Public Health Law relating to eligibility for enrollment in the Child Health Insurance Program (CHIP) to provide for eligibility of children born on or after June 1, 1980 and under the age of 15 for the period of January 1, 1994 through December 31, 1995, provided they otherwise qualify for enrollment in the CHIP Program.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Public Health Law</u> 4406-b New	645	8-2-94	1-1-95	S.8394-B	Sen. Tully, Sen. Rath, Sen. Cook, et al.

Amends Article 44 of the Public Health Law by adding a new Section 4406-b, relating to a female enrollee's direct access to primary and preventive obstetric and gynecologic services from qualified providers in health maintenance organizations. Requires health maintenance organizations to provide a female enrollee direct access to an obstetrician and gynecologist of her choice from within the plan for not less than two examinations annually for such services or to any care related to a pregnancy.

The health maintenance organization would also not be allowed to limit direct access to primary and preventive obstetric and gynecologic services required as a result of such annual examinations or as a result of an acute gynecologic condition, provided that, in accordance with the requirements of the HMO, the enrollee's primary care practitioner is consulted by the obstetrician or gynecologist qualified to provide such treatment. In addition, the HMO is obligated to advise each female enrollee in writing of the provisions of this section.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Retirement and Social Security Law</u> 177-6 Repealed	595	7-26-94	7-26-94	A.10818	Mr. Vitaliano

Amends the Retirement and Social Security Law by repealing Section 177-b. This section was added to the law by Chapter 917 of the Laws of 1972 for the purpose of amortizing gains or losses upon the exchange of low- and high-yield bonds. The object of amortization was to minimize fluctuations in the overall yields resulting from such exchanges. The amortization of such gains and losses no longer serves a useful purpose.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Retirement and Social Security Law</u> 212	250	7-6-94	7-6-94	S.7862	Sen. Skelos

Amends Section 212 of the Retirement and Social Security Law to increase the permissible earnings limit for retired public employees who return to public employment without an impairment or diminution of their public pension.

Increases such limit to \$11,200 per annum from the present \$10,500.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Retirement and Social Security Law</u> 402	638	8-2-94	8-2-94	S.7500	Sen. Hannon

Amends Section 402 of the Retirement and Social Security Law relating to disability benefits under the New York State and Local Police and Fire Retirement System.

Permits an employee, who had been covered under two different plans to select from the plan the disability benefit that would provide the more favorable amount, even though he or she is no longer covered under that plan.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Retirement and Social Security law</u> Article 15-B New (630)	675	8-2-94	8-2-94, but see the statute for details.	A.10855-A	Mr. Vitaliano, Mr. Conte

Amends the Retirement and Social Security Law by adding a new Article 15-B (Section 630), in order to conform the eight public retirement systems to the provisions of Section 410(a)(17) of the Internal Revenue Code. The Omnibus Budget Reconciliation Act of 1993 reduced to \$150,000 the maximum annual compensation of each employee taken into account under the plan, which is subject to escalation in accordance with cost-of-living increases.

This act implemented the grandfathering for the eight public retirement systems of the State against the application of the compensation limitations of Section 401(a)(17) of the Internal Revenue Code of 1986.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Social Services Law</u> 366	33	4-1-94	4-1-94, but see the statute for details.	S.6976	Sen. Holland

Laws of 1984
Chapter 904

Laws of 1983
Chapter 535

Permits eligible Medicaid individuals to continue their enrollment until December 31, 1995 in qualified HMOs that are regulated by this Department and the Department of Health.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>State Admin. Procedure Act</u> 102 202 202-a 202-b 202-bb New 202-c	171	6-14-94	10-12-94, and shall apply to all rules first proposed on or after such date.	S.2970-A	Sen. Cook, Sen. Wright, Sen. Nolan

Amends the State Administrative Procedure Act to expand its provisions to include consideration of the impact of agency rule-making activities on rural areas of the State. A definition of "rural area" is provided to support the expanded focus. A new Section 202-bb provides a mechanism for agencies to consider alternate approaches to rule making (as it affects rural communities) in a fashion similar to that afforded small businesses in Section 202-b of the State Administrative Procedure Act.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>State Admin. Procedure Act</u> 202	523	7-26-94	10-1-94, and shall apply to all rules adopted on an emergency basis on or after such date.	S.8002-B	Sen. Rath, Sen. Wright Sen. Sears, et al.

Amends Section 202(b)(d)(vi) of the State Administrative Procedure Act to require notices of emergency rule-making to indicate the specific date that the emergency rule will expire. SAPA already required a statement of the date the emergency will terminate.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>State Admin. Procedure Act</u> 202-d	402	7-20-94	11-1-94, and expire and be deemed repealed on 12-31-95.	S.7999-A	Sen. Rath, Sen. Wright, Sen. Sears, et al.

Amends subdivisions 1 and 2 of Section 202-d of the State Administrative Procedure Act (SAPA) in regard to regulatory agendas.

Mandates that five agencies--the Departments of Health, Education, Insurance, Environmental Conservation and Social Services--submit a regulatory agenda once a year in January. The notice must specify a list and brief description of subject matter being considered for rule making. While an agency is not precluded from proposing a rule that is not included in the regulatory agenda, an agency that is required to submit a regulatory agenda must indicate that the rule was not under consideration at the time the regulatory agenda was submitted for publication.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Uniform Commercial Code</u> Article 2-A New 1-105(2) 1-201(37) 9-113	114	5-24-94	6-30-95, and shall apply to all lease contracts that are first made or that first become effective between the parties on or after the effective date.	A.10481-A	Ms. Weinstein, et al.

Amends the New York Uniform Commercial Code by adding a new Article 2-A, which provides a comprehensive law governing personal property leases. Among other things it does the following:

- limits the power of parties to consumer leases to choose applicable law and judicial forum (§2-A-106);
- permits written waivers or renunciations of claim or right after default (§2-A-106);
- provides that a court that finds a lease contract or any of its provisions to have been unconscionable at the time it was made, or finds that, as to a consumer lease, the lease contract or a clause thereof has been induced by unconscionable conduct the court may grant relief as specified in the law (§2-A-108);
- contains rules as to the formation and construction of lease contracts (§§2-A-201-221);
- contains rules as to the effect of a lease contract (§§2-A-301-311);
- contains rules on the performance of a lease contract (§§2-A-401-407); and
- defines the rights and remedies of the lessor and lessee upon default.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Workers' Comp. Law</u> 13-g 13-k 13-l 13-m	674	8-2-94	10-1-94	A.10721-A	Mr. Abbate

Amends various provisions of the Workers' Compensation Law to extend from 30 days to 45 days the period of time for an employer to challenge a medical bill submitted for a claim.

Also amends the Workers' Compensation Law to make provision for the award of mandatory interest on certain overdue bills that are the subject of an award by the Workers' Compensation Board.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Workers' Comp. Law</u> 25 126	285	7-6-94	7-6-94	A.12198	Rules/ Mr. Bragman, Mr. Nolan, et al.

Laws of 1993
Chapter 729

Makes technical changes to Chapter 729 of the Laws of 1993 dealing with pre-hearing conferences, conciliation agreements and managed care in workers' compensation.

Amends Workers' Compensation Law Section 126, which established a pilot program in managed care to, inter alia, allow corporations to serve as managed care organizations and expand the range of health providers that could provide managed care.

Delays the effective date of Workers' Compensation Law Section 126 for an additional 30 days to allow time for promulgation of the required rules and regulations.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Laws of 1981</u> <u>Chapter 266</u>	88	5-10-94	5-10-94	S.6845	Sen. Stafford, Sen. DiCarlo

Extends until June 16, 1996 the time to file legal actions for phenoxy herbicide (Agent Orange) damages in certain cases involving service in the Armed Forces of the United States in Indochina. Also changes a reference, from January 1, 1962 to December 22, 1961, as the beginning of the service period for the American Armed Forces in the Vietnam War.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Unconsol-</u> <u>idated Law</u>	289	7-13-94	7-13-94	A.12055	Rules/ Mr. John, Ms. Weinstein, et al.

Enacts an Unconsolidated Law to provide that, notwithstanding any other provision of law to the contrary, a cause of action or derivative claim for personal injury or death caused by the effects of a breast implant or breast implant materials for a member of the Settlement Class of the In Re Silicone Gel Breast Implant Products Liability Litigation (MDL 926) is continued or revived.

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<u>Section</u>	<u>Chapter</u>	<u>Signed</u>	<u>Effective</u>	<u>Bill</u>	<u>By</u>
<u>Unconsolidated Law</u>	729	8-2-94	8-2-94, and shall be deemed to have been in full force and effect on and after 6-30-94.	A.12210	Rules/ Ms. Weinstein, Mr. Vitaliano, et al.

Provides that from June 30, 1994 until May 15, 1995, certain specified educational boards and districts shall be prohibited from diminishing the health insurance benefits provided to retirees and their dependents or the contributions the boards or districts make for such health insurance coverage below the current level of benefits or contributions, unless a corresponding diminution is effected from the present level during this period from the corresponding group of active employees for such retirees.

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B. REGULATIONS PROMULGATED

The following is a summary of Insurance Department Regulations promulgated in 1994. These brief descriptions of the Regulations are intended only to provide general information on the Regulations and, therefore, should under no circumstances be used in place of the full text of the Regulations or regarded as interpretation of Insurance Department intent or policy.

Second Amendment to Regulation 35-D (11 NYCRR 60-2): Supplementary Uninsured Motorists Insurance (Promulgated 9/16/94; Effective 9/20/94)

The Second Amendment to Regulation 35-D requires insurers to notify their policyholders in writing of the availability of supplementary uninsured motorists coverage and also to explain the nature of the coverage and the amounts in which it can be purchased. Prior to the promulgation of this Amendment, insurers were required to provide such notice only with newly issued policies and policies renewed during the one-year period beginning October 1, 1993.

First Amendment to Regulation 41 (11 NYCRR 27): Excess Line Placements Governing Standards (Promulgated 9/12/94; Effective 10/1/94)

The purpose of the First Amendment to Regulation 41 is to amend the requirements of insurance exchanges with regard to excess line business placed in New York. In addition, the Amendment corrects omission of the word "incorporated" in Sections 27.12(d) and 27.13(f) of Regulation 41.

Second Amendment to Regulation 42 (11 NYCRR 28): Professional (Bondsman) Bail Bond Agents (Promulgated 2/23/94; Effective 3/16/94)

The Second Amendment to Regulation 42 provides standards designed to prevent the use of the bail bond business in the furtherance of organized crime. In the absence of satisfactory explanation, failure by a licensee to comply with the requirements of this Amendment may be considered as evidence of misconduct, malfeasance and untrustworthiness under the Insurance Law.

Twenty-Third Amendment to Regulation 83 (11 NYCRR 68): Regulation Implementing and Coordinating Article 51 of the Insurance Law and the Workers' Compensation Law with Respect to Charges for the Professional Health Services Specified in Paragraph (1) of Subsection (a) of Section 5102 of the Insurance Law (Promulgated 8/17/94 as an emergency measure; Effective 8/24/94; Promulgated 10/20/94; Effective 11/16/94)

Regulation 83 establishes schedules of maximum permissible charges for professional health services provided under no-fault insurance benefits.

This Amendment adopts the new fee schedule, established by the Workers' Compensation Board, for use in processing no-fault insurance claims. The Twenty-Third Amendment also revises the fee schedules established by the Superintendent of Insurance where there are no similar workers' compensation schedules.

Nineteenth Amendment to Regulation 101 (11 NYCRR 70): Medical Malpractice Insurance: Required Notices and Rate Modifications (Promulgated 8/3/94 as an emergency measure; Effective 8/4/94; Promulgated 10/14/94; Effective 11/2/94)

The Nineteenth Amendment to Regulation 101 establishes physicians and surgeons medical malpractice rates and surcharges for the policy year July 1, 1994 to June 30, 1995.

Seventh Amendment to Regulation 107 (11 NYCRR 71): Legal Defense Costs in Liability Policies (Promulgated 4/7/94 as an emergency measure; Effective 4/8/94; Promulgated 6/17/94; Effective 7/6/94)

Regulation 107 contains the standards and requirements for legal defense coverage contained in policies of liability insurance. This Regulation specifies certain liability insurance policies that may provide for the offset of defense costs against policy limits and/or deductibles ("defense within limits"). In many cases the Regulation also requires that insurers offering such policies also offer insureds the option of obtaining a policy with defense costs paid in addition to the limits of liability ("defense outside of limits").

The Seventh Amendment continues an exemption for insurers issuing professional liability policies to architects and engineers from the requirement that insureds be offered the option of purchasing defense outside of limits coverage.

First Amendment to Regulation 133 (11 NYCRR 79): Letters of Credit (Promulgated 12/29/93 as an emergency measure; Effective 1/1/94; Promulgated 3/14/94; Effective 3/30/94)

Regulation 133 established requirements to allow Letters of Credit as an admitted asset of a ceding insurer under a reinsurance agreement. The Regulation incorporates by reference certain guidelines for Letters of Credit published by the International Chamber of Commerce through ICC Publishing, Inc. These guidelines were amended effective January 1, 1994.

The international banking community will incorporate the revised guidelines into its daily practices on that date. Therefore, emergency action was necessary to avoid any disruption of the relationship between insurers and banks issuing or confirming Letters of Credit.

First Amendment to Regulation 145 (11 NYCRR 360): Rules to Assure an Orderly Implementation and Ongoing Operation of Open Enrollment and Community Rating of Individual and Small Group Health Insurance (Promulgated 2/11/94 as an emergency measure; Effective 2/11/94; Promulgated 5/10/94 as an emergency measure; Effective 5/10/94; Promulgated 7/8/94 as an emergency measure; Effective 7/8/94; Promulgated 11/4/94 as an emergency measure: Effective 11/4/94)

Regulation 145 established procedures and requirements for implementation of community rating and open enrollment of individual and small group health insurance.

The First Amendment clarifies the "participation" requirements that must be satisfied by certain groups requesting coverage, prohibits insurers from issuing premium discounts and restricts certain practices relating to the payment of commissions that were thought to have the effect of restricting access to coverage for certain insureds.

Regulation 147: Valuation of Life Insurance Reserves (Promulgated 9/26/94; Effective 11/1/94)

The main purpose of Regulation 147 is to specify reserve standards for traditional life insurance with non-level premium and/or non-level benefits, universal life insurance, and indeterminate premium life insurance and the adoption of new select mortality factors for the 1980 CSO (commissioner's standard ordinary) tables. The major portion of the rule applies to policies issued after January 1, 1994 with some exceptions.

For traditional life insurance, in general, reserves are the greater of the unitary reserves, segmented reserves, cash surrender values, and the unearned cost of insurance. Reserves for immediate payment of claims are required for all policies.

This Regulation applies to all companies doing a life insurance business in the State and all accredited reinsurers that sell life insurance or assume life insurance liabilities. The Regulation applies to nearly all types of life insurance whether issued in or outside of New York.

Regulation 148: Viatical Settlements (Promulgated 7/6/94; Effective 7/27/94)

Regulation 148 establishes rules pertaining to licensing of viatical settlement companies and their brokers, viatical settlement contracts, reporting, examination, marketing, advertising, disclosure, and rules applicable to insurers that will facilitate viatical settlement transactions.

C. CIRCULAR LETTERS ISSUED*

<u>NO.</u>	<u>DATE</u>	<u>ADDRESSED TO</u>	<u>SUBJECT</u>
1	1/31/94	All Carriers Licensed to Write Accident and Health Insurance in New York State, Including Article 43 Corporations and Public Health Law Article 44 Health Maintenance Organizations	Chapter 501 of the Laws 1992 -- Accounting Treatment of Disbursements From or Payments to the New York Market Stabilization Pools
2	1/31/94	All Insurers Licensed to Write Life Insurance or Annuities	Questionable Marketing and Sales Practices
3	3/10/94	All Insurers Licensed to Write Accident and Health Insurance in New York State, Including HMOs	Implementation of Chapter 728 of the Laws of 1993 Requiring Coverage for Preventive and Primary Care Services
4	4/7/94	All Insurers Licensed to Write Motor Vehicle Physical Damage Insurance in New York State and Insurance Producer and Adjuster Organizations	Scope of Referrals to Motor Vehicle Repair Shops
5	7/1/94	All Insurers Licensed to Write Workers' Compensation in New York State	Annual Statement Reporting for Assessments and Assessment Surcharges Applicable to Workers' Compensation Policies
6	5/31/94	All Licensed Property/Casualty Insurers and Insurance Producer Organizations	Insurance Coverage for Discrimination Claims Based Upon Disparate Impact and Vicarious Liability
7	4/27/94	All Insurers Licensed to Write Accident and Health Insurance in New York State	Health Insurers' Obligations in the Administration of Benefits for Covered Persons Receiving Services Under the New York State Early Intervention Program
8	7/5/94	All Licensed Insurers and Exempt Organizations Including Health Maintenance Organizations (HMOs)	Insurance Fraud Reporting
9	8/11/94	All Licensed Life Insurers, Financial Guaranty Insurance Corporations and Accredited Life Reinsurers	Synthetic Guaranteed Investment Contracts

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|----|----------|--|---|
| 11 | 8/1/94 | All Insurers, Other Than Article 43 Corporations and Article 44 HMOs, Licensed to Write Accident and Health Insurance | Accident and Health Insurance Conversion Coverage |
| 12 | 8/1/94 | All Authorized Life Insurance Companies, Accredited Life Reinsurers, Fraternal Benefit Societies and Charitable Annuity Societies | Maximum Reserve Valuation and Maximum Life Policy Non Forfeiture Interest Rates Under Sections 4217, 4218 and 4221(k) of the New York Insurance Laws, as Amended in 1982, 1983, 1985, 1986, 1987, 1988, 1990 and 1994 |
| 13 | 8/5/94 | All Property/Casualty Insurance Companies Authorized to Write General Liability or Workers' Compensation Insurance in This State | Excess Workers' Compensation Insurance Policies for Self-Insured Employers |
| 14 | 9/20/94 | All Authorized Motor Vehicle Insurers and Insurance Producer Organizations | Circular Letters No. 1 (1980) With Supplements Nos. 1 & 2, Circular Letter No. 1(1990) and Circular Letter No. 7(1992) With Supplement; Motor Vehicle Liability and Collision Insurance Premium Reduction for Completion of an Accident Prevention Course Pursuant to Sections 2336(a)&(d) of the Insurance Law |
| 15 | 9/16/94 | All Insurers Authorized to Write Motor Vehicle Insurance in New York State and Insurance Producer Organizations | Prohibition of Surcharges on Personal Automobile Insurance Policies for Accidents by Police Officers, Fire Fighters and Peace Officers While on Duty |
| 16 | 9/14/94 | Commercial Insurers Authorized to Write Accident and Health Insurance and Corporations Licensed Under Article 43 of the Insurance Law or Article 44 of the Public Health Law | Transfer of Health Insurance and HMO Premium Rate Review and Approval |
| 17 | 12/30/94 | All Insurers Authorized to Write Motor Vehicle Insurance; All Property/Casualty Insurer and Producer Organizations | New Automobile Insurance-Related Legislation |

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|----|----------|---|--|
| 18 | 11/17/94 | All Insurers Authorized to Write Homeowners and Dwelling Fire Personal Lines Policies in New York State, and Insurance Producer Organizations | Flood Insurance Notice Required by NYIL Section 3444 |
| 19 | 11/15/94 | All Licensed Property/Casualty Insurers; All P/C Insurer and Producer Organizations | Liability Insurance Requirements for Farm Motor Vehicles |
| 20 | 12/8/94 | All Authorized Life Insurance Companies | Agency Convention Survey |

*The following Circular Letter were not issued in 1994:
#10

D. IMPORTANT DEVELOPMENTS OF 1994 IN MAJOR
LITIGATION INVOLVING THE INSURANCE DEPARTMENT

Travelers Insurance Company v. Cuomo, McBarnette and Curiale,

Health Insurance Association of America, et al. v. Chassin, Bane, Curiale and Abrams

Cases consolidated in the Supreme Court of the United States.

Plaintiffs include trade associations and many insurers licensed to write group accident and health insurance in New York. Defendants include the Governor of New York, the Executive Deputy Commissioner of Health and the Superintendent of Insurance. This action, brought in 1992, challenged three surcharges placed on hospital bills, one of 13% applicable to commercial insurers pursuant to §2807-c(1)(b) of the Public Health Law and the other two, an additional 11% applicable to commercial insurers and 9% applicable to certain HMOs authorized by Chapter 55 of the Laws of 1992; and also challenged a related Actuarial Letter issued by the Department.

The 13% surcharge results in an increase in the hospital charges for all patients other than those covered by Blue Cross and Blue Shield plans, a health maintenance organization (HMO) or a government plan such as Medicare. This surcharge is paid directly to the hospital.

The second surcharge (11%) further increased until March 31, 1993 the hospital charge for certain patients insured by commercial insurers. Although initially paid to the hospital, the monies collected eventually were to be deposited into the State's General Fund.

The third surcharge (9%) results in an increase in the hospital charges for patients insured by certain HMOs that did not meet a quota for enrolling Medicaid clients. The monies collected are ultimately to be deposited into the State's General Fund.

Travelers argued that, with respect to those policies issued to benefit plans covered by the Employee Retirement Income Security Act (ERISA), the State is preempted from application of any of the surcharges. Travelers made the same claim with respect to those self-insured health benefit plans that it either administers or to which it issues a stop-loss policy. Plaintiffs in the second cited proceeding made similar claims.

On February 3, 1993, plaintiffs' motion for summary judgment was granted in United States District Court, Southern District of New York. Judge Louis J. Freeh issued an order finding all three challenged surcharges and certain provisions of a related Actuarial Letter to be preempted by ERISA. The defendants made a motion for a stay pending appeal and, in an opinion and order dated February 9, Judge Freeh refused to stay that portion of the February 3 order that enjoined the State from enforcing the 11% or the 9% surcharges against either commercial insurers or HMOs with respect to coverage issued to ERISA plans. However, the Court did direct that these amounts be paid into escrow. Judge Freeh stayed that portion of the prior order that prohibited the State from enforcing the 13% surcharge.

The District Court's February 3 decision also concluded that the imposition of the 11% and 9% surcharges was preempted by the Federal Employee Health Benefit Act (FEHBA), a program through which eligible federal employees may select coverage from any one of the participating insurance carriers in their region. Accordingly, the State was enjoined from enforcing those surcharges against any of the insurers participating in the FEHBA program.

On October 25, 1993, the Court of Appeals for the Second Circuit issued a decision finding all three of the challenged surcharges to be preempted by ERISA, inasmuch as none of them came within the exemption for laws which "regulate insurance." The Court of Appeals also found the surcharges to be preempted by FEHBA.

The State filed a writ of certiorari to the United States Supreme Court. The Court requested that the United States Solicitor General file a brief setting forth the views of the United States on the issues involved in the appeal. The Solicitor General filed a brief in September 1994, recommending that the Supreme Court grant the petitions for writ of certiorari. On October 7, 1994 the United States Supreme Court granted certiorari. The case was argued on January 18, 1995.

On April 26, 1995, the U.S. Supreme Court ruled unanimously in favor of the Governor, the Insurance Department and the Health Department. The Court did not, however, address the issue of surcharges applicable to self-funded plans and remanded that issue to the lower courts. (See May 1995 issue of The Bulletin for further details.

New York Health Maintenance Organization Conference v. Curiale,

U. S. Healthcare v. Curiale

Both cases in United States Court of Appeals, Second Circuit.

Plaintiff in the first action is an association representing 27 health maintenance organizations (HMOs). Plaintiff in the second action is an HMO that provides care and services in New York.

These actions challenge a portion of Insurance Department Regulation 146 (11 NYCRR 361), which was promulgated in November 1992 to effectuate Chapter 501 of the Laws of 1992 (the open enrollment/community rating law).

Specifically, plaintiffs have challenged two pooling mechanisms established by the Regulation. One is based on the demographic characteristics of the subscribers or policyholders of the subject insurers. The other is related to specified high-cost medical conditions.

Plaintiffs in both actions claim that the challenged portions of the Regulation are preempted by the Employee Retirement Income Security Act (ERISA). Plaintiff in the first named action also claims preemption by the Federal Employee Health Benefit Act (FEHBA).

Plaintiffs moved for a preliminary injunction. On April 1, 1993, the Court denied the motion except for ordering that the payments by plaintiffs be placed in an escrow account. On February 25, 1994, the Court ruled that ***Travelers*** (see above) was dispositive on whether HMOs are insurers (finding that they were not insurers) and held that Regulation 146 was preempted by ERISA as it affected HMOs.

Appeal was taken to the Court of Appeals for the Second Circuit. The matter was argued on August 8, 1994 and is sub judice.

Health Insurance Association of America, et al. v. Curiale, as Superintendent of Insurance, United States District Court, Southern District of New York.

Plaintiffs in this action represent commercial writers of health insurance, many of whom are licensed to write such coverage in New York. They brought this action to challenge a portion of Insurance Department Regulation 146 (11 NYCRR 361), which is intended to effectuate Chapter 501 of the Laws of 1992 (the open enrollment/community rating law).

Plaintiffs' challenge is directed at two pooling mechanisms established by the Regulation, one based upon the demographic characteristics of the subscribers and the other related to specified high-cost medical conditions. The plaintiffs claim that the Regulation is preempted by the Employee Retirement Income Security Act (ERISA). The plaintiffs' claims are similar to those made by HMOs in ***New York Health Maintenance Organization Conference v. Curiale***.

The parties in this matter stipulated in June 1994 to delay resolution of this matter pending the decision of the Court of Appeals in the HMO matter. Plaintiffs agreed to continue making payments into an escrow account as required by the Regulation pending final resolution.

Group Health Incorporated v. Curiale, as Superintendent of Insurance, United States District Court, Southern District of New York.

Plaintiff in this action is a not-for-profit health service corporation licensed pursuant to Article 43 of the Insurance Law. It brought this action to challenge a portion of Insurance Department Regulation 146 (11 NYCRR 361), which is intended to effectuate Chapter 501 of the Laws of 1992 (the open enrollment/community rating law).

Plaintiff's challenge is directed at two pooling mechanisms established by the Regulation, one based upon the demographic characteristics of the subscribers and the other related to specified high-cost medical conditions. The plaintiff claims that the Regulation is preempted by the Employee Retirement Income Security Act (ERISA). The plaintiff's claims are similar to those made by HMOs in ***New York Health Maintenance Organization Conference v. Curiale*** and by commercial insurers in ***Health Insurance Association of America, et al. v. Curiale***. In those matters the same Court has ruled that Regulation 146 was preempted by ERISA. The HMO matter has been appealed to the United States Circuit Court of Appeals for the Second Circuit.

New York State Health Maintenance Organization Conference, et al. v. Curiale,

Supreme Court, Albany County.

First named petitioners in this action are a trade association of 27 health maintenance organizations providing care and services to approximately 2.5 million people in 57 counties of New York State. They brought this Article 78 proceeding in December seeking to invalidate the revised regional demographic factors established by the Superintendent pursuant to Insurance Department Regulation 146 (11 NYCRR Part 361). Said Regulation was adopted in March 1993, to facilitate implementation of open enrollment and community rating of health insurance, as mandated by Chapter 501 of the Laws of 1992.

The primary focus of the complaint is that, in violation of the State Administrative Procedure Act (SAPA), the revised regional demographic factors announced on August 31, 1993 were not promulgated as a regulation.

Petitioners seek an order enjoining enforcement of the revised regional demographic factors until applicable SAPA requirements have been satisfied.

The Department's answer and memorandum of law were submitted on August 11, 1994. In sum, it is the Department's position that far from amending the Regulation when announcing the revised regional demographic factors, the Department followed precisely the procedure set forth in the Regulation. Since the Department did not amend the Regulation when it followed the regulatory procedure to make the calculations, the Department was not required to follow SAPA procedures for amending rules or file calculations with the Secretary of State.

Moreover, even were the pool calculations considered amendments of a rule, they would be exempt from SAPA requirements as "rates subject to approval by the Superintendent of Insurance." (SAPA §102(2)(b)(ix))

Preferred Physicians Mutual Risk Retention Group and U.S. Physicians Mutual Risk Retention Group v. Cuomo, Curiale, et al.

United States Court of Appeals, Second District.

Plaintiffs in this action are risk retention groups organized under the laws of the state of Missouri and are authorized to carry on the business of medical malpractice insurance in New York State pursuant to the federal Liability Risk Retention Act of 1986 (LRRRA).

Plaintiffs alleged that New York's legislation concerning excess medical malpractice insurance coverage (the excess liability law) was preempted by the LRRRA and in violation of the Commerce Clause of the United States Constitution.

Specifically, plaintiffs argued that the excess liability law regulates the operation of risk retention groups and therefore violates the LRRRA. The State argued that the excess liability law does not regulate the activities of risk retention groups.

The excess liability law provides that hospitals, through a pooling mechanism, will provide excess liability insurance to affiliated physicians and dentists who obtain their primary coverage through a New York-licensed insurer.

In October 1994, the District Court granted plaintiffs' motion for summary judgment on the issue discussed above. The Court issued an order prohibiting New York from enforcing the excess liability law in a manner that would treat risk retention groups differently from licensed insurers providing such coverage and asked plaintiffs to prepare a proposed permanent injunction for review by the Court.

An order of permanent injunction dated November 22, 1994 was issued by Judge Leisure. The order implements the Judge's October decision in which he granted partial summary judgment to the plaintiffs. The order, among other things, enjoins the State defendants from enforcing the excess insurance law in a manner that treats risk retention groups differently from New York-licensed insurers and directs them to make excess coverage available to eligible physicians and dentists who are covered for primary insurance from a risk retention group registered in New York.

The State defendants are appealing from this permanent injunction, as well as from the decision granting the plaintiffs partial summary judgment. The Department's brief was filed with the Second Circuit on January 27, 1995. The plaintiffs-appellees' brief is due at the end of February and it is expected that the case will be scheduled for argument in late March.

American Transit Insurance Company v. Curiale, as Superintendent of Insurance

Matter of American Transit Insurance Company

Actions consolidated in Supreme Court, New York County.

These actions concern the petition of the Superintendent of Insurance for an order to take possession of the property of and liquidate the business of American Transit Insurance Company ("ATIC"), a licensed property and casualty insurer.

A Report on Examination dated June 25, 1991, conducted pursuant to the statutory authority of the Superintendent, showed ATIC to be insolvent as of December 31, 1989 in the amount of approximately \$40 million. Despite a subsequent surplus contribution by the insurer's parent company, the Insurance Department believed that ATIC remained insolvent. After correspondence and further discussions between the parties, respondent failed to make good its impairment of capital and the Department determined that ATIC further transaction of business would be hazardous to its policyholders, creditors and the public.

Accordingly, the Superintendent initiated the second cited matter. In addition to seeking authority to liquidate the insurer, the Superintendent asked for a restraining order halting ATIC from continuing to transact business or in any other way disposing of assets. The first matter, initiated by ATIC, sought to enjoin the Superintendent from commencing his action.

This liquidation proceeding was commenced in October, 1991 and was referred to a Referee for hearing and report in February, 1992.

The hearing concluded on June 27, 1994. On December 13, 1994, the Referee issued a report in which he noted that the company's financial condition "appears to be serious" and recommended: (1) that the company be required to infuse between \$10 and \$15 million within a period of nine months to a year; (2) that a new actuarial review of the company's reserves as of December 1994 be conducted under the supervision of the Referee; and (3) that the operations of the company be supervised by the Court through the oversight of the Referee.

On December 23, 1994, the Department moved for an order rejecting the Referee's report and directing the Referee to issue specific findings of fact and conclusions of law as required under the CPLR. The Department also renewed its prior application for injunctive relief pursuant to Insurance Law §7419 restraining the company from issuing any additional insurance policies pending final determination of the liquidation proceeding, and restraining the company from paying commissions to its parent in violation of Article 15 (Holding Companies Act) and the broker licensing provisions of the Insurance Law.

The Department's motion was submitted to the Court on January 18, 1995.

U.S. Healthcare, Inc., v. Curiale, as Superintendent of Insurance, Supreme Court, Appellate Division, First Department.

Petitioner ("US Healthcare"), a health maintenance organization whose rates are subject to review and approval by the Superintendent, brought this Article 78 proceeding in October, 1993, to challenge the decision of the Superintendent, dated September 30, 1993, whereby petitioner's request for rate increases was modified.

In June of 1993 US Healthcare had applied to the Superintendent for a rate increase of 6.2%. After a hearing and actuarial review of the application, the Department found that the rates requested would, based upon US Healthcare's projections of income and other revenue, be excessive and modified them accordingly.

US Healthcare challenged the authority of the Superintendent to regulate premiums charged by a health maintenance organization as well as asserting that, if such authority was found to exist, the Superintendent's decision in this case was not rationally supported by the record.

In a decision dated April 26, 1994, Justice Carol H. Arber ruled that the Superintendent did have the authority to regulate premiums charged by HMO's including the authority to reduce an existing rate. However, Justice Arber remanded the matter to the Department for a new public hearing on the rate application based upon a perceived deficiency in the notice provided prior to the original hearing.

The Department and U.S. Healthcare both moved for Leave to Appeal to the Appellate Division. In January, 1995 the Appellate Division, First Department, denied both motions.

E. REGULATORY LICENSE HEARINGS AND
STIPULATIONS EXECUTED IN 1994

After hearings in the Insurance Department, 87 licensees suffered revocations, 23 had their licenses suspended, 2 had their license applications denied, 2 had their license applications granted, 29 had charges against them dismissed and 31 were fined a total of approximately \$262,000.

Thirty-two licensees agreed to surrender their licenses and 194 agreed to pay fines totaling approximately \$6,482,000.

III. 1995 LEGISLATIVE RECOMMENDATIONS

A. INSURANCE DEPARTMENT BILLS FOR 1995

1. Retaliation/Reciprocity Provisions Re NAIC - Makes Section 1112(d) Permanent

To make permanent certain provisions set forth in Section 1112(d) of the Insurance Law pertaining to reciprocity of requirements imposed upon New York insurance companies based upon NAIC accreditation program requirements.

The bill amends Section 46(d) of Chapter 60 of the Laws of 1994 to delete a March 31, 1995 sunset for the provisions of Section 12 of Chapter 60. Section 12 added a new subsection (d) to Section 1112 of the Insurance Law to provide protection for New York-based insurers when other states in which they do business attempt to enforce provisions of the NAIC accreditation program against them.

The National Association of Insurance Commissioners continues to expand the body of model laws that have a bearing on the accreditation of the Insurance Department of New York and other states. The Legislature in New York has viewed this to be a usurpation of its prerogatives to determine what laws are appropriate and necessary for regulation of the insurance business in this State.

This bill would discourage other states from discriminating against New York insurers based upon New York's accreditation status, since the consequence of such discrimination would be the exercise of the retaliatory authority contained in Section 1112(d) of the Insurance Law. Therefore, current Section 1112(d), which is presently subject to a March 31, 1995 sunset provision, should be made a permanent part of New York law. Senate Bill 3454 (Sen. Velella), Assembly Bill 6305 (Mr. Grannis)

2. Flexible Rating for Nonbusiness Auto Policies; Extension of Various Article 23 Rating Provisions to 2001

(a) To add provisions regarding a flexible rating system for nonbusiness automobile insurance policies.

(b) To extend the rating provisions of the Insurance Law in order to continue prior approval for certain other motor vehicle insurance rates, and to continue file and use rate review for those coverages and markets currently subject to competitive rating.

(c) To retain the flex-rating system established by Section 2344 of the Insurance Law, in order to continue to encourage rating discipline and market stability in commercial risk markets over the course of market cycles.

(d) To continue excess profits procedures related to motor vehicle insurance.

Legislation enacted in 1986 contained a series of coordinated regulatory and tort reform measures intended to make vital insurance coverages more available, stabilize insurance rates, and minimize the effects of economic cycles. Chapter 220 of the Laws of 1986 added Section 2344 to the New York Insurance Law, creating flex-rating, essentially a hybrid system borrowing elements from open competition and prior approval, to apply to commercial risk, professional liability and public entity insurance. Under flex-rating, insurers may adjust their rates upward or downward by certain specified percentages (or flex-bands) on a file and use basis. However, if an insurer seeks to adjust its rate in any year beyond the applicable flex-band, the Superintendent's prior approval must be obtained. Previously, rates for most commercial lines of property and casualty insurance had been regulated since January 1, 1970 on a "file and use" basis, representing a significant difference from the previous prior approval system of rate regulation, which continued for select property and casualty lines such as mortgage guaranty and workers' compensation. The former file and use approach led to excessive volatility in rates and premiums during hard as well as soft markets.

The flex-rating system represents a critical component of comprehensive legislation enacted in 1986 to alleviate serious liability insurance availability and affordability problems. Flex-rating now provides a sound framework, with realistic standards and safeguards, for rate review of complex insurance markets of high public interest. Carefully designed to be neither too rigid nor too lax in degree of scrutiny, flex-rating has thus far proved successful in helping to restore stability and promote fair competition in regard to commercial risk, public entity and professional liability insurance markets. The resurgence of these vital insurance markets in New York State, especially in comparison to other jurisdictions, has been positive and strong, attracting insurers that seek to compete fairly and do business on a prosperous yet responsible basis.

The flex-rating system fosters stable and fair competition on a long-term basis throughout recurring insurance cycles. It is imperative that flex-rating and related mechanisms be extended for at least six years in order to provide a firm foundation for long-term thinking and strategic planning, not only on the part of the insurance industry but for the benefit of countless businesses and consumers that must rely upon, and budget for, insurance protection. The flex-rating system has proved to be workable, is working effectively, and should be continued. As a resilient rate review system, flex-rating rejects the proposition (underlying pure prior approval and complete open rating) that all or nothing must prevail. As vital as it has proved to be as a moderating influence when markets are harsh, flex-rating is equally important when, as insurance cycles shift, market conditions soften. Flex-rating is vital to the Insurance Department's ongoing efforts to prevent recurrence of liability insurance crises in the future.

The above arguments for the continuation of flex-rating generally are equally applicable to the introduction of flex-rating for private passenger automobile insurance. Competition and market forces have always been the strongest determinant of rates for private passenger coverages, and flex-rating would strengthen the high level of competition that already exists in this market. In New York, the major writers of automobile insurance, in competing with one another, have generally behaved in a responsible and well-disciplined manner.

In the early 1970s, prior to the introduction of no-fault insurance, New York introduced competitive rating, *i.e.*, a system under which rates could be used upon filing with the Insurance Department (without first obtaining the Superintendent's prior approval) for virtually all lines of property/casualty insurance, including voluntary automobile coverages. Prior approval of auto rates was reimposed upon insurers with the introduction of the no-fault law in 1974. Since 1977, when the no-fault law was amended and reformed, rate increases for automobile insurance coverages have averaged less than 5% annually. The private passenger market remains stable today, but could only benefit from the additional competitive impetus of a flex-rating system. It is expected that this legislation will motivate insurers to increase the availability of private passenger automobile insurance in New York.

For coherence, all Article 23 rating provisions, including those affecting personal lines insurance, that would otherwise sunset are extended for a six-year period. If existing provisions in Article 23 sunset without legislative action, all rate review systems would essentially revert to prior approval of rates or, in any event, create substantial confusion. In the Department's view, however, prior approval is only appropriate for the remaining coverages and exposures listed in Section 2305(b) and Section 2328 as amended in this bill.

The motor vehicle insurance excess profits law, enacted in 1973, was originally designed to make certain that, if any windfall profits developed as a result of the passage of the no-fault law, the excess amount would be returned to policyholders. The law has since been extended many times by the Legislature and unless extended again will expire on June 30, 1995. While a major safeguard against insurer excess profits in motor vehicle insurance has been the Department's regulation of rate changes, the excess profits law represents an added layer of consumer protection. The Department should, therefore, retain its ability to require the return of any excess profits. Senate Bill 3663 (Sen. Velella), Assembly Bill 7347 (Mr. Grannis)

3. Licensing of Auto Body Repair Estimators; Eliminate Double Licensing

To eliminate double licensing and dual regulation of insurance industry-related auto body repair estimators by amending the Insurance Law to require that any person who is an officer, director or regular salaried employee of an authorized insurer or of any adjustment bureau or association owned by insurers, and who writes or directly supervises the writing of auto body repair estimates be licensed as an auto body repair estimator. By adding this license as a category of the independent adjuster license issued by the Insurance Department, those that become so licensed must demonstrate their qualifications for the license. In addition, they become individually accountable for their actions as licensees. The Vehicle and Traffic Law is amended to remove the requirement that these people and those licensed by the Insurance Department as independent adjusters qualified to adjust automobile losses also be licensed as estimators by the Department of Motor Vehicles.

Eliminating dual licensing and dual regulation of insurance industry-related auto body repair estimators will reduce governmental administrative costs of performing these dual functions while also eliminating undue costs to the licensees and the confusion of being subject to two sets of requirements. At the same time, it will accomplish the goal of the legislation (Chapter 166, Section 224 of the Laws of 1991) by maintaining specific licensing requirements for this segment of the motor vehicle body repair estimating industry.

By eliminating the requirement that those who fit the definition of independent adjuster in the Insurance Law pay a \$50 license fee to the Department of Motor Vehicles as well as a \$25 license fee to the Insurance Department, the cost of doing business is reduced for those licensees.

By removing relevant Insurance Law exemptions and including auto body repair estimator in the definition of an independent adjuster, any person who is employed by an insurer or an adjustment bureau and who engages in motor vehicle body repair estimating would be required to obtain an independent adjuster license.

The standards of trustworthiness and demonstration of competence (by passing a qualifying examination) applied to other applicants for independent adjuster licenses would be applied to these people, who would also be individually accountable under the Insurance Law for their actions and subject to sanctions prescribed by Article 21 for any violations of applicable law or regulations in the writing of auto body repair estimates. While the Department of Motor Vehicles lists the qualifications for obtaining an estimator's license from the Commissioner of Motor Vehicles, no formal testing mechanism is in place.

Senate Bill 3954 (Sen. Velella), Assembly Bill 7385 (Rules at request of Mr. Lafayette and Mr. Grannis)

4. Article 43 Corporations (Underwriting Results; Number of Directors; Chairman) and HMOs (Standards for Contracts)

To amend the Insurance Law to (1) require annual certified public accountant reports of Article 43 corporations to contain the underwriting gain or loss by type of contract, segmented between community-rated and experience-rated business; (2) increase the number of directors of any Article 43 corporation to 13; (3) prohibit the chairman of the board of directors from being an officer of certain Article 43 corporations; and (4) establish minimum standards, including standards of full and fair disclosure, for the form, content and sale of subscriber contracts issued by health maintenance organizations.

Extending the scope of the certified public accountant reports that are made to the Superintendent for an Article 43 corporation would enhance the ability of the Insurance Department to react to adverse results affecting the Article 43 corporation's community-rated and experienced-rated business and help to ensure that the reported operating results are accurate.

To be consistent with the requirement applicable for domestic life insurers and domestic stock and mutual property/casualty insurers, the number of directors of a nonprofit Article 43 corporation should be increased to 13. Increasing the number of directors would provide such organizations with an enhanced board of experienced professionals to oversee the management of the corporation. Currently, all but one Article 43 corporation meet the 13-director threshold.

The Insurance Department is of the opinion that it is not prudent for a nonprofit corporation to have an officer of the corporation as its chairman of the board. In a special examination report, Empire Blue Cross and Blue Shield was criticized because the same person held the positions of both chairman of the board and chief executive officer of the corporation. This concentration of authority casts doubt as to the effectiveness and impartiality of the chairman in dealing with the management problems since the chairman would not be independent of management. The Department recommended that Empire prohibit the president or chief executive officer from holding the position of chairman of the board but Empire refused to comply with this recommendation. The Department currently lacks the authority to enforce this recommendation.

To be consistent with the requirements applicable to all foreign and domestic insurers (including Insurance Law Article 43 nonprofit health insurers), the filing requirements of Section 307 are being extended to include Public Health Law Article 44 health maintenance organizations. Currently, health maintenance organizations file annual statements and CPA reports with the Health and Insurance Departments pursuant to the provisions of the Health Department's regulations (10NYCRR98).

Under this bill, compliance with Section 307 would require health maintenance organizations to file annual statements by March 1 (instead of April 1) and CPA reports on June 1 (instead of April 1). Further, it would subject the CPA report, opinion, work papers and notification requirement to the provisions of Section 307 and Regulation 118 (11NYCRR89). In addition, the late-filing penalty provisions in Section 307 would also apply to Public Health Law Article 44 health maintenance organizations.

The proposal would authorize the Superintendent of Insurance to issue regulations establishing minimum standards, including standards of full and fair disclosure, for the form, content and sale of subscriber contracts issued by health maintenance organizations. While Section 4406 of the Public Health Law currently provides that health maintenance organization subscriber contracts are subject to regulation by the Superintendent of Insurance as if they were a health insurance subscriber contract, Section 3217 of the Insurance Law makes no reference to subscriber contracts of health maintenance organizations. This proposal is to clarify that the Superintendent of Insurance can establish minimum standards, including standards of full and fair disclosure, for the form, content and sale of such contracts. The main purpose of this proposal is to allow the Superintendent of Insurance to establish specific disclosure statements that must be provided by health maintenance organizations to their subscribers. Under Section 3217(c), the Superintendent must consult with the Commissioner of Health regarding regulations to be promulgated under this section.

Senate Bill 3692 (Sen. Velella), Assembly Bill 6730 (Mr. Grannis)

5. Extend NYPIUA to 2001; Special Provisions re Catastrophic Windstorm

To extend the life of the New York Property Insurance Underwriting Association (NYPIUA) until June 30, 2001, thereby avoiding its expiration on June 30, 1995 and permitting it to provide vital protection to residents and businesses otherwise unable to purchase property insurance coverages. Also to extend the standby authority of the Superintendent of Insurance under Section 5412 to activate the Association to provide liability insurance for certain problem markets.

To permit NYPIUA to issue bonds or other instruments of indebtedness and to take other necessary actions in order to establish and maintain, on a dedicated basis, a special insurance fund against potential catastrophic windstorm, for owner-occupied one- and two-family dwellings located in coastal communities in this State, with homeowners insurers ceding portions of the windstorm peril to NYPIUA, acting as a risk-spreading and fund-accumulating mechanism in accordance with special provisions of the NYPIUA plan of operations prescribed by the Superintendent of Insurance. The special fund would be used to reimburse ceding insurers only in the event reinsurance losses and expenses due to a particular catastrophic windstorm exceed reinsurance premiums assumed by NYPIUA for this purpose.

NYPIUA, a joint underwriting association among all insurers writing property insurance in New York, was created by Chapter 131 of the Laws of 1968. The statutory provisions concerning the Association are now set forth as a separate Article 54 in the Insurance Law. The legislation was extended in 1971, 1975, 1978, 1981, 1983, 1986, 1988, and 1991. The Association now affords the following coverages to commercial and residential policyholders unable to obtain such coverage in the voluntary market: fire and extended coverage (such as windstorm); vandalism and malicious mischief; sprinkler leakage; loss of rent; and business interruption insurance. All property/casualty insurers licensed to write fire insurance finance the Association in proportion to their writings. Rates are generally 20%, 30% or 40% higher (according to class of business) than voluntary rates. About 66,000 commercial and residential policyholders currently obtain fire and extended coverage through the Association.

The continuation of the Association is especially important to help promote orderly community development in inner-city areas by providing the needed property insurance protection for dwellings and business concerns. The insurance provided by the Association, therefore, assists in attracting the investment of private capital in such areas and helps prevent economic deterioration.

Chapter 220 of the Laws of 1986 added a new Section 5412 to the Insurance Law and granted standby powers to the Association to write commercial risk insurance, public entity insurance, and professional liability insurance. The Association will write these coverages only if the Superintendent determines, after a hearing on the record, that it is necessary due to unavailability of meaningful coverage in a particular voluntary market. If meaningful insurance coverage subsequently becomes readily available in the voluntary marketplace, the Superintendent is empowered to direct that the Association suspend writing such business. However, thus far the Superintendent has not deemed it necessary that these additional powers under Section 5412 be invoked.

The continuation of the triggering authority of the Superintendent under Section 5412 to require that the Association provide liability insurance for commercial, professional and public entity risks in the event that liability insurance becomes unavailable in the voluntary market would help avoid another insurance crisis similar to that experienced in 1986.

Insurance market conditions in New York State have improved as a result of legislative and regulatory efforts as well as cyclical progressions in the insurance marketplace. However, because of market cycles the Insurance Department must be able to effectively deal with restrictive market conditions whenever they arise. The existence of the Superintendent's authority to invoke NYPIUA substantially aids in accomplishing this result.

Recent natural disasters have been startling and, indeed, staggering in their numbers and dimensions. In response to these disasters, the insurance industry has paid multi-billions of dollars in claims on many occasions. Insurers paid over \$17 billion just in the aftermath of Hurricane Andrew, which devastated the Homestead area in southern Florida. Many insurers and other observers believe that a major hurricane, if one ever strikes New York's coastal regions, especially Long Island, could inflict considerably greater damage.

As a consequence of these apprehensions, insurers writing business in shore areas must carefully consider the potential impact on financial condition and capacity to withstand what might prove to be a catastrophic windstorm. Availability of homeowners insurance in coastal areas has become constricted where Long Island alone represents some one million homeowner policyholders.

The bill would enable homeowners in coastal communities to obtain comprehensive homeowners insurance policies from homeowners insurers in the voluntary market. These homeowners policies would cover windstorm peril. However, in accordance with special provisions of the NYPIUA plan of operations, a portion of this windstorm peril would be ceded by the homeowner insurer to NYPIUA, acting as reinsurer and a risk-spreading mechanism. This reinsurance transaction should encourage voluntary market availability of homeowners insurance coverage and would take place without disturbing relations among consumers, insurers and insurance producers.

In turn, to the extent necessary and appropriate, NYPIUA would: obtain reinsurance in regard to the windstorm peril it has assumed; segregate windstorm peril and premiums attributable to one- to two-family dwellings; issue bonds or other indebtedness structured for sale in securities markets; and establish and maintain a special insurance fund dedicated to protect against catastrophic disaster. In this manner, funds can be accumulated in the event of hurricane-inflicted damage to homes in coastal communities. In addition, the State will have developed a mechanism to work in conjunction with federal natural disaster legislation under consideration by Congress.

In addressing catastrophic concerns, no taxpayer monies would be involved. If catastrophic concerns are not addressed in some substantial manner, such as is proposed to be accomplished by this legislation, significant taxpayer monies might be necessitated in the event of a catastrophic hurricane-inflicted disaster.

Senate Bill 3817 (Sen. Velella), Assembly Bill 7351 (Mr. Grannis)

6. Section 3425 Amendments to Facilitate Short-Term Policies

To amend Section 3425 of the Insurance Law (dealing with cancellation and renewal provisions of private passenger automobile insurance and personal lines insurance) to enact special provisions concerning short-term policies.

The bill would amend Section 3425 of the Insurance Law by adding a new subsection (q) to provide for short-term policies in certain instances, such as policies issued for seasonal purposes, to cover specific events or for projects of limited duration. Such policies would not be considered in the percentage limitation and other-related requirements. Short-term policies will also be permitted to coincide with the policy term of an already existing policy.

This bill would facilitate the ability of insurers to write short-term policies in appropriate situations. The protections of a one-year required policy period (for private passenger auto) and a three-year required policy period (for personal lines) are inappropriate in short-term situations. In addition, a company should not be subject to the percentage limitation for appropriately writing a short-term private passenger auto risk. The bill, which provides for short-term policies, follows similar provisions in Section 3426 except that (C) and (D) have been revised appropriately. Short-term policies for specific purposes (baggage insurance; temporary automobile insurance for persons who do not own vehicles; vacation home policies; boat rentals; etc.) under (A) and (B) can be issued without requiring renewals as long as a clear notice of termination is provided. These policies would not count for the 2% rule and other-related requirements. Policies under (C) and (D) can provide shorter terms to coincide with other policies but would still be subject to all other requirements.

The Insurance Department receives calls from consumers who are moving to other states and find that short-term auto policies are difficult to obtain because of Section 3425 requirements. This bill would create more flexibility for insurers in designing appropriate products for this market and for insureds who would be able to obtain the coverage they need to protect their interests.

Senate Bill 3453 (Sen. Velella), Assembly Bill 7348 (Mr. Pretlow)

7. ELANY Extender to 2001; Superintendent as Non-Voting Director

(1) To extend for an additional six years (to July 1, 2001) the sunset provision in the enabling statute that created the Excess Line Association of New York (ELANY).

(2) To provide that the Superintendent or the Superintendent's duly authorized representative shall serve on the ELANY board of directors as a non-voting director.

Since its creation, the Excess Line Association of New York has had a satisfactory performance in serving as a means of assisting the Superintendent in monitoring the financial activities and evaluating the financial position of unlicensed insurers. It has also served as a means of communicating with and educating excess line brokers.

Having the Superintendent or the Superintendent's duly authorized representative serve on the ELANY board of directors as a non-voting director would enhance communication and coordination between ELANY and the Insurance Department and would facilitate and expedite improvements in ELANY's operations.

The provision in the bill changing the current July 1, 1995 sunset to July 1, 2001 recognizes the difficulties that an organization can have in long-range planning; hiring and retaining staff; leasing office space; purchasing equipment, etc., when its continued operations are subject to a short-term sunset provision.

Senate Bill 3614 (Sen. Velella), Assembly Bill 6731 (Mr. Grannis)

8. Duration of Licenses to Even-Numbered Years; Qualifications of Certain Licensees

To amend the term of broker licenses to licenses that all expire in even-numbered years for the purposes of simplifying the application and renewal process for broker licenses by establishing a single uniform term for all licenses of this class and enabling efficient application of Continuing Education credits to fulfill renewal requirements for general consultant, property/casualty agent and broker licenses, all expiring in even-numbered years; and to amend the term of reinsurance intermediary licenses from one year to two years to simplify the renewal process for licensees.

Renewing all broker licenses for the same two-year period will simplify the application process for the licensees and will enable more efficient application of those Continuing Education credits accumulated as a condition of renewal of the general consultant and property/casualty agent license that may also be applied to renewal of the broker license, all expiring in even-numbered years.

Renewing reinsurance intermediary licenses every two years will simplify the application process for the licensees while maintaining adequate control on the part of the Department.

Senate Bill 3777 (Sen. Velella), Assembly Bill 7350 (Mr. Grannis)

9. Gap Insurance Corrections and Other Technical Corrections

(1) To clarify and correct gap insurance provisions that were added to the Insurance Law and the Personal Property Law as part of Chapter 1 of the Laws of 1994; and to add a provision to the General Business Law regarding gap waivers for non-motor vehicle retail lease agreements.

(2) To make technical corrections in a number of sections of the Insurance Law.

One of the many significant achievements of Chapter 1 of the Laws of 1994 was to add gap insurance as a new kind of insurance in New York and to regulate the gap waivers made by lessors and creditors. However, the law contains several errors which were brought to the Legislature's attention but were not included in Chapter 1 or Chapter 2 because of the difficult time constraints encountered in having those chapters enacted by January 31, 1994. The purpose of this bill is to correct and clarify those provisions of Chapter 1.

Before addressing more substantive concerns, a note about terminology is appropriate. In discussions with the Legislature, it was our understanding that the terms "debtor" and "creditor" were preferred over "lessor" and "borrower" and this bill makes those changes. Accordingly, in the following discussion we use the new terms.

A major problem with the legislation as enacted is that the provisions affecting capital requirements for gap insurance are so contradictory and confusing that it is impractical for the Insurance Department to properly implement them in their present form. Chapter 1 added gap insurance as new paragraph (26) of Section 1113(a) of the Insurance Law. As enacted, the Section contains eight subkinds of gap insurance, rather than the four originally recommended by the Department and discussed with legislative staff.

While there are several reasons to have subkinds of gap insurance, the principal reason is to establish appropriate capital and surplus requirements, as detailed in Sections 55 and 59 of Chapter 1 (amending Insurance Law Sections 4102 and 4107, respectively). When the four kinds expanded to eight, these Sections were not correspondingly revised. Consequently, four of the subkinds do not have any minimum capital requirements at all. Additionally, since the order in which the subkinds are presented in the statute was revised, the one subkind that was intended to have lower capital requirements (namely motor vehicle lessee/debtor gap insurance) has partially ended up with higher requirements (for the lessee gap insurance) while debtor gap insurance has no separate capital requirements. Also, non-motor vehicle lessor gap insurance has ended up with a lower capital requirement than that intended for non-motor vehicle lessor/creditor gap insurance. Leaving the eight subkinds in place and adding additional capital requirement for the four new subkinds specified in subparagraphs (E)-(H) would not solve the problem since that would result in onerous capital requirements that are double those originally recommended.

To be consistent, the bill amends the relevant sections of the Insurance Law containing gap insurance references as follows:

Bill section 3 amending Section 1113(a)(26)

- (A) Motor vehicle lessor/creditor gap insurance
- (B) Motor vehicle lessee/debtor gap insurance
- (C) Non-motor vehicle lessor/creditor gap insurance
- (D) Non-motor vehicle lessee/debtor gap insurance

The capital and reserve requirements are correspondingly amended as follows:

Bill sections 5 and 6 amending Sections 4103 and 4107

26(B)	300,000	200,000
26(A), 26(C) or 26(D) for each such kind	600,000	300,000

The other section in which the subkinds of insurance are of significance is Section 7 of the bill amending Section 7603, which governs security fund coverage. The reference in that Section should be to subparagraphs (A) and (B) of paragraph 26 of Section 1113(a). In other words, security fund coverage was intended to be provided in regard to motor vehicle lessor/creditor and motor vehicle lessee/debtor gap insurance, but not in connection with either subkind of non-motor vehicle gap insurance.

Additionally, corresponding amendments are made to Personal Property Law Sections 302A, 335, and 402B.

Another necessary technical change is to amend paragraph (52) to Section 107(a) of the Insurance Law, which defines "gap amount." The existing definition as enacted is keyed to gap insurance, which means that in the absence of gap insurance there is no defined gap amount. This result is not logical. Clearly the intent was to apply the term "gap amount" under any lease or loan or other credit transaction where the amount owed is greater than the actual cash value of the property even though there is no gap insurance. Accordingly, the bill defines the gap amount in relation to leases and loans or other credit transactions, and not gap insurance.

After the law was enacted it became clear that the term "loan" was not as encompassing as originally thought. Accordingly, the term "or other credit transaction" is added to include a broad spectrum of transactions involving the extension of credit.

Additionally, in Section 1101 of the Insurance Law, instead of referring to a "holder" (a term not defined in the Insurance Law), the term "creditor" (to correspond to the kind of insurance) is substituted, as well as other changes to address when the lessor or creditor is doing an insurance business.

Section 3427 of the Insurance Law (Section 53 of Chapter 1) is also amended. The cancellation provisions under subsection (d) for creditor gap insurance were inadvertently replaced by the cancellation provisions that apply to debtor gap insurance. While appropriate for debtor gap insurance, these provisions do not fully reflect the different circumstances involved with the creditor gap insurance policy. For example, requiring the policy to provide coverage until the end of the loan raises questions of interpretation because a creditor gap insurance policy is typically written for all loans entered into within the policy period. Accordingly, Section 4 of the bill substitutes cancellation provisions that are identical to those that currently apply for lessor gap insurance under subsection (b) of Section 3427.

Section 1101(b)(3)(iii) of the Insurance Law makes the doing of an insurance business by the lessor or creditor dependent upon the amount charged for the gap waiver. However, Chapter 1 did not provide the Department with the tools to implement and enforce this provision. In investigating a matter where there is an allegation of an overcharge, information regarding the insurer must be supplied to enable the Department to determine whether there has in fact been an overcharge and, consequently, the lessor, creditor, or assignee would thereby be doing an insurance business. To facilitate the Department's determination and to minimize the need for the Department to investigate the lessor, creditor, or assignee Section 4 of the bill also adds a notice requirement to Section 3427, which would complement the existing notice requirements in the Personal Property Law. This notice requirement would require the lessor, creditor or assignee to advise the lessee or debtor of the name of the gap insurer, the cost of the lessor or debtor gap insurance coverage, and the charge for the waiver. A civil penalty may be imposed in an amount not to exceed \$500 for each violation.

The bill also amends Section 1101(b)(3)(iii) of the Insurance Law to recognize that the Personal Property Law permits the lessor, creditor or assignee, when selling a gap waiver, to charge an administrative fee not to exceed \$10 in addition to a pass-along charge for the gap insurance. There are no provisions regarding consumer non-motor vehicle leases that correspond to the provisions of the Personal Property Law regarding motor vehicle leases and loans and non-motor vehicle loans. We believe that the omission of the same level of protection for this "fourth quadrant" of consumer protection was an oversight by the Legislature and not intentional. Accordingly, for consumer non-motor vehicle leases, Section 11 of the bill adds a new Section 399-w of the General Business Law, essentially identical to Section 335 of the Personal Property Law, which applies to consumer motor vehicle leases.

The bill corrects an inadvertent error in Section 1322. Subsequent to the enactment of Section 1322 in New York in 1993, it came to the attention of the persons who developed the NAIC Model Act on which Section 1322 was based, that "regulatory" should be replaced with "company."

The cross references to provisions of Article 14 set forth in Section 6507 require a technical conforming revision due to changes to Article 14 enacted in Chapter 324 of the Laws of 1992.

Senate Bill 3664 (Sen. Velella), Assembly Bill 7349 (Mr. Grannis)

10. Late-Breaking Bills

The Department has worked on three other key bills for the 1995 Legislative Session. The first would grant additional powers to the Department's Insurance Frauds Bureau as part of an omnibus bill on the prevention of insurance fraud. The second would require HMOs to offer a standard health insurance package to individuals in their service territories. The third bill relates to the continuation of the Medical Malpractice Insurance Association as well as legislation on excess medical malpractice insurance coverage. At press time, these bills had not been introduced.

IV. REGULATORY ACTIVITIES

A. OPERATING STATISTICS

1. Summary of Statistical Tables

TABLE 63
SUMMARY OF STATISTICAL TABLES AS OF DECEMBER 31, 1993--PRIOR TO AUDIT(a)
(Dollar Amounts in Millions)

	As of December 31				For the Year			
	Number of Insurers(b)	Admitted Assets	Liabilities	Surplus and Capital Funds	Total Business (Net)		New York State Business (Direct)	
					Premiums Written	Losses Paid	Premiums Written	Losses Paid
--- All Licensed Companies(1) ---								
Total	968	\$1,652,397	\$1,442,745	\$209,656	\$361,633	\$268,354	\$56,615	\$42,428
Property and Casualty	670	527,887	383,656	144,233	177,553	112,237	20,691	12,916
Life(2)	142	1,060,033	1,006,848	53,185	157,225 c	138,466 c	21,100 c	16,717
Accident and Health	14	4,394	2,909	1,485	3,175	2,217	342	196
Fraternal	50	37,747	34,548	3,199	4,530	2,005	123 h	42
Health Service and Medical and Dental Indemnity(3)	16	4,285	3,553	732	8,346 d	7,822 e	8,346 d	7,822
Health Maintenance Organizations(4)	31	1,222	800	423	5,543 f	4,780 g	5,390 f	4,639
Title	20	1,968	1,301	667	2,672	175	295	19
Mortgage Guaranty	13	5,424	3,618	1,806	1,414	588	107	35
Financial Guaranty	12	9,438	5,511	3,926	1,175	64	222	41
--- New York State Domiciled Companies ---								
Total	374	459,709	422,265	37,446	82,564	69,505	31,178	26,543
Property and Casualty	209	60,401	48,041	12,361	16,027	9,833	6,134	3,429
Stock	133	42,977	31,817	11,160	12,083	7,461	2,691	1,447
Mutual	19	15,899	15,064	835	3,415	2,084	2,737	1,613
Advance Premium Co-op.	20	671	462	210	348	202	500	271
Reciprocal	4	690	632	58	120	57	128	58
Assessment Co-op.(5)	33	164	66	98	61	29	78	40
Life(2)	87	386,916	365,716	21,200	51,443 c	46,922 c	10,841 c	10,546
Accident and Health	8	102	59	44	127	75	125	65
Fraternal	8	100	89	11	9	6	7 h	3
Health Service and Medical and Dental Indemnity(3)	16	4,285	3,553	732	8,346	7,822 e	8,346	7,822
Health Maintenance Organizations(4)	31	1,222	800	423	5,543 f	4,780 g	5,390 f	4,639
Title	9	228	111	117	245	15	161	9
Financial Guaranty	6	6,455	3,896	2,558	824	52	174	30
--- Other States' Domiciled Companies ---								
Total	569	1,181,156	1,011,880	169,278	276,368	197,240	25,240	15,776
Property and Casualty	437	459,409	329,944	129,466	159,186	100,969	14,363	9,379
Stock	382	340,282	252,053	88,230	111,683	69,793	11,632	7,506
Mutual	51	110,282	72,907	37,375	43,838	28,751	2,617	1,808
Reciprocal	4	8,845	4,984	3,861	3,665	2,425	114	65
Life	55	673,117	641,132	31,985	105,782 c	91,544 c	10,258 c	6,171
Accident and Health	6	4,292	2,851	1,441	3,048	2,142	217	131
Fraternal	41	34,191	31,530	2,662	4,160	1,825	113 h	39
Title	11	1,740	1,190	550	2,427	160	134	10
Mortgage Guaranty	13	5,424	3,618	1,806	1,414	588	107	35
Financial Guaranty	6	2,983	1,615	1,368	351	12	48	11
--- Alien Domiciled Companies ---								
Total	25	11,532	8,600	2,932	2,701	1,609	197	109
Property and Casualty	24	8,077	5,671	2,406	2,340	1,435	194	108
Fraternal	1	3,455	2,929	526	361	174	3 h	1

Details may not add to totals due to rounding.
SEE NOTES NEXT PAGE.

NOTES TO TABLE 62

- a Excludes 13 public and private pension funds and 8 variable supplement funds; excludes charitable annuity societies and two New York Insurance Exchange syndicates still in runoff.
 - b Includes insurers licensed in New York State as of 12/31/93, some of which did no business in 1993.
 - c Life premiums and losses include A&H business.
 - d Health Service premium data differ from those of the published Statistical Tables (v.3, Table 2) in that the Statistical Tables do not remove line-of-business HMOs and report earned, rather than direct, premium.
 - e Claims Paid. Also note: above footnote (d) applies to these data as well.
 - f Revenues include premiums, fee-for-service (walk-in) revenues, Medicare and Medicaid payments, investment income, and other.
 - g Total medical and hospital expenses.
 - h Payments received from members: Life and A&H policies.
 - i Insurance benefits paid members: Life and A&H Policies.
-
- 1 Includes all domiciles.
 - 2 Includes transactions of savings bank life insurance departments, which are counted as one insurer.
 - 3 Five health service corporations operate health maintenance organizations as a line of business. These do not segregate the balance sheet data (assets, liabilities, and surplus) of their HMOs. Such data are, therefore, included in the health service, rather than the HMO category. Premium and loss data for the five line-of-business HMOs were removed from the health service totals.
 - 4 Premiums and losses are for all HMOs, including those reported as lines of business of health service corporations. Balance sheet data for these HMOs are, however, reported as lines of business of the parent health service corporations.
 - 5 Includes nine assessment co-operatives that do not file electronic statements.

2. Results of Examinations for Licenses

Table 64
 RESULTS OF EXAMINATIONS FOR LICENSES
 Adjusters, Agents, Brokers and Consultants
 1993 and 1994

<u>Type of Examination</u>	<u>1994</u>		<u>1993</u>	
	<u>Number Taking Examination</u>	<u>Percent Passing</u>	<u>Number Taking Examination</u>	<u>Percent Passing</u>
Total.....	31,306	56%	34,274	58%
Public Adjusters	116	28	132	36
Independent adjusters - total....	840	46	712	60
Accident & health.....	32	50	11	64
Automobile.....	124	53	125	50
Aviation.....	2	50	2	0
Casualty.....	134	69	146	59
Fidelity and surety.....	3	33	2	0
Fire.....	121	47	87	49
General (all lines).....	259	50	201	57
Health service charges.....	0	0	2	100
Inland marine.....	41	27	17	29
Limited auto (damage or theft appraisals only).....	124	90	119	88
Agents - total.....	27,377	56	30,134	58
Accident & health.....	12,127	54	13,192	55
Life and SBLI.....	14,347	57	15,629	60
Mortgage guaranty.....	1	0	6	67
General agent (P&C).....	895	68	1,294	71
Bail bond.....	7	57	13	54
Credit.....	0	0	0	0
Brokers.....	2,971	61	3,295	61
Consultants - total.....	2	0	1	100
General.....	1	0	0	0
Life.....	1	0	1	100

Table 65
 LICENSES ISSUED DURING YEAR
 1993 and 1994

	<u>1994</u>	<u>1993</u>
Total	60,839	115,843
Adjusters ^a		
Independent	1,920	2,142
Renewable annually January 1 under Section 2108(c)		
Public	439	582
Renewable annually January 1 under Section 2108(c)		
Agents ^b		
Life and Accident & Health	13,591	85,949
Renewable biennially as of July 1 of odd-numbered years under Section 2103(a)		
Savings Banks Life Cert. Holders	333	528
Perpetual under Section 2203		
Fire, Casualty, Fidelity & Surety	22,322	2,421
Renewable biennially as of July 1 of even-numbered years under Section 2103(b)		
Rental Vehicle	58	20
Renewable biennially as of July 1 of even-numbered years under Section 2131		
Mortgage Guaranty Insurance	8	2
Perpetual under Section 6505		
Bail Bond ^a	44	54
Renewable annually January 1 under Section 6802(c)		
Limited Lines 2103(g)(6)	31	n.a.

Brokers ^c		
Excess Line ^a	263	463
Renewable annually November 1 under Section 2105		
Regular	21,101	22,689
Renewable biennially November 1 under Section 2104		
Consultants ^d		
Life Insurance Consultant	112	256
Renewable annually April 1 under Section 2107		
General Insurance Consultant	335	463
Renewable annually April 1 under Section 2107		
Reinsurance Intermediaries ^e	282	274
Renewable annually September 1 under Section 2106(a)		

^a Excess line brokers, adjusters, and bail bond agents are renewable on a biennial basis: excess line brokers as of November 1; adjusters and bail bond agents as of January 1 of odd-numbered years.

^b Agents for life, annuities and accident & health insurance are renewable biennially as of July 1 of odd-numbered years. Property and casualty agents are renewable biennially as of July 1 of even-numbered years. Section 2203 SBLI Certificate Holders and Section 6505 agents are licensed on a perpetual basis.

^c Brokers are renewable biennially as of November 1 of the odd or even year according to which of the two groups the licensee has been assigned.

^d Consultants are renewable on a biennial basis, life consultants as of April 1 of odd-numbered years and general consultants as of April 1 of even-numbered years.

^e Reinsurance intermediaries are renewable annually as of September 1.

n.a. Not applicable.

3. Changes in Status of Authorized Insurers During 1994

a. Life Insurance Companies

Domestic Companies Incorporated

First Security Benefit Life Insurance and Annuity Company of New York, White Plains, NY.....	Nov. 8
First Home Life Financial Assurance Corporation, County of Rockland, State of New York.....	Nov. 18

Domestic Companies Licensed

First Ameritas Life Insurance Corp. of New York, Suffern, NY.....	May 17
First Home Life Financial Assurance Corporation, New York, NY.....	Dec. 30

Foreign Company Licensed

MBL Life Assurance Corporation, Newark, NJ (restricted licensed).....	Apr. 18
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Restated Charter Filed

Thomas Jefferson Life Insurance Company, Purchase, NY.....	June 27
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Amendments to Charter Filed

First Investors Life Insurance Company, New York, NY.....	Jan. 10
Companion Life Insurance Company, Rye, NY.....	Mar. 17
Bankers Life and Casualty Company of New York, Woodbury, NY.....	Mar. 22
Church Life Insurance Corporation, New York, NY.....	Mar. 30
Bankers American Life Assurance Company, New York, NY.....	Apr. 4
Presidential Life Insurance Company, Nyack, NY.....	Apr. 4
First Alexander Hamilton Life Insurance Company, Williamsville, NY.....	Apr. 28
First Citicorp Life Insurance Company, New York, NY.....	May 10
Urbaine Life Reinsurance Company, New York, NY.....	June 2
Sentry Life Insurance Company of New York, North Syracuse, NY.....	June 15

3. Changes in Status of Authorized Insurers During 1994

a. Life Insurance Companies
(concluded)

American Crown Life Insurance Company, New York, NY.....	June 29
Canada Life Insurance Company of New York, Harrison, NY.....	Dec. 7
Lincoln Security Life Insurance Company, Brewster, NY.....	Dec. 19
INA Life Insurance Company of New York, New York, NY.....	Dec. 28

Changes of Name

"Bankers Life and Casualty Company of New York" to "Bankers Life Insurance Company of New York," Woodbury, NY.....	Mar. 22
"Urbaine Life Reinsurance Company" to "First ING Life Insurance Company of New York," New York, NY.....	June 2

Changes in Authorized Capital

Church Life Insurance Corporation, New York, NY (from \$1,000,000 to \$6,000,000).....	Mar. 30
Thomas Jefferson Life Insurance Company, Purchase, NY (from \$463,000 to \$1,000,000).....	June 27

Withdrawn

SMA Life Assurance Company, Worcester, MA.....	Mar. 31
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Ceased to Maintain License

John Hancock Variable Life Insurance Company, Boston, MA.....	Dec. 21
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3. Changes in Status of Authorized Insurers During 1994

b. Accident and Health Insurance Companies

Domestic Company Incorporated

HIP Insurance Company of New York,
County of New York, State of New York..... Sept. 7

Change of Name

"Benefit Trust Life Insurance Company" to
"Trustmark Insurance Company (Mutual),"
Lake Forest, IL..... Jan. 1

Amendment to Charter Filed

Oxford Health Insurance, Inc.,
New York, NY..... July 25

Change in Authorized Capital

Oxford Health Insurance, Inc.,
New York, NY
(from \$500,000 to \$1,000,000)..... July 25

c. Not-For-Profit Health Service Corporations

Change of Name

"New York Dental Service Corporation" to
"Delta Dental of New York,"
Flushing, NY..... Mar. 30

Consent to Filing of Certificate of Incorporation

Integrated Benefits Corporation,
Amherst, NY..... Oct. 26

d. Savings Banks (Life Insurance Departments)

Change of Name

"Flushing Savings Bank" to "Flushing
Savings Bank FSB,"
Flushing, NY..... May 10

3. Changes in Status of Authorized Insurers During 1994

d. Savings Banks (Life Insurance Departments)
(concluded)

Conversion

Flushing Savings Bank converted to
Federal Charter..... May 10

Acquisition

Lincoln Savings Bank acquired by Anchor
Savings Bank effective..... Aug. 12

e. Property and Casualty Insurance Companies

Domestic Companies Incorporated

Chiyoda Fire & Marine Insurance Company of America,
New York, NY..... Jan. 11
Erie Insurance Company of New York,
Randolph, NY..... Apr. 20
American Global Reinsurance Corporation,
New York, NY..... July 19
Great Lakes American Reinsurance Company,
County of New York, NY..... Sept. 23
Abeille General Insurance Company, Inc.,
County of New York, NY..... Dec. 12

Domestic Companies Licensed

Chiyoda Fire & Marine Insurance Company of America,
New York, NY..... Jan. 1
Home Mutual Insurance Company of Binghamton, New York
Binghamton, NY..... Apr. 1
Erie Insurance Company of New York,
Randolph, NY..... Apr. 20
Paragon Insurance Company of New York,
Melville, NY..... May 25
Great Lakes American Reinsurance Company,
New York, NY..... Oct. 1
Abeille General Insurance Company, Inc.,
New York, NY..... Dec. 16

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Foreign Companies Licensed

Fico Insurance Company, Washington, DC.....	Jan. 27
Universal Bonding Insurance Company, Lyndhurst, NJ.....	Mar. 9
Utica National Insurance Company of Texas, Dallas, TX.....	May 19
Contractors Bonding and Insurance Company, Seattle, WA.....	May 24
Wausau Business Insurance Company, Wausau, WI.....	June 8
Wausau General Insurance Company, Lisle, IL.....	June 14
Markel Rhulen Insurance Company, Glen Allen, VA.....	July 6
Harco National Insurance Company of Illinois, Rolling Meadows, IL.....	July 13
Colonial Penn Madison Insurance Company, Milwaukee, WI.....	Aug. 24
General Casualty Company of Wisconsin, Sun Prairie, WI.....	Sept. 8
Regent Insurance Company, Sun Prairie, WI.....	Sept. 8
Donegal Mutual Insurance Company, Marietta, PA.....	Nov. 1
First Financial Insurance Company, Springfield, IL.....	Nov. 14
Central States Indemnity Co. of Omaha, Omaha, NE.....	Dec. 20
Frankona America Reinsurance Company, Kansas City, MO.....	Dec. 20

Amendments to Charter Filed

First Community Insurance Company, Rochester, NY.....	Jan. 1
Assurance Company of America, New York, NY.....	Jan. 24
Sorema North America Reinsurance Company, New York, NY.....	Jan. 31
TIG Insurance Company of New York, New York, NY.....	Jan. 31
Finmar Reinsurance Corporation, New York, NY.....	Feb. 3

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Navigators Insurance Company, New York, NY.....	Feb. 3
Indemnity Insurance Company of North America, New York, NY.....	Feb. 11
Centennial Insurance Company, New York, NY.....	Feb. 14
Marine Indemnity Insurance Company of America, New York, NY.....	Feb. 18
Le Mans Reinsurance Company, USA, New York, NY.....	Feb. 24
Vigilant Insurance Company, New York, NY.....	Feb. 25
Constitution Reinsurance Corporation, New York, NY.....	Mar. 4
Medical Liability Mutual Insurance Company, New York, NY.....	Mar. 31
Reliance Insurance Company of New York, Fairport, NY.....	Mar. 31
The Church Insurance Company, New York, NY.....	Apr. 1
Albany Insurance Company, New York, NY.....	Apr. 11
Atlas Assurance Company of America, New York, NY.....	Apr. 11
Tower Insurance Company, New York, NY.....	Apr. 18
Folksamerica Reinsurance Company, New York, NY.....	May 13
Exchange Insurance Company, Buffalo, NY.....	May 23
National Continental Insurance Company, Bohemia, NY.....	May 24
National Continental Insurance Company, Bohemia, NY.....	May 24
U.S. Capital Insurance Company, White Plains, NY.....	June 8
Agway Insurance Company, East Syracuse, NY.....	June 9
Winterthur Reinsurance Corporation of America, New York, NY.....	June 30
First Community Insurance Company, Rochester, NY.....	July 5
Seaboard Surety Company, New York, NY.....	July 7
New York Merchant Bakers Mutual Fire Insurance Company, Westbury, NY.....	July 21

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Contractors Casualty and Surety Company, Staten Island, NY.....	July 29
Paragon Insurance Company of New York, New York, NY.....	Sept. 19
Graphic Arts Mutual Insurance Company, New Hartford, NY.....	Sept. 28
North Sea Insurance Company, Valley Stream, NY.....	Oct. 4
American Nisshin Insurance Company, New York, NY.....	Nov. 1
First Community Insurance Company, Rochester, NY.....	Nov. 2
NAC Reinsurance Company, New York, NY.....	Nov. 9
Transtate Insurance Company, Flushing, NY.....	Nov. 22
Transtate Insurance Company, Flushing, NY.....	Nov. 22
Exchange Insurance Company, Buffalo, NY.....	Dec. 6
Allcity Insurance Company, New York, NY.....	Dec. 7
Empire Insurance Company, New York, NY.....	Dec. 7
Arista Insurance Company, New York, NY.....	Dec. 20
Hereford Insurance Company, Franklin Square, NY.....	Dec. 29

Changes in Authorized Capital

First Community Insurance Company, Rochester, NY (from \$3,150,000 to \$2,504,250).....	Jan. 1
Scor Reinsurance Company, New York, NY. (from \$2,500,000 to \$5,000,000).....	Jan. 1
Assurance Company of America, New York, NY (from \$2,500,000 to \$5,000,000).....	Jan. 24
Sorema North America Reinsurance Company, New York, NY (from \$2,500,000 to \$5,000,000).....	Jan. 31

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Finmar Reinsurance Corporation, New York, NY (from \$20,869,000 to \$2,500,106.20).....	Feb.	3
Navigators Insurance Company, New York, NY (from \$3,000,000 to \$5,000,000).....	Feb.	4
Indemnity Insurance Company of North America, New York, NY (from \$3,097,500 to \$4,277,500).....	Feb.	11
Centennial Insurance Company, New York, NY (from \$3,000,000 to \$7,980,000).....	Feb.	14
Marine Indemnity Insurance Company of America, New York, NY (from \$3,000,000 to \$3,200,000).....	Feb.	18
Constitution Reinsurance Corporation, New York, NY (from \$2,350,000 to \$4,200,000).....	Mar.	4
The Church Insurance Company, New York, NY (from \$7,500,000 to \$15,000,000).....	Apr.	1
Albany Insurance Company, New York, NY (from \$2,500,000 to \$3,500,000).....	Apr.	11
Atlas Assurance Company of America, New York, NY (from \$2,500,000 to \$3,500,000).....	Apr.	11
Folksamerica Reinsurance Company, New York, NY (from \$3,000,000 to \$5,000,000).....	May	13
Exchange Insurance Company, Buffalo, NY (from \$3,093,513 to \$2,976,772).....	May	23
National Continental Insurance Company, Bohemia, NY (from \$3,000,000 to \$13,500,000).....	May	24

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

National Continental Insurance Company, Bohemia, NY (from \$13,500,000 to \$7,912,500).....	May 24
U.S. Capital Insurance Company, White Plains, NY (from \$3,000,000 to \$4,200,000).....	June 8
Agway Insurance Company, East Syracuse, NY (from \$2,650,000 to \$5,300,000).....	June 9
Winterthur Reinsurance Corporation of America, New York, NY (from \$3,000,000 to \$6,000,000).....	June 30
First Community Insurance Company, Rochester, NY (from \$2,504,250 to \$3,004,464).....	July 5
Seaboard Surety Company, New York, NY (from \$2,500,000 to \$5,000,000).....	July 7
Contractors Casualty and Surety Company, Staten Island, NY (from \$1,000,000 to \$2,000,000).....	July 29
North Sea Insurance Company, Valley Stream, NY (from \$1,000,000 to \$1,200,000).....	Oct. 4
NAC Reinsurance Company, New York, NY (from \$4,000,000 to \$4,200,000).....	Nov. 9
Transtate Insurance Company, Flushing, NY (from \$2,000,000 to \$4,000,000).....	Nov. 22
Exchange Insurance Company, Buffalo, NY (from \$2,976,772 to \$12,976,772).....	Dec. 6

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Arista Insurance Company,
New York, NY.
(from \$300,000 to \$1,950,000)..... Dec. 20

Changes of Name

"Cove Reinsurance Company" to "First Standard Security
Insurance Company,"
Dover, DE..... Jan. 3

"Ankuk Fire & Marine Insurance Co., Ltd." to
"Samsung Fire & Marine Insurance Co., Ltd.,"
New York, NY..... Jan. 14

"Zurich Reinsurance Company of America"
to "Zurich Reinsurance Centre, Inc.,"
Stamford, CT..... Jan. 19

"American Union Reinsurance Company" to "American
Alternative Insurance Corporation,"
New York, NY..... Jan. 31

"American Royal Reinsurance Company" to
"Sydney Reinsurance Corporation,"
Philadelphia, PA..... Feb. 17

"Le Mans Reinsurance Company, USA" to
"Fulcrum Insurance Company,"
New York, NY..... Feb. 24

"Sun Insurance Company of New York" to "Chubb
Indemnity Insurance Company,"
New York, NY..... Mar. 17

"Criterion Casualty Company" to "Geico
Casualty Company,"
Chevy Chase, MD..... Mar. 25

"Planet Insurance Company" to "Reliance National
Indemnity Company,"
Madison, WI..... Mar. 31

"Reliance Insurance Company of New York" to "Reliance
National Insurance Company of New York,"
Fairport, NY..... Mar. 31

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

"Tower Insurance Company" to "Tower Insurance Company of New York," New York, NY.....	Apr. 18
"Union Mutual Insurance Company of Providence" to "Union Insurance Company of Providence," Warwick, RI.....	Apr. 20
"United Republic Reinsurance Company" to "United Republic Insurance Company," Houston, TX.....	Apr. 20
"Federal Kemper Insurance Company" to "The Insurance Company of Decatur," Decatur, IL.....	May 19
"Belvedere America Reinsurance Company" to "Allstate National Insurance Company," Dover, DE.....	June 22
"Minnehoma Insurance Company" to "Old Republic Minnehoma Insurance Company," Phoenix, AZ.....	Aug. 26
"Paragon Insurance Company of New York" to "Progressive Northeastern Insurance Company," Bohemia, NY.....	Sept. 19
"Markel Rhulen Insurance Company" to "Markel American Insurance Company," Glen Allen, VA.....	Oct. 14
"Phoenix Reinsurance Company" to "PXRE Reinsurance Company," Hartford, CT.....	Oct. 20
"Amstats Insurance Company" to "Integon Preferred Insurance Company," New Britain, CT.....	Oct. 31
"American Nisshin Insurance Company" to "Medco Containment Insurance Company of New York," New York, NY.....	Nov. 1

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Restated Charters Filed

American Union Reinsurance Company, New York, NY.....	Jan. 31
Transcontinental Insurance Company, New York, NY.....	Mar. 8
Sun Insurance Company of New York, New York, NY.....	Mar. 17
Christiania General Insurance Corporation of New York, Tarrytown, NY.....	June 9

Conversion Filed

Union Mutual Insurance Company of Providence, Warwick, RI (to convert from a mutual to a stock company).....	Apr. 20
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Merger Agreements Approved

General Security Assurance Corporation of New York, New York, NY into Scor Reinsurance Company, New York, NY.....	Jan. 1
Harco National Insurance Company, New York, NY into Harco National Insurance Company of Illinois, Rolling Meadows, IL.....	Dec. 31

Redomestications Filed

Granite State Insurance Company, Manchester, NH from New Hampshire to Pennsylvania.....	Nov. 4
New Hampshire Insurance Company, Manchester, NH from New Hampshire to Pennsylvania.....	Nov. 4
Nobel Insurance Company, Columbia, SC, from South Carolina to Texas.....	Mar. 9
Atlanta Casualty Company, Norcross, GA from Georgia to Illinois.....	Mar. 21
Unigard Indemnity Company, Raleigh, NC from North Carolina to Washington.....	Aug. 25
American Hardware Mutual Insurance Company, Minnetonka, MN from Minnesota to Ohio.....	Sept. 12

3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(continued)

Middlesex Insurance Company, Westford, MA from Massachusetts to Wisconsin.....	Sept. 20
Patriot General Insurance Company, Westford, MA from Massachusetts to Wisconsin.....	Sept. 20
Fidelity and Guaranty Insurance Underwriters, Inc., Columbus, OH from Ohio to Wisconsin.....	Dec. 8

Domestications Approved

Great Lakes Reinsurance Company (U.S. Branch) into Great Lakes American Reinsurance Company, New York, NY.....	Oct. 1
Abeille General Insurance Company (U.S. Branch) into Abeille General Insurance Company, Inc., New York, NY.....	Dec. 16

In Rehabilitation

United Community Insurance Company, New York, NY Order dated July 7, 1994 entered in Schenectady County on July 7, 1994 placing company in Rehabilitation.....	July 7
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In Liquidation

Galaxy Insurance Company, New York, NY Order entered in New York County, placing company in liquidation.....	Oct. 7
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Withdrawn Pursuant to Regulation 109

Milbank Insurance Company, Milbank, SD.....	Feb. 22
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3. Changes in Status of Authorized Insurers During 1994

e. Property and Casualty Insurance Companies
(concluded)

Plan of Commutation

Northeastern Insurance Company of Hartford,
Hartford, CT
Plan of Commutation approved by Connecticut
Commissioner of Insurance, surrender of New
York State License..... Mar. 11

Plan to Cease Business

Fitchburg Mutual Insurance Company,
Fitchburg, MA..... Dec. 12

f. Co-operative Fire Insurance Companies

Change of Name

"Utica Fire Insurance Company of Oneida County, NY,"
to "Utica First Insurance Company,"
Whitestown, NY..... Jan. 1

Amendments to Charter Filed

Utica Fire Insurance Company of Oneida County, NY,
Whitestown, NY..... Jan. 1

Leatherstocking Cooperative Insurance Company,
New Berlin, NY..... Mar. 11

Preferred Mutual Insurance Company,
New Berlin, NY..... Mar. 11

Monroe Co-operative Fire Insurance Company,
Rochester, NY..... Aug. 8

Conversions

Home Mutual Insurance Company of Binghamton, NY,
Binghamton, NY
converted to a mutual property/casualty
corporation..... Apr. 1

Co-operative Insurance Company of Western, New York,
Randolph, NY
converted to a stock/property casualty company..... Apr. 20

3. Changes in Status of Authorized Insurers During 1994

f. Co-operative Fire Insurance Companies
(concluded)

Finger Lakes-Seneca Cooperative Insurance Company,
Trumansburg, NY
converted to an advance premium company..... June 1

g. Title Insurance Companies

Amendments to Charter

TRW Title Insurance of New York Inc.,
White Plains, NY..... Mar. 9
New York TRW Title Insurance Inc.,
White Plains, NY..... May 9
Monroe Title Insurance Corporation,
Rochester, NY..... Oct. 7

Change in Authorized Capital

Monroe Title Insurance Corporation,
Rochester, NY
(from \$5,000,000 to \$5,000,000)..... Oct. 7

Changes of Name

"TRW Title Insurance of New York Inc."
to "Nations Title Insurance of
New York Inc.,"
White Plains, NY..... Mar. 9
"New York TRW Title Insurance Inc." to
"National Title Insurance of New York Inc.,"
White Plains, NY..... May 9

h. Mortgage Guaranty Companies

Domestic Company Incorporated

Atrium Insurance Corporation,
New York, NY..... June 15

Domestic Company Licensed

Capital Mortgage Reinsurance Company,
New York, NY..... Feb. 1

3. Changes in Status of Authorized Insurers During 1994

h. Mortgage Guaranty Companies
(concluded)

Changes of Name

"Investors Mortgage Insurance Company" to "CMG Mortgage Insurance Company," Naperville, IL.....	June 23
"Old Republic Mortgage Assurance Company" to "Republic Mortgage Insurance Company of North Carolina," Winston-Salem, NC.....	July 7

Foreign Companies Licensed

United Guaranty Insurance Company, Greensboro, NC.....	June 1
United Guaranty Mortgage Insurance Company, Greensboro, NC.....	June 1
United Guaranty Mortgage Insurance Company of North Carolina, Greensboro, NC.....	June 1

i. Financial Guaranty Companies

Amendment to Charter Filed

Asset Guaranty Insurance Company, New York, NY.....	Oct. 27
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Change in Authorized Capital

Asset Guaranty Insurance Company, New York, NY (from \$4,000,000 to \$15,000,000).....	Oct. 27
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j. Charitable Annuity Societies

Charitable Annuity Society Permits Issued

The University of Albany Foundation, Albany, NY.....	Jan. 24
Fordham University, New York, NY.....	Apr. 26
American Society for Technion-Israel Institute of Technology, Inc., New York, NY.....	Apr. 28

3. Changes in Status of Authorized Insurers During 1994

j. Charitable Annuity Societies
(concluded)

Israel Histadrut Foundation, Inc., New York, NY.....	Apr. 29
Roberts Wesleyan College, Rochester, NY.....	May 3
United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc., New York, NY.....	May 23
Colgate University, Hamilton, NY.....	Aug. 31
The Rescue Mission Alliance of Syracuse, N.Y., Syracuse, NY.....	Sept. 2
Covenant House, New York, NY.....	Oct. 24
Environmental Defense Fund, Inc., New York, NY.....	Nov. 4

Amendment to Charter

Trustees of the General Program Council, Reformed Church in America, New York, NY.....	May 18
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Change of Name

"Trustees of the General Program Council, Reformed Church in America" to "General Synod Council of the Reformed Church in America," New York, NY.....	May 18
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k. Accredited Reinsurers

Recognized

Scottsdale Insurance Company, Columbus, OH.....	June 28
Atlantic States Insurance Company, Marietta, PA.....	Nov. 4
Unionamerica Insurance Company Limited, London, England.....	Dec. 15
CNA International Reinsurance Company Limited, London, England.....	Dec. 20

3. Changes in Status of Authorized Insurers During 1994

k. Accredited Reinsurers
(concluded)

Withdrawn

General Casualty Company of Wisconsin, Sun Prairie, WI.....	Sept. 8
Regent Insurance Company, Sun Prairie, WI.....	Sept. 8
North American Company for Life and Health Insurance, Chicago, IL.....	Dec. 21

Changes of Name

"Liberty National Fire Insurance Company" to "Vesta Fire Insurance Corporation," Birmingham, AL.....	Feb. 28
"American Skandia Life Reinsurance Corporation" to "ITT Hartford International Life Reassurance Corporation," Sheldon, CT.....	Mar. 21
"The Summit Fidelity and Surety Company" to "Evergreen National Indemnity Company," Columbus, OH.....	Apr. 1
"NRG America Life Reassurance Corporation" to "Harbourton Reassurance, Inc.," Wilmington, DE.....	June 10

Redomestication Filed

The Mercantile and General Life Reassurance Company of America, Dover, DE To redomesticate from Delaware to Michigan.....	Mar. 10
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l. Fraternal Benefit Society

Redomestication Filed

Slovene National Benefit Society, Burr Ridge, IL from Illinois to Pennsylvania.....	Jan. 1
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m. Reciprocal Insurer

Amendment to Charter

Academic Health Professionals Insurance Association, New York, NY.....	Feb. 16
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4. Examination Reports Filed During 1994

Domestic Life Insurance Companies

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
American Benefit Life Insurance Company	Dec. 31, 1993	Dec. 7
American Centurion Life Assurance Company	Dec. 31, 1993	Sept. 28
American Crown Life Insurance Company	Dec. 31, 1993	Nov. 23
American Life Insurance Company of New York	Dec. 31, 1992	June 21
Church Life Insurance Corporation	Dec. 31, 1992	Apr. 26
Combined Life Insurance Company of New York	Dec. 31, 1991	Dec. 28
CU Life Insurance Company of New York	Dec. 31, 1992	July 29
Farmers and Traders Life Insurance Company	Dec. 31, 1992	June 17
First Alexander Hamilton Life Insurance Company	Dec. 31, 1992	Aug. 5
First Ameritas Life Insurance Corporation of New York	On Organization	June 21
First Investors Life Insurance Company	Dec. 31, 1992	June 1
First Transamerica Life Insurance Company	Dec. 31, 1992	Mar. 21
First United American Life Insurance Company	Dec. 31, 1993	Oct. 18
Golden Eagle Mutual Life Insurance Corporation	Dec. 31, 1992	Sept. 14
International Life Investors Insurance Company	Dec. 31, 1992	Jan. 28
Intramerica Life Insurance Company	Dec. 31, 1992	Apr. 8
John Alden Life Insurance Company of New York	Dec. 31, 1992	Mar. 28
Life Insurance Company of Boston and New York	Dec. 31, 1992	Apr. 8
Lincoln Security Life Insurance Company	Dec. 31, 1992	Oct. 25
The Maximum Life Insurance Company	Dec. 31, 1993	Aug. 5
ML Life Insurance Company of New York	Dec. 31, 1992	Mar. 8
Monitor Life Insurance Company of New York	Dec. 31, 1993	Dec. 7

4. Examination Reports Filed During 1994

Domestic Life Insurance Companies
(concluded)

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
Mutual of America Life Insurance Company	Dec. 31, 1992	July 22
Mutual Life Insurance Company of New York	Dec. 31, 1991	Apr. 29
National Benefit Life Insurance Company	Dec. 31, 1993	Dec. 30
National Home Life Assurance Company of New York	Dec. 31, 1992	Aug. 5
National Integrity Life Insurance Company	Dec. 31, 1992	June 17
Old Republic Life Insurance Company of New York	Dec. 31, 1992	Nov. 10
Phoenix Home Life Mutual Insurance Company	Dec. 31, 1992	Dec. 7
Presidential Life Insurance Company	Dec. 31, 1993	Oct. 24
Thomas Jefferson Life Insurance Company	Dec. 31, 1992	Aug. 5
William Penn Life Insurance Company of New York	Dec. 31, 1992	Nov. 10

Domestic Accident and Health Insurance Company

Oxford Health Insurance Inc.	Inc. in Capital	Dec. 23
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Fraternal Benefit Societies

Bnai Zion	Dec. 31, 1993	Sept. 22
Free Sons of Israel	Dec. 31, 1993	Nov. 17

Savings Banks (Life Insurance Departments)

The Dime Savings Bank of New York	Dec. 31, 1993	Nov. 10
Elmira Savings Bank	Dec. 31, 1993	Dec. 29
The Manhattan Savings Bank	Dec. 31, 1992	Jan. 31
Roosevelt Savings Bank	Dec. 31, 1993	Dec. 29

Domestic Property and Casualty Insurance Companies

American Alternative Insurance Corporation	Dec. 31, 1992	July 15
Atlantic Reinsurance Company	Dec. 31, 1989	Nov. 28

4. Examination Reports Filed During 1994

Domestic Property and Casualty Insurance Companies
(continued)

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
The Baloise Insurance Company of America	Dec. 31, 1992	June 20
Christiania General Insurance Corporation of New York	Dec. 31, 1992	June 6
Citadel Insurance Company	Dec. 31, 1992	June 20
Citicorp International Trade Insurance, Inc.	Dec. 31, 1992	June 14
Erie Insurance Company of New York	Inc. in Capital	Nov. 28
First Central Insurance Company	Dec. 31, 1992	July 5
First Community Insurance Company	Dec. 31, 1993	Nov. 17
Folksamerica National Reinsurance Company	Dec. 31, 1992	Aug. 30
Folksamerica Reinsurance Company	Dec. 31, 1992	Aug. 30
Fortress Insurance Company of America	Dec. 31, 1992	June 13
Frontier Insurance Company	Dec. 31, 1990	Mar. 30
Galaxy Insurance Company	Dec. 31, 1991	Aug. 1
Hansa Reinsurance Company of America	Dec. 31, 1992	Nov. 2
Indemnity Insurance Company of North America	Dec. 31, 1990	Jan. 5
Interboro Mutual Indemnity Insurance Company	Dec. 31, 1992	Oct. 21
International Credit of North America Reinsurance, Inc.	Dec. 31, 1992	Nov. 29
Le Mans Reinsurance Company, USA	Dec. 31, 1991	Mar. 18
Marine Indemnity Insurance Company of America	Dec. 31, 1992	June 15
Munich American Reinsurance Company	Dec. 31, 1992	Mar. 25
National Continental Insurance Company	Dec. 31, 1991	Apr. 6

4. Examination Reports Filed During 1994

Domestic Property and Casualty Insurance Companies
(concluded)

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
New York Merchant Bakers Mutual Fire Insurance Company	Dec. 31, 1991	June 7
New York Merchant Bakers Mutual Fire Insurance Company	Dec. 31, 1993	June 28
New York Surety Company	Dec. 31, 1991	Jan. 10
Nordstern Insurance Company of America	Dec. 31, 1993	Dec. 20
Paragon Insurance Company of New York	On Organization	May 19
Reliance Insurance Company of New York	Dec. 31, 1989	Feb. 2
Resolute Reinsurance Company	Dec. 31, 1991	June 2
SAFR Reinsurance Corporation of the U.S.	Dec. 31, 1992	July 7
Seneca Insurance Company, Inc.	Dec. 31, 1991	Jan. 4
State-Wide Insurance Company	Dec. 31, 1990	Jan. 20
Sun Insurance Company of New York	Dec. 31, 1992	July 11
Tower Insurance Company	Dec. 31, 1992	Aug. 18
Trans Pacific Insurance Company	Dec. 31, 1992	Aug. 5
Tri-State Consumer Insurance Company	Dec. 31, 1992	June 27
United Pacific Insurance Company of New York	Dec. 31, 1989	Feb. 2
U.S. Capital Insurance Company	Dec. 31, 1991	Dec. 30
Vigilant Insurance Company	Dec. 31, 1991	July 19
Viking Fire Insurance Company	Dec. 31, 1991	Feb. 7

Alien Property and Casualty Insurance Companies
(U.S. Branch)

Alliance Assurance Company, Limited	Dec. 31, 1991	Mar. 14
Ankuk Fire & Marine Insurance Co., Ltd.	Dec. 31, 1991	Mar. 1
Canadian Union Insurance Company	Dec. 31, 1991	Mar. 8

4. Examination Reports Filed During 1994

Alien Property and Casualty Insurance Companies
(U.S. Branch)
(concluded)

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
The Chiyoda Fire and Marine Insurance Company, Ltd.	Dec. 31, 1992	Apr. 22
DOWA Fire & Marine Insurance Company, Ltd.	Dec. 31, 1992	Sept. 9
KOA Fire & Marine Insurance Company, Ltd.	Dec. 31, 1993	Dec. 14
The London Assurance of America, Ltd.	Dec. 31, 1991	Mar. 14
Lucky Insurance Company, Limited	Dec. 31, 1992	July 25
Munich Reinsurance Company	Dec. 31, 1992	Mar. 29
The Sea Insurance Company Limited	Dec. 31, 1991	Mar. 14
Sumitomo Marine & Fire Insurance Company, Limited	Dec. 31, 1991	Oct. 3
Sun Insurance Office Limited	Dec. 31, 1991	Mar. 14
Tariff Reinsurances Limited	Dec. 31, 1992	Aug. 17

Assessment Co-operative Fire Insurance Companies

Chautauqua Patrons' Insurance Association	Dec. 31, 1992	June 6
Franklin Fire Insurance Company	Dec. 31, 1993	Dec. 29
Leatherstocking Cooperative Insurance Company	Dec. 31, 1992	Sept. 12
Midstate Mutual Insurance Company	Dec. 31, 1993	Nov. 28
Salem Mutual Town Fire Insurance Company	Dec. 31, 1993	May 19
Washington County Co-operative Insurance Company	Dec. 31, 1993	Sept. 12

Advance Premium Co-operative Fire Insurance Companies

Commercial Mutual Insurance Company	Dec. 31, 1992	Jan. 12
Fulmont Mutual Insurance Company	Dec. 31, 1991	July 5
Home Mutual Insurance Company of Binghamton, New York	Dec. 31, 1992	Feb. 14
New York Central Mutual Fire Insurance Company	Dec. 31, 1992	Aug. 29
Preferred Mutual Insurance Company	Dec. 31, 1992	Oct. 3

4. Examination Reports Filed During 1994

Domestic Title Insurance Companies

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
First Atlantic Title Insurance Corp.	Dec. 31, 1992	Mar. 31
Monroe Title Insurance Corporation	Dec. 31, 1992	Jan. 27

Charitable Annuity Societies

American Tract Society	Dec. 31, 1992	May 6
Catholic Near East Welfare Association	Dec. 31, 1993	Dec. 7
Houghton College	Dec. 31, 1992	Apr. 13
National Committee for Labor Israel, Inc.	Dec. 31, 1993	Oct. 11
New York University	Dec. 31, 1993	Nov. 21
Polytechnic Institute of New York	Dec. 31, 1992	Jan. 7
Sudan Interior Mission Inc.	Dec. 31, 1992	May 17
United Church Board for Homeland Ministries	Dec. 31, 1992	May 18

Health Maintenance Organizations

Independent Health Association, Inc.	Special Exam	Mar. 14
Metropolitan Health Plan	Dec. 31, 1991	Jan. 25
Mid-Hudson Health Plan Inc.	Dec. 31, 1991	July 18
Mohawk Valley Physicians Health Plan, Inc.	Dec. 31, 1991	Oct. 3
Patients' Choice, Inc.	Dec. 31, 1991	Mar. 14
Total Health HMO Inc.	Dec. 31, 1990	Jan. 27
Travelers Health Network of New York Inc.	Dec. 31, 1992	Oct. 18
Wellcare of New York, Inc.	Dec. 31, 1991	July 6

Nonprofit Corporations

Capital Area Community Health Plan, Inc.	Dec. 31, 1989	July 6
Dentcare Delivery Systems, Inc.	Dec. 31, 1989	Mar. 23
Empire Blue Cross and Blue Shield	Dec. 31, 1991	Mar. 17
Pupil Benefits Plan, Inc.	Dec. 31, 1992	Aug. 2

4. Examination Reports Filed During 1994

Pension Funds and Retirement Systems

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
Board of Pensions of the Reformed Church in America	Dec. 31, 1992	July 11
Church Pension Fund	Mar. 31, 1992	Apr. 26
Police Officers' Variable Supplements Fund	June 30, 1992	June 8
Police Superior Officers' Variable Supplements Fund	June 30, 1992	June 8

Mortgage Company

Capital Mortgage Reinsurance Company	On Organization	Jan. 25
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Underwriting Organization

New York Property Insurance Underwriting Association	Dec. 31, 1992	Oct. 3
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Miscellaneous Fund

Uninsured Employers Fund	Aug. 1, 1991	Jan. 8
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5. Rehabilitation, Liquidation, Ancillary Receivership and Conservation Proceedings

For earlier developments on rehabilitation, liquidation, ancillary receivership or conservation proceedings, see the Annual Report of the Superintendent of Insurance to the New York Legislature for prior years.

See Table 65 for more detail concerning insurance companies, Table 66 for more detail concerning fraternal benefit societies and Table 67 for more detail concerning welfare and pension funds.

The insurance entities under the Liquidation Bureau's jurisdiction during 1994 were as follows:

Rehabilitations

- Commenced: United Community Insurance Company
- Continued: Executive Life Insurance Company of New York
Interamerica Reinsurance Company

Liquidations

- Commenced: Galaxy Insurance Company
- Continued: American Consumer Insurance Company
American Fidelity Fire Insurance Company
Bakers Mutual Insurance Company of New York
Carriers Casualty Company
Citizens Casualty Company of New York
Consolidated Mutual Insurance Company
Cosmopolitan Mutual Insurance Company
Dominion Insurance Company of America
Heartland Group, Inc. (New York Insurance Exchange Syndicate)
Horizon Insurance Company
Ideal Mutual Insurance Company
KCC New York Syndicate Corporation (New York Exchange Syndicate)
Long Island Insurance Company
Midland Insurance Company
Midland Property and Casualty Insurance Company
Nassau Insurance Company
Nem Re Insurance Corporation
Northumberland General Insurance Company (U.S. Branch)
Pine Top Syndicate, Inc. (New York Insurance Exchange Syndicate)
Professional Insurance Company of New York
Realex Group, N.E. (New York Insurance Exchange Syndicate)
Resources Insurance Company
Shamrock Casualty Company
Summit Insurance Company of New York
Union Indemnity Insurance Company of New York
U.S. Risk, Inc. (New York Insurance Exchange Syndicate)
Whiting National Insurance Company
- Completed: New York State Trial Lawyers Insurance Company

Ancillary Receiverships

Commenced: Covenant Mutual Insurance Company
Employers Casualty Company

Continued: American Druggists' Insurance Company
American Mutual Insurance Company of Boston
American Mutual Liability Insurance Company
Columbus Insurance Company
Edison Insurance Company
Enterprise Insurance Company
Great Atlantic Insurance Company
Great Global Assurance Company
Imperial Insurance Company
Integrity Insurance Company
Interstate Insurance Company
MCA Insurance Company
Millers National Insurance Company
Mission Insurance Company
Mission National Insurance Company
Mutual Fire, Marine and Inland Insurance Company
Oil and Gas Insurance Corporation
Proprietors Insurance Company
Security Casualty Company
Transit Casualty Company
Warwick Insurance Company
Western Employers Insurance Company
Yorktown Indemnity Company

Completed: Mission Reinsurance Company

Conservations

Commenced Andrew Weir Insurance Company, Ltd.
Bermuda Fire and Marine Insurance Company, Ltd.
Bryanston Insurance Company, Ltd.
Municipal General Insurance, Ltd.
Pine Top Insurance Company, Ltd.
Trinity Insurance Company, Ltd.

Continued: Colonial Assurance Company, Ltd.
Dover Insurance Company, Ltd.
El Paso Insurance Company, Ltd.
Kingscroft Insurance, Ltd.
Lime Street Insurance Company, Ltd.
Mentor Insurance Company, Ltd.
Mentor Insurance Company (UK), Ltd.
Mutual Reinsurance Company, Ltd.
National Employers Mutual General Insurance Association, Ltd.
Njord Insurance Company, Ltd.

Conservations

Continued: Northeastern Fire Insurance Company of Pennsylvania
Northumberland General Insurance Company - 41 Trust
Pacific and General Insurance Company
River Plate Reinsurance Company, Ltd.
Scan Re Insurance Company, Ltd.
United International Insurance Company
Walbrook Insurance Company

Completed: Central Fire and General Insurance Company, Ltd.
Northumberland Insurance Company, Ltd.

a. Insurance Companies

During 1994, ten proceedings commenced under the Liquidation Bureau's jurisdiction while 69 insurance company proceeding continued and four proceedings were completed and closed. The 79 active insurance company proceedings were classified as follows:

3 Rehabilitation
28 Liquidation
25 Ancillary Receivership
23 Conservation

Of the 76 not in rehabilitation, the status as to completion of the proceedings is as follows:

65 Evaluation of claims by Liquidation Bureau not completed.
6 Liquidator's Report, Audit and Petition filed - partial distribution made.
5 Liquidation completed except for preparation and filing of Final Accounting and discharge of Liquidator.

As of December 31, 1994, assets, liabilities and current insolvency of the 79 active insurance company proceedings, taken as a group, were as follows:

(in 000s)

Invested assets	\$ 2,227,693
Other Assets	674,671
Total Assets	2,902,364
Total Liabilities	17,815,179
Current Insolvency	\$14,912,815

During 1994, cash payments from the New York State security funds on allowed claims of claimants totaled \$50,051,000 for claims, \$3,884,000 for return premiums, and \$19,349,000 for expenses. Payments by other states' guaranty funds are excluded from these numbers.

During 1994, cash distributions to the New York State security funds from domestic estates totaled \$41,191,000. Distributions to the New York State security funds from other states' guaranty funds totaled \$13,359,000, for a combined total of \$54,550,000.

b. Fraternal Benefit Societies In Liquidation

As of December 31, 1994, there were 261 liquidation proceedings that had not yet been closed by filing of Final Accounts with the Supreme Court. Their status was as follows:

- 43 proceedings - Evaluation of claims by Liquidation Bureau not completed.
- 1 proceeding - Evaluation of claims by Liquidation Bureau completed. Liquidator's Report, Audit and Petition in preparation.
- 11 proceedings - Liquidator's Report, Audit and Petition filed and approved. Distribution pending.
- 180 proceedings - Liquidation completed except for preparation and filing of Final Audit and Accounting.
- 26 proceedings - Final Audit and Accounting filed.

As of December 31, 1994, the remaining assets in the 261 liquidation proceedings totalled \$1,644,147.

During 1994, claims totaling \$60,491 were allowed and paid, and surplus assets of \$353,938 were paid to former members of fraternal benefit societies.

c. Welfare and Pension Funds in Liquidation

As of December 31, 1994, there were six liquidation proceedings that had not yet been closed by filing of Final Accountings with the Supreme Court. Their status was as follows:

- 5 proceedings - Evaluation of claims by Liquidation Bureau completed. Liquidator's Report, Audit and Petition in preparation.
- 1 proceeding - Liquidation completed except for preparation and filing of Final Audit and Accounting.

As of December 31, 1994, the remaining assets of the six liquidation proceedings totaled \$331,661. During 1994, no claim or surplus assets were paid to former members of welfare funds.

Table 66
 PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP
 AS OF DECEMBER 31, 1994
 (in \$000's)

Company Name	Proceeding Mo/Yr Type	Cash & Invested Assets ¹		Total Assets ¹	Claims and Expenses Paid ²		Assets Distributed ³		Total Liabilities \$ Amount	Current Solvency (Insolvency) \$ Amount
		\$ Amount	Type		\$ Amount	Type	\$ Amount	Pct \$ Amount		
American Consumer	03/86 LIQ	\$3,297		\$8,120	PC GF	\$16,744 2,631			\$25,458	\$(17,338)
American Druggist	05/86 ANC	500		526	PC WC	11,150 1,154			15,224	(14,698)
American Fidelity Fire	03/86 ANC	11,169		15,352	PC MV WC GF	32,462 4,015 827 15,130			70,630	(55,278)
American Mutual Ins.	04/89 ANC	418		2,182	PC MV WC	9,261 56 22,873			56,619	(54,437)
American Mutual Liab.	04/89 ANC	553		2,946	PC MV WC	14,855 468 24,354			67,423	(64,476)
Andrew Weir	06/94 CON	2,589		2,589					120,702	(118,113)
Bakers Mutual	08/78 LIQ	4,780		5,494	PC WC GC GF	1,925 4,526 -0- 2,921	100% 100 100 100	\$1,890 4,084 346 2,825	2,383	3,111
Bermuda Fire	11/94 CON									-0-
Bryanston	09/94 CON								50,052	(50,052)

Proceeding - Type
 LIQ Liquidation
 REH Rehabilitation
 CON Conservation
 ANC Ancillary Receivership

Claims Paid - Type
 PC Property/Casualty
 MV Public Motor Vehicle
 WC Workers' Compensation
 GC General Creditor
 GF Guaranty Fund

Assets Distributed - PCI
 Numerical Amount = Distribution %
 EAD = Early Access Distribution

Table 66
**PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP**
 AS OF DECEMBER 31, 1994
 (in \$'s)

Company Name	Proceeding Mo/Yr Type	Cash & Invested Assets		Total Assets ¹ \$ Amount	Claims and Expenses Paid ²		Assets Distributed ³		Total Liabilities \$ Amount	Current Solvency (Insolvency) \$ Amount
		\$ Amount	Type		\$ Amount	Type	\$ Amount	Pct		
Carriers Casualty	10/86 LIQ	\$5,916	PC	\$9,426	\$6,349	PC			\$9,426	-0-
			MV		18					
			WC		220					
			GF		1,378					
Citizens Casualty	06/71 LIQ	17,250	PC	58,490	14,016	PC	50%	\$6,456	69,641	\$(11,151)
			MV		310	50	132			
			WC		88	50	44			
			GC		-0-	50	1,812			
	GF	1,557	50	793						
Colonial	02/85 CON	2,052		2,052					5,684	(3,632)
Columbus	02/85 ANC	2,935	PC	2,935	4,489				5,414	(2,479)
Consolidated	05/79 LIQ	40,912	PC	48,441	65,193	PC	65	41,802	60,310	(11,869)
			MV		66	65	41			
			WC		15,042	65	9,458			
			GC		-0-	65	2,203			
	GF	18,133	65	11,134						
Cosmopolitan	10/80 LIQ	44,399	PC	54,383	41,836	PC	55	22,081	96,850	(42,467)
			MV		425	55	204			
			WC		49,453	55	26,589			
			GC		-0-	55	789			
	GF	31,942	55	15,764						
Covenant	09/94 ANC								49	(49)

Proceeding - Type
 LIQ Liquidation
 REH Rehabilitation
 CON Conservation
 ANC Ancillary Receivership

Claims Paid - Type
 PC Property/Casualty
 MV Public Motor Vehicle
 WC Workers' Compensation
 GC General Creditor
 GF Guaranty Fund

Assets Distributed - PCI
 Numerical Amount = Distribution %
 EAD = Early Access Distribution

Table 66
 PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP
 AS OF DECEMBER 31, 1994
 (in \$000's)

Company Name	Proceeding Mo/Yr Type	Cash & Invested Assets ¹ \$ Amount	Total Assets ¹ \$ Amount	Claims and Expenses Paid ² Type \$ Amount	Assets Distributed ³ Pct \$ Amount	Total Liabilities \$ Amount	Current Solvency (Insolvency) \$ Amount
Imperial	02/78 CON	\$1,440	\$1,440	PC \$9,019	EAD \$5,750	\$4,600	\$(3,160)
Integrity	03/87 ANC	682	695	PC 31,265 MV 86	EAD 3,466	38,415	(37,720)
Interamerica Re.	07/88 REH	22,453	38,017			60,860	(22,843)
Interstate	12/75 ANC						-0-
KCC New York Syndicate	06/91 LIQ	1,882	4,540			16,522	(11,982)
Kingscroft	08/91 CON	1,616	1,616			1,442,994	(1,441,378)
Lime Street	08/91 CON					509,048	(509,048)
Long Island	05/79 LIQ	8,067	8,087	PC 10,288 MV 5 WC 2,844 GC -0- GF 2,468	65% \$6,398 65 1,811 65 124 65 557	7,612	475
MCA	11/92 ANC	147	163	PC 6,140		10,110	(9,947)
Mentor Ltd.	11/85 CON	1,576	1,576			376,687	(375,111)
Mentor, UK	03/89 CON	1,583	1,583			46,239	(44,656)

Proceeding - Type
 LIQ Liquidation
 REH Rehabilitation
 CON Conservation
 ANC Ancillary Receivership

Claims Paid - Type
 PC Property/Casualty
 MV Public Motor Vehicle
 WC Workers' Compensation
 GC General Creditor
 GF Guaranty Fund

Assets Distributed - PCI
 Numerical Amount = Distribution %
 EAD = Early Access Distribution

Table 66
 PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP
 AS OF DECEMBER 31, 1994
 (in 000's)

Company Name	Proceeding Mo/Yr Type	Cash & Invested		Total Assets ¹	Claims and Expenses Paid ²		Assets Distributed ³		Total Liabilities	Current Solvency (Insolvency) \$ Amount
		\$ Amount	\$ Amount		Type	\$ Amount	Pct	\$ Amount		
Midland	04/86 LIQ	\$112,136	\$179,686		PC	\$46,413			\$2,231,674	\$(2,051,988)
					MV	6,858				
					WC	6,262				
					GF	256,262				
MIDPAC	06/90 LIQ	8,387	9,257						8,563	694
Mitlers	06/93 ANC	18	17		PC	192			355	(338)
					WC	1				
Mission	04/87 CON	124	284		PC	18,511	EAD	\$12,782	11,139	(10,855)
					MV	76		-0-		
					WC	1,327	EAD	766		
Mission National	04/87 CON	187	174		PC	6,782	EAD	5,173	3,080	(2,906)
					WC	107	EAD	1		
Municipal Gen.	06/94 CON								91,077	(91,077)
Mutual Fire	02/87 ANC	100	110		PC	29,369	EAD	13,881	24,081	(23,971)
Mutual Re	08/91 CON	1,626	1,626						1,420,763	(1,419,137)
Nassau	06/84 LIQ	356	13,224		PC	26,358			45,429	(32,205)
					MV	12,023				
National Employer	07/93 CON								119,008	(119,008)
Nem Re	09/90 LIQ	25,227	31,354						63,898	(32,544)

<u>Proceeding - Type</u>	<u>Claims Paid - Type</u>	<u>Assets Distributed - PCI</u>
LIQ Liquidation	PC Property/Casualty	Numerical Amount = Distribution %
REH Rehabilitation	MV Public Motor Vehicle	EAD = Early Access Distribution
CON Conservation	WC Workers' Compensation	
ANC Ancillary Receivership	GC General Creditor	
	GF Guaranty Fund	

Table 66
 PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP
 AS OF DECEMBER 31, 1994
 (in \$000's)

Company Name	Proceeding Mo/Yr Type	Cash & Invested Assets \$ Amount	Total Assets ¹ \$ Amount	Claims and Expenses Paid ² Type \$ Amount	Assets Distributed ³ Pct \$ Amount	Total Liabilities \$ Amount	Current Solvency (Insolvency) \$ Amount
NJORD	07/92 CON					\$2	\$(2)
NGIC U.S. Branch	07/85 LIQ	\$12,586	\$25,132	PC \$2,186		33,782	(8,650)
NGIC Reg. 41	12/85 CON	14,774	20,865			26,321	(5,456)
Northeastern Fire	05/85 CON						-0-
Oil & Gas	10/90 ANC	1	2	PC 846		1,791	(1,789)
Pacific General	10/88 CON	1,553	1,554			98,659	(97,106)
Pine Top	09/94 CON						-0-
Pine Top Syndicate	02/88 LIQ	3,328	6,972			19,299	(12,327)
Professional	04/74 LIQ	14,740	14,918	PC 46,396 GC -0- GF 3,913	90% \$41,149 90 11,521 90 1,974	12,541	2,377
Proprietors	08/81 ANC	456	461	PC 13,529	EAD 4,137	11,555	(11,094)
The Realex Group	12/87 LIQ	23,451	30,719			73,736	(43,017)
Resources	07/77 LIQ	7,499	7,669	PC 7,156 MV 4,435 WC 178 GC -0- GF 4,832	75 5,349 75 3,278 75 134 75 2,616 75 3,624	5,793	1,876

Proceeding - Type
 LIQ Liquidation
 REH Rehabilitation
 CON Conservation
 ANC Ancillary Receivership

Claims Paid - Type
 PC Property/Casualty
 MV Public Motor Vehicle
 WC Workers' Compensation
 GC General Creditor
 GF Guaranty Fund

Assets Distributed - PCI
 Numerical Amount = Distribution %
 EAD = Early Access Distribution

Table 66.
**PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP
 AS OF DECEMBER 31, 1994**
 (in 000's)

Company Name	Proceeding Mo/Yr Type	Cash & Invested Assets \$ Amount	Total Assets \$ Amount	Claims and Expenses Paid ² Type \$ Amount	Assets Distributed ³ Pct. \$ Amount	Total Liabilities \$ Amount	Current Solvency (Insolvency) \$ Amount
River Plate	02/88 CON	\$1,588	\$1,588			\$22,055	\$(20,466)
Scan Re	08/93 CON					1,535	(1,535)
Security Casualty	01/82 ANC	13	26	PC \$21 WC 264	EAD \$21 EAD 240	158	(132)
Shamrock Casualty	07/74 LIQ						-0-
Summit	05/75 LIQ	19,648	19,708	PC 5,039 MV 1,415 WC 11 GC -0- GF 8,880	100% 5,002 100 1,414 100 11 100 7,804 100 8,880	1,162	18,546
Transit Casualty	12/86 ANC	1,085	1,130	PC 96,269 MV 3,894 WC 2,449		174,694	(173,563)
Trinity Insurance	08/94 CON					25,004	(25,004)
U.S. Risk, Inc.	01/88 LIQ	7,118	7,635			20,734	(13,099)
Union Indemnity	07/85 LIQ	15,364	89,944	PC 107,430 MV 101 WC 1,086 GF 68,176		1,232,483	(1,142,539)
United Community	07/94 REH		931	PC 6,205 MV 547 WC 166		52,115	(51,184)

Proceeding - Type
 LIQ Liquidation
 REH Rehabilitation
 CON Conservation
 ANC Ancillary Receivership

Claims Paid - Type
 PC Property/Casualty
 MV Public Motor Vehicle
 WC Workers' Compensation
 GC General Creditor
 GF Guaranty Fund

Assets Distributed - PCI
 Numerical Amount = Distribution %
 EAD = Early Access Distribution

Table 66
**PROCEEDINGS OF INSURANCE COMPANIES IN LIQUIDATION, REHABILITATION,
 CONSERVATION OR ANCILLARY RECEIVERSHIP
 AS OF DECEMBER 31, 1994
 (in \$00's)**

Company Name	Proceeding Mo/Yr Type	Cash & Invested Assets ¹		Total Assets ¹ \$ Amount	Claims and Expenses Paid ² Type \$ Amount	Assets Distributed ³ Pct \$ Amount	Total Liabilities \$ Amount	Current Solvency (Insolvency) \$ Amount
		\$ Amount	\$ Amount					
United International	09/92 CON	\$828	\$828			\$15,204	\$(14,376)	
Walbrook	09/92 CON					5,251,502	(5,251,502)	
Warwick	07/93 ANC	53		93	PC \$954 WC 120	8,472	(8,378)	
Western Employers	06/91 ANC	381		718	PC 1,289 WC 4,476	11,645	(10,927)	
Whiting National	11/88 LIQ	5,469		10,287	PC 20,944 GF 927	39,731	(29,444)	
Yorktown Indemnity	05/89 ANC	131		70	PC 509 MV 18,834	18,032	(17,962)	

Proceeding - Type LIQ Liquidation REH Rehabilitation CON Conservation ANC Ancillary Receivership	Claims Paid - Type PC Property/Casualty MV Public Motor Vehicle WC Workers' Compensation GC General Creditor GF Guaranty Fund	Assets Distributed - PCI Numerical Amount = Distribution % EAD = Early Access Distribution
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¹ Cash & Invested Assets and Total Assets include certain amounts that are considered restricted. Restricted amounts can be made up of secured collateral, amounts held for others, abandoned property or amounts on deposit in other states and can represent a significant portion of Cash & Invested Assets and Total Assets.

² Claims Paid represents amounts paid by the New York State security funds (PC, MV, WC) and other states' guaranty funds (GF) to claimants. Claims Paid may also include unearned premium paid to policyholders. Expenses Paid represents amounts paid by the funds for allocated and unallocated loss adjustment expenses. In instances where the proceeding is an ancillary receivership, Expenses Paid may include administrative expenses of the ancillary receiver.

³ Assets Distributed in the form of dividends paid to the New York State security funds, ancillary or independent receivers and to general creditors may not equal the stated percentage of the amount that appears in the Claims and Expenses Paid column because additional claims may have been allowed subsequent to the last dividend distribution.

In some instances, dividend checks issued by the Liquidator are not cashed by payees. In such instances, the Liquidator will make several attempts to locate the payee. Accordingly, if the payee is not located the dividend is considered paid by the estate and is treated in accordance with the Abandoned Property Law.

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Adath Morim K.U.V., et al.	09/27/89	\$ 311	DM GC	\$ 13,590 68
Akiba Eger Goodfellowship Fraternity, Inc.	03/19/91	3,879	DM GC	-0- -0-
Amschenover Independent Benevolent Soc., Inc.	02/06/81	3,735	DM GC	49,995 230
Appel Benevolent Soc., Inc., et al.	11/15/85	2,681	DM GC	4,992 800
Assn. of Ekaterinoslaw	10/18/85	3,502	DM GC	95,597 100
Balbireshker Brotherhood Benevolent Assn., Inc.	03/21/80	64	DM GC	13,364 50
Balta Benevolent Congregation in the City of NY	10/19/90	10,163	DM GC	24,228 -0-
Bessarabier Podolier Benevolent Soc., Inc., et al.	05/01/87	3,287	DM GC	2,294 9,950
Beth Hamedrosh Hagodel We Tomache Torah of the Brx, Inc.	03/09/81	5,561	DM GC	6,000 1,100

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

Society Name	Date of Liquidation	Total Assets	Assets Paid Out	
			Type	\$ Amount
Bethlehem Benevolent Society, Inc.	08/24/88	\$ 3	DM GC	\$ 7,434 3,184
Bichover Society, Inc.	01/29/79	2,016	DM GC	7,786 1,154
Bielsker Bruderlicher Unterstutzungs Verein	04/25/94	2,178	DM GC	-0- -0-
Bochnia Wishnitz & Brigler Benevolent Association, Inc.	10/15/93	30,246	DM GC	-0- -0-
Bolshower Sick & Benevolent Association, Inc.	01/17/87	3,931	DM GC	33,120 6,301
Boro Friendship League, Inc., et al.	06/21/89	99	DM GC	-0- -0-
Britchever Progressive Society, Inc.	12/28/79	1,872	DM GC	45,880 907
Brodyer Young Men's Benev. & Educational Alliance	10/14/93	59,789	DM GC	-0- -0-
Bronx Bakers Mutual Aid Assn., Inc.	04/15/82	4,063	DM GC	35,956 1,090
Bronx Old Age Fund Assn.	04/28/86	1,804	DM GC	5,299 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Brotherly Love Assn. of Stolin, Inc.	12/10/93	\$ 339	DM GC	\$ -0- -0-
Brothers in Unity, Inc.	12/05/78	4,548	DM GC	21,156 -0-
Brothers of True Friendship, Inc., et al.	04/18/90	10,025	DM GC	23,443 5,700
Bucovina Workingmen's Aid Society	12/01/78	353	DM GC	16,100 -0-
Buhsher Stefanester Society	03/07/80	4,305	DM GC	22,783 -0-
Butka Benevolent Society Inc., et al.	10/14/87	2,421	DM GC	7,952 800
Charles Polimer Lodge No. 416, et al.	02/16/88	56	DM GC	-0- -0-
Checkanover Young Men's Benevolent Assn.	06/28/82	1,245	DM GC	42,614 225
Chevra Ateres Zkeinim, et al.	07/14/83	2,945	DM GC	-0- -0-
Chevra Bnei Jacob Anshei Sherishow	03/02/93	22,143	DM GC	-0- -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Chevra Bnei Serheier Unterstützungs Verein	07/14/93	\$5,874	DM GC	\$ 24,079 712
Chevra Gomlei Chesed Anshei Borisoff, Inc., et al.	02/17/76	2,390	DM GC	-0- -0-
Chevrah Agudath Achim Anshei Borisoff, Inc., et al.	07/31/87	703	DM GC	16,264 14,700
Chevra Mogen David Anshei Brok	09/11/79	3,806	DM GC	20,787 635
Chevra Tifferes Israel Anshei Krasilov Sfarid	10/31/83	6,821	DM GC	47,928 914
Chevra Tillum and Mishnius Society, et al.	09/27/90	18,776	DM GC	-0- -0-
Chevra Linas Hazedek Anshei Yelineve, et al.	01/07/91	6,891	DM GC	41,412 -0-
Chief Rabbi Lieb Knepper Assn., Inc.	10/30/80	459	DM GC	7,264 -0-
Chyrower Young Friends Aid Society	03/29/94	41,454	DM GC	-0- -0-
Clairmount Club, Inc.	06/23/82	5,525	DM GC	111,892 50

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Comac Club	06/18/81	\$ 1,658	DM GC	\$ 5,980 364
Congregation Ahavath Shlomo	04/11/79	1,193	DM GC	9,920 526
Congregation Ahavath Zedek Anshei Timkowitz, et al.	03/18/91	63,310	DM GC	-0- 510
Congregation Ahawei Sholom Anshei Sokole	03/31/93	40,209	DM GC	-0- -0-
Congregation Asifas Israel	11/03/83	2,561	DM GC	15,871 -0-
Congregation Beth David Agudath Achim, Inc.	01/11/84	669	DM GC	-0- -0-
Congregation Beth Hamedrash Hagodel Keser Torah Chono Dav.	02/15/79	10,744	DM GC	73,355 -0-
Congregation Beth Sholom Tomchei Harav, et al.	03/28/90	8,250	DM GC	-0- -0-
Congregation Bikur Cholim Inc., et al.	04/06/87	7,953	DM GC	48,336 2,950
Congregation Bnei Isaac Anshe Narajow	10/04/83	11,362	DM GC	57,600 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Congregation Chevra Molodetsno, Inc., et al.	08/21/91	\$ 70	DM GC	\$ -0- -0-
Congregation Dorshe Tove Anshe Pinsk	07/21/80	5,758	DM GC	26,813 823
Congregation Leisor Gans, Independent Przemysler, et al.	06/20/89	844	DM GC	11,480 -0-
Congregation Mogen David Anshe Choroszc	12/16/82	3,014	DM GC	62,231 -0-
Congregation Nachal Itzchok Dorshe Tov, et al.	10/29/86	22,826	DM GC	52,000 16,150
Congregation Sons of Jacob Ticktiener Young Men's	08/10/90	12,589	DM GC	55,554 -0-
Congregation Volin People of Maziv, et al.	12/13/89	1,427	DM GC	22,035 -0-
Crown of Israel Society, Inc.	10/24/85	386	DM GC	4,922 -0-
Czernowitz Bukowinaer Lodge, Inc.	12/24/91	16,393	DM GC	-0- -0-
Czortkower Rabbi J.M., Schapiro Society, et al.	11/14/89	14,665	DM GC	37,488 8,600

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Derechiner Benevolent Association, Inc.	10/01/81	\$ 669	DM GC	\$ 8,190 50
Drisser Benevolent Assn., et al.	05/27/88	671	DM GC	21,600 3,000
Dubner Wohliner Society, et al.	11/02/88	3,695	DM GC	13,110 -0-
Dubner Young Friends Association, et al.	10/14/88	1,906	DM GC	5,616 -0-
East New York Progressive Society, Inc.	10/06/92	45,653	DM GC	-0- -0-
Elon Association, Inc.	07/08/82	749	DM GC	27,184 -0-
Emanuel Morrell Foundation, Inc.	01/27/81	354	DM GC	1,376 -0-
Endevor Circle of Brooklyn, Inc.	12/26/79	1,628	DM GC	11,150 45
Erste Boryslawer & Dohbycyzer Young Men's Benev. Assn.	03/20/79	11,465	DM GC	572 200
Erste Istryer Congregation	08/22/80	439	DM GC	12,930 100
Erster Atiker Bessarabier K.U.V.	08/18/86	3,822	DM GC	32,505 125

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Erste Romaner K.U.V.	08/06/86	\$ 1,105	DM GC	-0- -0-
Erster Chmelniker Unterstutzungs Verein, et al.	10/20/87	1,427	DM GC	15,820 1,890
Erster Chorostkower Kranken Uterstulzungs Verein	04/04/90	12,896	DM GC	-0- -0-
Eternal Young Friends, Inc.	01/23/80	3,858	DM GC	29,744 2,280
Family Mutual Aid Society, Inc.	10/15/79	110	DM GC	2,805 537
Fannie Abrams Independent Benevolent Society, Inc.	08/24/84	3,549	DM GC	15,768 615
Fannie Siegel Berlader Ladies Sick Benevolent Association	09/16/82	3,921	DM GC	-0- -0-
First Berlader Roumanian Benevolent Association	01/14/82	4,807	DM GC	19,682 807
First Bialykaminer Aid Society	02/20/86	3,539	DM GC	18,198 -0-
First Bolechower Sick Benevolent Association, et al.	07/03/91	5,110	DM GC	17,397 450

ASSETS PAID OUT - TYPE

DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
First Bottoschan American Sick Benefit Assn., et al.	05/28/85	\$4,909	DM GC	\$10,656 -0-
First Buzeur Benevolent Association	02/18/86	6,272	DM GC	19,152 -0-
First Dimerer Progressive Society	05/15/89	5,427	DM GC	-0- 500
First Elisavetgrader Benevolent Assn.	03/06/81	410	DM GC	10,430 -0-
First Frompoler Podoler Benevolent Society, Inc.	01/29/80	180	DM GC	14,282 -0-
First Haliczzer Benevolent Assn., Inc.	01/30/79	5,297	DM GC	10,414 283
First Independent Gostyniner Benevolent Society	01/29/79	219	DM GC	25,833 695
First Ind. Husiatyner Sick Benevolent Society, Inc.	12/24/91	6,567	DM GC	-0- -0-
First Independent Securarer Sick & Benevolent Assn.	07/26/78	674	DM GC	-0- -0-
First Independent Strelisker Lodge, Inc.	03/09/81	704	DM GC	67,585 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
First Jefferson Benev. Society, Inc.	04/06/93	\$13,494	DM GC	\$ -0- -0-
First Krasnostawer Young Men's Benevolent Society, Inc.	06/21/91	4,219	DM GC	10,920 2,600
First Koropiecer Benev. Assn.	05/29/92	-0-	DM GC	-0- -0-
First Krementchuger Benevolent Assn.	07/25/78	10,502	DM GC	13,000 400
First Krilowitz Young Friends Prog. Benev. Circle et al.	05/23/90	5,208	DM GC	43,416 845
First Mihowa Berhometh Bucowiner Sick Benevolent Society, et al.	04/27/87	14,410	DM GC	9,960 14,067
First Nadworna Sick & Benevolent Assn.	04/31/84	1,128	DM GC	85,466 215
First Neurer Benevolent Society, et al.	05/04/88	907	DM GC	1,189 -0-
First Nova-Ushitzer Benevolent Assn., Inc., et al.	11/06/87	4,470	DM GC	17,030 5,400
First Proskurov Young Men's Progressive Assn., Inc.	06/11/79	2,615	DM GC	15,458 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
First Przemysler Sick Benefit Society, et al.	01/29/90	\$18,418	DM GC	\$95,804 47,706
First Rabbi Meyer Przemyslaner Sick Benevolent Assn., Inc.	02/06/85	102	DM GC	26,060 -0-
First Rozistcher Benevolent Assn., Inc.	04/21/77	2,239	DM GC	37,113 705
First Roznow Galician Sick & Benevolent Society	04/05/82	2,217	DM GC	4,845 1,640
First Tluster Brothers Benevolent Assn.	03/29/80	2,951	DM GC	4,203 857
First Ushitzer Padolier Benevolent Assn., et al.	08/24/87	3,816	DM GC	3,483 405
First Warschauer Assessment Society, Inc.	04/26/78	-0-	DM GC	-0- -0-
First Warkowitcher Molyner Benevolent Assn.	09/17/81	1,602	DM GC	33,448 215
First Wielke Oczer Sick & Benevolent Assn.	09/19/84	1,243	DM GC	44,195 350
First Wolochisker Benevolent Assn.	08/22/84	2,949	DM GC	38,942 3,928

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>Amount</u>
First Yaltuskower Benevolent Society, Inc., et al.	06/02/88	\$ -0-	DM GC	\$ -0- -0-
First Zaslauer Benevolent Assn., et al.	03/12/87	486	DM GC	-0- -0-
Freedom Benevolent Society, Inc., et al.	12/17/91	8,449	DM GC	-0- -0-
Frei Budzanower Kranken Untersteutzung Verein	06/29/83	6,090	DM GC	19,360 900
Friendship Group of Israel, Inc.	06/27/79	526	DM GC	1,352 -0-
Garsony Krakauer S.B.S., et al.	01/19/90	438	DM GC	-0- -0-
Glogover Society, Inc.	06/27/94	-0-	DM GC	-0- -0-
Gottzowai Benevolent Association	02/16/83	1,865	DM GC	7,288 108
Greater City Benevolent Association, Inc.	01/10/83	986	DM GC	11,260 -0-
Greater New York Lodge No. 173 I.O.B.A	07/16/93	14,290	DM GC	-0- -0-
Harlem Kurlander Young Men's Aid Society	12/02/81	606	DM GC	29,693 1,914

ASSETS PAID OUT -- TYPE

DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Hatikya Beneficial Society, Inc.	06/09/76	\$ -0-	DM GC	\$ -0- -0-
Homler Young Men's Society, Inc.	11/21/91	4,056	DM GC	16,470 -0-
Horodischer Brothers Benevolent Assn., Inc.	01/10/83	3,739	DM GC	16,358 652
Hunts Point Chevra Bikur Cholim	10/31/80	913	DM GC	10,220 150
Husiatyne Sick & Benefit Society	11/28/75	3,055	DM GC	27,969 1,124
Hyfin Society, Inc.	07/24/91	1	DM GC	145,282 2,000
Independent Brotherhood of Yonkers, Inc.	05/15/78	20,228	DM GC	67,600 575
Independent Buczaczer Kranken Unterstutzung Verein	12/04/81	7,274	DM GC	26,848 207
Independent Chevra Achim Me Markower	05/22/80	1,106	DM GC	9,347 550
Independent Chodorower Young Men's Benevolent Society	06/06/86	5,712	DM GC	69,674 25
Independent Drohobyczer Young Men's Sick & Benevolent Soc.	10/20/93	908	DM GC	-0- -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Independent First Odessar Society of Brownsville	05/13/80	\$ 2	DM GC	\$ 5,600 425
Independent Geisen Benevolent Society, Inc.	11/19/91	33,135	DM GC	-0- -0-
Independent Hebrew Ladies & Men's Benevolent Society, Inc.	10/28/83	646	DM GC	6,222 125
Independent Horodoker Benevolent Aid Assn.	08/15/83	1,035	DM GC	3,104 448
Independent Israelites of Yonkers, et al.	01/29/88	29,809	DM GC	47,385 141,763
Independent Jarczower Young Men's Benevolent Assn.	10/15/82	1,911	DM GC	19,250 50
Independent Korwer Progressive Young Men's Benevolent Aid Society	02/25/85	1,457	DM GC	12,366 200
Independent Orler Benevolent Society, Inc.	01/06/87	8,246	DM GC	37,186 -0-
Independent Podolyer Society of Brownsville, Inc.	10/15/92	539	DM GC	-0- -0-
Independent Proskurover Society, Inc.	07/02/92	9,013	DM GC	-0- -0-
Independent Radautz Bukowinaer Benevolent Assn., Inc.	04/06/87	5,196	DM GC	32,564 500

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Independent Skernewicer Benevolent Assn., Inc., et al.	10/13/87	\$ 3,111	DM GC	\$ 33,892 15,625
Independent Society Sons of Abraham, Inc.	09/13/82	597	DM GC	24,734 175
Independent Sokolowker Young Men's Benevolent Society	01/26/79	2,532	DM GC	18,252 150
Independent Tarnower Kranken Unterstutzung Verein	11/14/78	13,162	DM GC	123,586 2,038
Independent Webster Ladies Benevolent Society, et al.	04/30/91	223	DM GC	8,595 1,000
Irving B. Vigdor Foundation Inc., et al.	02/23/88	995	DM GC	10,500 250
Isidore Goldenberg Benevolent Assn.	02/16/77	51	DM GC	110 -0-
James A. Garfield Society	06/13/80	505	DM GC	20,333 -0-
Jewish American Workingmen Benevolent Society	06/27/90	2,361	DM GC	13,986 -0-
Jewish Mayden Verein, Inc.	10/04/84	1,001	DM GC	4,335 -0-
Joseph Eckert Aid & Benevolent Society	01/04/83	4,361	DM GC	44,776 4,000

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Joseph Family Society, Inc.	06/01/93	\$29,005	DM GC	\$ -0- -0-
Kadee Associates Inc., et al.	09/27/89	3,048	DM GC	-0- -0-
Kalinkowitz Progressive Aid Society	02/28/84	346	DM GC	36,608 50
Kartuz Berezer Benevolent Association, Inc., et al.	10/03/88	983	DM GC	28,851 -0-
Kehilath Temple Mason	06/05/79	8,926	DM GC	11,509 -0-
Kishinever Sick Benev. Society of New York, Inc.	06/11/93	7,220	DM GC	-0- -0-
Kittiver Sick & Benevolent Society	02/10/81	234	DM GC	9,999 1,136
Kniazar and Mystikifker Aid Society	09/18/90	952	DM GC	11,992 -0-
Kolchine Sick Support Society (The)	06/04/79	416	DM GC	10,776 1,100
Kobriner Unterstutzungs Verein	03/11/83	4,275	DM GC	52,953 2,040
Kopaigorod Podolier Aid Association, Inc.	01/05/83	2,053	DM GC	8,860 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Korelitzer Society, Inc.	07/22/80	\$ 2,100	DM GC	\$46,224 345
Kovler Voliner Young Men's Benevolent	11/02/81	5,626	DM GC	6,396 1,752
Kovner Unterstutzungs Verein, Inc.	10/10/85	10,475	DM GC	10,457 60
Kozientzer Aid Society, Inc.	04/22/92	49,863	DM GC	-0- -0-
Kremintzer Congregation Beth David Anshei Poland	02/19/85	581	DM GC	860 -0-
Krynicaer Young Men's Benevolent Society	12/24/91	6,728	DM GC	-0- -0-
Kupiner Podolier Branch #329 of Workmen's Circle	07/12/90	180	DM GC	-0- -0-
Landes Mutual Society, et al.	09/10/87	2,308	DM GC	2,403 400
Letichever Family Association, Inc.	12/22/92	29,835	DM GC	-0- -0-
Liberty Brotherhood of 1917, Inc.	04/17/80	298	DM GC	31,654 1,291
Lieder Brothers Benevolent Association, Inc.	08/17/88	1,267	DM GC	5,620 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Lipkaner Bessarabier	08/18/80	\$4,748	DM GC	\$ 19,468 476
Lodzer True Brothers Benevolent Society, et al.	03/18/91	14,036	DM GC	41,170 200
Lomzer Young Men's Benevolent Association	09/23/85	4,356	DM GC	105,795 627
Louis Lerner Young Men's Association, Inc., et al.	05/13/87	1,903	DM GC	5,293 -0-
Louis Solomon Benevolent Society, Inc.	01/17/84	7,117	DM GC	39,264 1,770
Loyal Benevolent Soc., Inc.	11/12/81	337	DM GC	17,820 -0-
Lubener Benevolent Society	04/24/81	701	DM GC	24,282 100
Makarover Benevolent Assn. et al.	02/24/87	429	DM GC	8,686 -0-
Manhattan Fraternal Assn., Inc.	04/24/79	1,206	DM GC	7,692 200
Marmaros Benevolent Assn., Inc.	12/14/83	3,310	DM GC	26,835 311
Max S. Levine Benevolent Society	11/27/84	2,129	DM GC	5,715 400
Minnie M. Friedman Ladies Benevolent Society	04/03/81	903	DM GC	19,380 15

ASSETS PAID OUT - TYPE

DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Mirer Young Men's Benevolent & Educational Society, et al.	11/15/89	\$ 1,367	DM GC	\$37,758 169
Mistislawer Vicinity Benevolent Assn., et al.	09/18/82	30,810	DM GC	-0- -0-
Montefiore Brotherly Benefit Association, et al.	12/11/91	10,114	DM GC	-0- -0-
National Welfare Association, Inc.	11/17/80	2	DM GC	3,060 -0-
New Bessarabian Aid Association	07/16/82	569	DM GC	6,631 400
New Era Club a/k/a New Era Club, Inc., et al.	07/01/91	656	DM GC	17,697 -0-
Newmark Young Men's Benevolent Association	01/28/83	1,630	DM GC	29,377 2,625
Noah Benevolent Society	01/28/81	74,209	DM GC	64,064 3,210
Odesser Young Ladies Benevolent Association	08/05/81	203	DM GC	900 -0-
O1shaner Progressive Association	06/05/86	323	DM GC	364 -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Parnes Family Association, Inc.	11/10/86	\$ 380	DM GC	\$ 3,892 7
Piateroter Young Men's Benevolent Assn.	10/22/82	758	DM GC	12,225 100
Pioneer Progressive Society, Inc.	08/28/92	4,019	DM GC	-0- -0-
Ponevezer Progressive Young Men's Benevolent Assn., et al.	10/31/90	1,026	DM GC	30,992 4,600
Progress Welfare Society	09/20/79	13,924	DM GC	2,214 75
Progressive Literary Aid Society	07/17/82	6,479	DM GC	95,513 550
Radomysler Benevolent Society, et al.	10/21/85	6,535	DM GC	75,924 11
Rifke Katlerow Association, Inc.	07/31/78	365	DM GC	5,940 -0-
Rostover Help & Unterstutzung Verein Society	09/16/77	10,355	DM GC	39,897 1,386
Roumanian Gomei Chesed Verein Association	11/18/80	1,260	DM GC	61,422 100

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Sabbath Observers of the Bronx, Inc.	04/28/86	\$1,486	DM GC	\$ 9,200 -0-
Sanhedrin Society, Inc.	07/24/79	6,730	DM GC	80,018 75
Saxonian & Thuringian Sick Benev. Assn. of Brooklyn	04/04/80	315	DM GC	13,133 -0-
Schkuder Young Men's Aid Society	08/28/81	346	DM GC	1,078 -0-
Second Krementchuger Benevolent Assn.	01/09/79	3,004	DM GC	27,640 -0-
Shatover Podolier Society, Inc., et al.	05/03/89	4,041	DM GC	12,852 -0-
Sisterhood of Odessa, Inc.	06/05/79	2,879	DM GC	18,860 25
Skoller Sick and Benevolent Assn., Inc.	06/15/82	1,185	DM GC	6,156 725
Sobolivker Chevra, et al.	05/19/88	3,175	DM GC	9,216 1,014
Society for Reading Bible Rabbi Yankev Kopel, et al., Inc.	04/03/85	2,465	DM GC	7,644 1,000

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Societe Israelite Francaise De Secours Mutuels De New York	01/15/85	\$10,075	DM GC	\$ -0- -0-
Society Sons of Joseph	04/26/79	3,042	DM GC	4,018 150
Society Sons of the Land of Israel	05/22/92	57,790	DM GC	-0- -0-
Society of 1867, Inc., (The)	12/05/78	4,641	DM GC	3,000 475
Soloker Benevolent Association et al.	10/30/90	165	DM GC	26,520 -0-
Stocker Brothers Aid Society	02/29/80	295	DM GC	-0- -0-
Strecher Brothers Aid Assn.	10/13/81	3,673	DM GC	15,825 100
Sudilkow Sick Support Society	02/13/86	5,965	DM GC	46,358 3,475
Sunshine Benevolent Association, Inc.	10/05/82	1,757	DM GC	2,190 100
Szeniczor Sick & Benevolent Society	05/09/77	1,315	DM GC	5,104 1,175

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Tarascher Brotherly Society, Inc.	08/16/83	\$7,675	DM GC	\$30,600 500
Tarascher Progressive Benevolent Assn.	01/11/84	3,021	DM GC	17,654 50
Tolochener Benevolent Society	02/28/83	862	DM GC	23,776 774
Tolochiner Friends Association	07/29/81	1,514	DM GC	10,183 546
Trembowla Brotherhood Benevolent Society, Inc.	09/22/87	6,414	DM GC	67,167 7,850
True Fellowship Society, Inc.	09/05/80	1,086	DM GC	2,568 1,275
20th Century Benevolent Association	07/31/86	6,832	DM GC	-0- -0-
United Brothers Sick & Benevolent Assn., Inc.	10/02/81	569	DM GC	986 -0-
United Brothers Town of Brooklyn Aid Society, Inc.	10/16/81	2,129	DM GC	1,360 -0-
United Children of Joseph Solomon, Inc.	12/12/94	-0-	DM GC	-0- -0-
United Hungarian Schifre Stein K.U.V.	01/21/80	471	DM GC	-0- -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
United Lutzker Young Men's & Ladies' Benev. Society, Inc.	02/17/94	\$24,626	DM GC	\$ -0- -0-
United Mazirer Friends, et al.	04/20/88	4,286	DM GC	39,368 48
Vitebesk Benevolent Assn.	02/13/92	47,090	DM GC	-0- -0-
Warshauer Help Society of the Bronx	12/03/73	10,643	DM GC	5,907 1,370
Welfare Liberty Fraternal & Benevolent Society, Inc., et al.	04/28/89	14,295	DM GC	10,881 2,470
West Side Brotherly Love Congregation & Benevolent Society	12/10/85	59	DM GC	24,542 24
West Side Hebrew Benevolent Society	07/05/79	8,751	DM GC	43,137 214
Wiazener Benevolent Assn.	02/10/84	1,170	DM GC	6,594 -0-
William Mckinley Benevolent Association, Inc.	04/18/85	5,783	DM GC	27,594 333
Wisoko-Litowsk Bruderlicher Unterstutzung Verein, et al.	02/11/91	914	DM GC	696 50

ASSETS PAID OUT - TYPE

DM Distribution to Members
 GC General Creditor Claims

Table 67
 PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
 AS OF DECEMBER 31, 1994

<u>Society Name</u>	<u>Date of Liquidation</u>	<u>Total Assets</u>	<u>Assets Paid Out Type</u>	<u>\$ Amount</u>
Wolkovsker Young Men's Benevolent Association	01/21/92	\$37,572	DM GC	\$ -0- -0-
Yeshivath Torah Chaim of Harlem, Inc.	08/03/79	1,911	DM GC	38,904 530
Young Friends Association	06/29/84	9,304	DM GC	83,936 6,620
Young Friends Pleasure and Benefit Society	10/17/94	-0-	DM GC	-0- -0-
Young Men's Aid Society of Harlem	09/26/78	1,035	DM GC	21,509 -0-
Young Seekers of Friendship Benev. Society, Inc.	04/28/88	990	DM GC	-0- -0-
Zabludower Kranken Unterstutzungs Verein	03/12/82	520	DM GC	6,142 874
Zaleszyker Kranken Unterstutzungs Verein	05/20/77	60	DM GC	-0- -0-
Zamchower Progressive Benevolent Association	01/28/86	2,263	DM GC	19,273 272
Zenith Society, Inc.	05/20/82	8,705	DM GC	50,806 25

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

Table 67
PROCEEDINGS OF FRATERNAL BENEFIT SOCIETIES IN LIQUIDATION
AS OF DECEMBER 31, 1994

Society Name	Date of Liquidation	Total Assets	Assets Paid Out	
			Type	\$ Amount
Zosler Protective Association	10/24/85	\$2,271	DM	\$ 6,018
			GC	14
Zwanitz Podolier Sick & Benevolent Association	07/12/83	2,830	DM	16,190
			GC	2,000

ASSETS PAID OUT - TYPE
DM Distribution to Members
GC General Creditor Claims

SOURCE: New York State Insurance Department

Table 68
 PROCEEDINGS OF WELFARE AND PENSION FUNDS IN LIQUIDATION
 AS OF DECEMBER 31, 1994

Fund Name	Date of Liquidation	Total Assets (see note 1)	Assets Paid Out (see note 2)	
			Type	\$ Amount
Factory And Building Employee Union Welfare Fund	01/24/72	\$3,031	DM GC	-0- -0-
Local 90 Building Service Employees Pension Fund	10/30/67	84,733	DM GC	-0- -0-
Local 90 Building Service Employees Welfare Fund	07/10/67	35,975	DM GC	-0- -0-
Local 338, Bagel Bakers Health And Welfare Fund	08/04/69	23,380	DM GC	\$47,564 1,870
Local 719, Health and Welfare Fund	06/11/73	48,270	DM GC	-0- -0-
Local 1804-1, I.C.A. Welfare Fund	08/26/69	136,272	DM GC	-0- -0-

ASSETS PAID OUT - TYPE
 DM Distribution to Members
 GC General Creditor Claims

SOURCE: New York State Insurance Department

6. Insurance Department Receipts and Disbursements

Table 69
DEPARTMENTAL RECEIPTS FOR THE FISCAL YEAR
ENDED MARCH 31, 1994

Taxes Collected Under the New York State Insurance Law:

Taxes collected by reason of retaliation under Section 1112	\$13,782,325.61
Excess Line - Section 2118	14,186,189.14
Organization Tax - Section 180, Tax Law	<u>33,074.75</u>
Total taxes collected	<u>\$28,001,589.50*</u>

Fees Collected Under Section 1112 of the New York State Insurance Law:

Filing Annual Statements and Certificates of Authority to Companies	\$ 94,410.05
Agents' Certificates of Authority	665,520.09
Admission Fees	<u>10,195.00</u>
Total	<u>\$ 770,125.14</u>

Licensing and Accreditation Fees:

Agents' Licenses - Section 2103	\$ 3,137,107.70
Adjusters' Licenses - Section 2108	79,290.00
Brokers' Licenses - Section 2104 and 2105	1,292,603.50
Bail Bond Agents' Licenses - Section 6802	1,475.00
Insurance Consultants' Licenses - Section 2107	70,740.00
Reinsurance Intermediary Licenses - Section 2106	101,900.00
Special Risk Licenses - Section 6302	136,026.00
Accredited Reinsurers - Section 107(a)2	128,000.00
Limited License	1,040.00
Duplicate License Fees	<u>2,505.00</u>
Total	<u>\$ 4,950,687.20</u>

Assessments and Reimbursement of Departmental Expenses:

Section 313 - Company Examinations	\$ 7,317,042.65
Section 332 - Assessment	58,584,864.08
Section 9104/9105 - Tax Distribution	103,994.79
Administrative Expense Security Funds	<u>61,886.00</u>
Total	<u>\$66,067,787.52</u>

Other Fees and Receipts:

Regulation 68 - Health Services Arbitration Expenses	\$ 62,400.00
Regulation 68 - Processing Fee	4,800.00
Section 9107 - Certification & Filing Fees	130,620.45
Section 9108 - Fire Insurance Fee	8,441,339.89
Section 205 - Publications	1,396.50
Section 1212 - Summonses and Complaints	89,233.50
Fines and Penalties	3,708,584.42
Arbitration Fees	441,805.00
FOIL Requests	76,276.90
Miscellaneous	5,716.00
Regulation 134	3,400.00
Motor Vehicle Law Enforcement Fee	<u>11,484,362.44</u>
Total	<u>\$24,449,935.10</u>

Total Departmental Receipts \$124,240,124.46

* This amount is in addition to the \$619,400,000 collected by the Department of Taxation and Finance under Article 33 of the Tax Law.

Table 70
INSURANCE TAX RECEIPTS*

(in millions)

<u>Fiscal Year</u>	<u>Net</u>
1989-90	\$402.0
1990-91	445.0
1991-92	540.7
1992-93	563.5
1993-94	619.4

* Collected by the Department of Taxation and Finance under Article 33 of the Tax Law.

Source: State of New York, Annual Budget Message, 1994-1995

Table 71
DISBURSEMENTS FOR THE FISCAL YEAR ENDED
MARCH 31, 1994

Paid in the First Instance from Appropriations

Chapter 050 - 1992-93	\$ 2,568,547.26
Chapter 050 - 1993-94	\$64,114,937.02
<u>Personal Service</u>	
Employee salaries	\$39,944,355.18
<u>Maintenance and Operation</u>	
General office supplies	\$ 456,652.44
Traveling expense	2,220,478.29
Rental equipment	3,031.20
Repair and maintenance of equipment	116,082.00
Real estate rental	5,132,791.78
Postage and shipping	439,317.09
Printing	274,123.97
Telephone and telegraph	530,071.33
Miscellaneous contractual services	2,117,108.58
OGS E.D.P. rental	76,574.43
Equipment	1,865,608.85
Employee fringe benefits	<u>13,507,289.14</u>
Total maintenance and operation	<u>\$26,739,129.10</u>
Total disbursements from first instance appropriations for fiscal year ended 3/31/94	<u>\$ 66,683,484.28</u>
Total Department receipts for fiscal year ended 3/31/94	\$124,240,124.46
Excess of Department receipts over Department disbursements	\$ 57,556,640.18

7. Security Funds Income and Disbursements

Table 72
PROPERTY/CASUALTY INSURANCE SECURITY FUND^a
Income and Disbursements
April 1, 1994

	To and including <u>3/31/93</u>	4/1/93 to <u>3/31/94</u>	As of <u>4/1/94</u>
Paid into the Fund	\$ 540,947,075.78	\$ (660,202.51)	\$ 540,286,873.27
Interest income - net	386,842,822.17	4,889,359.97	391,732,182.14
Recoveries from companies in liquidation	156,834,343.96	26,791,720.13	183,626,064.09
General Fund Reimbursement	<u>-0-</u>	<u>18,302,251.00</u>	<u>18,302,251.00</u>
Total	<u>\$1,084,624,241.91</u>	<u>\$ 49,323,128.59</u>	<u>\$1,133,947,370.50</u>
Less Disbursements:			
Administrative expenses	\$ 695,726.33	\$ 64,829.19	\$ 760,555.52
Awards and expenses of companies in liquidation	800,662,375.49	61,540,513.26	862,202,888.75
Refunds and credits to companies	44,440,739.54	-0-	44,440,739.54
Transfers to other funds ^b	<u>136,562,280.96</u>	<u>-0-</u>	<u>136,562,280.96</u>
Total	<u>\$ 982,361,122.32</u>	<u>\$ 61,605,342.45</u>	<u>\$1,043,966,464.77</u>
Total of Fund	<u>\$ 102,263,119.59</u>	<u>\$(12,282,213.86)</u>	<u>\$ 89,980,905.73</u>
Cash in bank and			
U.S. securities (at par)	<u>\$ 102,263,119.59</u>		<u>\$ 89,980,905.73</u>
Total of Fund	<u>\$ 102,263,119.59</u>		<u>\$ 89,980,905.73</u>

^a Monies collected under Sections 7602 and 7603 of the Insurance Law

^b State Purpose Fund - \$47,562,280.96 + \$87,000,000.00 per Chapter 55 of the Laws of 1982, + \$2,000,000 transferred to the Public Motor Vehicle Liability Security Fund

Table 73
PUBLIC MOTOR VEHICLE LIABILITY SECURITY FUND^a
Income and Disbursements
April 1, 1994

	To and including <u>3/31/93</u>	4/1/93 to <u>3/31/94</u>	As of <u>4/1/94</u>
Paid into the Fund	\$ 41,747,057.84	\$10,590,505.76	\$52,337,563.60
Interest income - net	21,415,967.58	309,940.89	21,725,908.47
Recoveries from companies in liquidation	13,334,776.01	3,060,393.26	16,395,169.27
Transfers	<u>2,000,000.00</u>	<u>-0-</u>	<u>2,000,000.00</u>
Total	<u>\$ 78,497,801.43</u>	<u>\$13,960,839.91</u>	<u>\$92,458,641.34</u>
Less disbursements:			
Administrative expenses	\$ 336,843.09	\$ 16,577.71	\$ 353,420.80
Awards and expenses of companies in liquidation	62,984,648.16	2,278,193.47	65,262,841.63
Refunds to companies	<u>13,471,307.02</u>	<u>-0-</u>	<u>13,471,307.02</u>
Total	<u>\$ 76,792,798.27</u>	<u>\$ 2,294,771.18</u>	<u>\$79,087,569.45</u>
Total of Fund	<u>\$ 1,705,003.16</u>	<u>\$11,666,068.73</u>	<u>\$13,371,071.89</u>
Cash in bank and U.S. securities (at par)	<u>\$ 1,705,003.16</u>		<u>\$13,371,071.89</u>
Total of Fund	<u>\$ 1,705,003.16</u>		<u>\$13,371,071.89</u>

^a Monies collected under Section 7601 of the Insurance Law from companies writing bonds and policies carrying coverages set forth in Section 370 of the Vehicle and Traffic Law

Table 74
WORKERS' COMPENSATION SECURITY FUND^a
 Income and Disbursements
 April 1, 1994

	To and including <u>3/31/93</u>	4/1/93 to <u>3/31/94</u>	As of <u>4/1/94</u>
Paid into the Fund	\$ 119,813,147.95	\$ 3,466,712.13	\$123,279,860.08
Interest income - net	107,300,113.94	1,996,228.03	109,296,341.97
Recoveries from companies in liquidation	<u>32,027,261.45</u>	<u>4,957,061.54</u>	<u>36,984,322.99</u>
Total	\$ 259,140,523.34	\$10,420,001.70	\$269,560,525.04
Less disbursements:			
Administrative expenses	\$ 641,238.03	\$ 23,138.78	\$ 664,376.81
Awards and expenses of companies in liquidation	135,498,735.36	13,722,108.08	149,220,843.44
Refunds to companies	27,380,833.32	-0-	27,380,833.32
Transfers	<u>67,000,000.00</u>	<u>-0-</u>	<u>67,000,000.00</u>
Total	<u>\$ 230,520,806.71</u>	<u>\$13,745,246.86</u>	<u>\$244,266,053.57</u>
Total of Fund	<u>\$ 28,619,716.63</u>	<u>\$(3,325,245.16)</u>	<u>\$ 25,294,471.47</u>
Cash in bank and U.S. securities (at par)	<u>\$ 28,619,716.63</u>		<u>\$ 25,294,471.47</u>
Total of Fund	<u>\$ 28,619,716.63</u>		<u>\$ 25,294,471.47</u>

^a On March 1, 1990, the Stock Workers' Compensation and Mutual Workers' Compensation Security Funds were consolidated into a single fund known as the Workers' Compensation Security Fund.

Table 75
 NEW YORK STATE INSURANCE DEPARTMENT
 Number of Employees by Bureau
 (as of 5/8/95)

<u>Bureau</u>	<u>Examiners</u>	<u>Attorneys</u>	<u>Actuaries</u>	<u>Other Professionals</u>	<u>Investigators</u>	<u>Clerks</u>	<u>Total</u>
New York City Office:							
Executive Life	115		13	9		8	17
Administration				4		10	142
Consumer Services	30			4		12	16
Frauds	4				31	29	59
OGC		20				6	41
Research						9	29
P&C	107		3	3		3	6
Property	131		12			22	132
Systems	4			18		19	162
Policy & Planning				1		1	2
Casualty Actuarial			13			1	14
<u>NYC Total</u>	391	20	41	39	31	128	650
Albany Office:							
Executive				4		4	8
Health & Life Policy	1	20	7	1		11	40
Administration	7			9		64	80
Consumer Services	30					15	45
OGC		2				2	4
Property	14					1	15
Systems	4			20		15	39
Actuarial Valuation			15			3	18
<u>Albany Total</u>	56	22	22	34		115	249
Buffalo Office:							
Consumer Services	3						3
<u>Buffalo Total</u>	3						3
Department Total	450	42	63	73	31	243	902

NEW YORK STATE INSURANCE DEPARTMENT
Publications*
1994

Annual Report of the Superintendent of Insurance
to the Legislature

Statistical Tables from Annual Statements,
Volume 1, Property/Casualty Companies
Volume 2, Life Companies
Volume 3, HMOs, Nonprofit Health Insurers and Title Companies

Directory of Insurance Companies Regulated by the New York
State Insurance Department

Consumers Shopping Guide on Automobile Insurance

Consumers Shopping Guide for Life Insurance

Consumers Shopping Guide for Homeowners and
Tenants Insurance

Annual Ranking of Automobile Insurance Complaints

Annual Health Insurer Complaint Ranking
Commercial Health Insurers

Annual Health Insurer Complaint Ranking
Health Maintenance Organizations

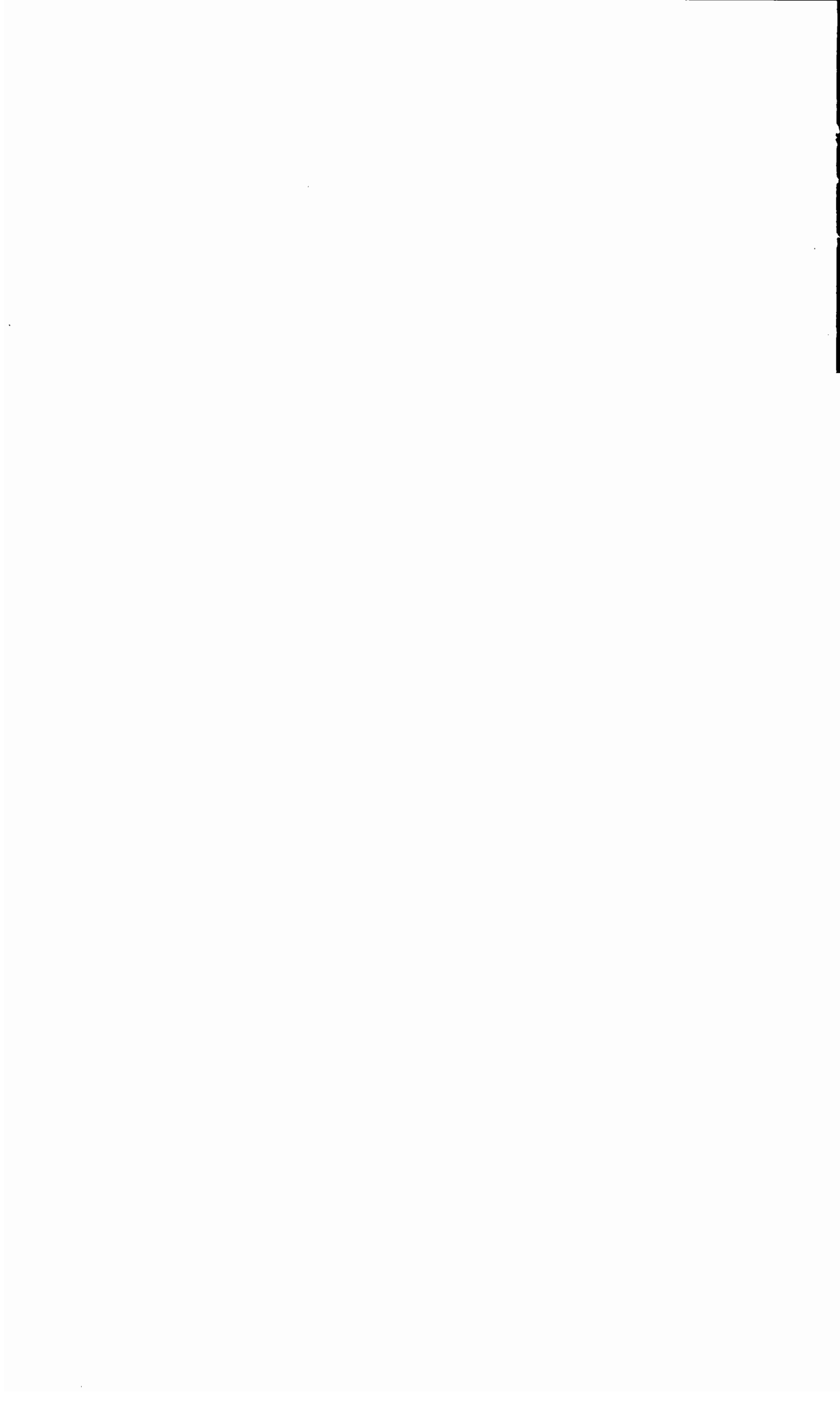
Annual Health Insurer Complaint Ranking
Nonprofit Indemnity Health Insurers

Insurance Policies Covering Long Term Care Services
in New York State

The Bulletin (monthly newsletter)

Freedom of Information Law, List of Department
Records

* There is a fee of \$3.50 for the List of Department Records.
Copies of other listed publications are available free of
charge to New York State residents (limit: one per resident).



The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The document provides a detailed list of items that should be tracked, such as inventory levels, accounts payable, and accounts receivable.

The second part of the document outlines the procedures for reconciling the books. It explains how to compare the internal records with the bank statements to identify any discrepancies. This process is crucial for detecting errors and preventing fraud. The document provides a step-by-step guide to performing a reconciliation, including how to handle outstanding checks and deposits in transit.

The third part of the document discusses the importance of regular audits. It explains that audits help to ensure that the financial statements are accurate and reliable. The document provides a list of items that should be audited, such as cash, inventory, and fixed assets. It also provides a detailed guide to performing an audit, including how to select samples and how to evaluate the results.

The fourth part of the document discusses the importance of maintaining proper documentation. It explains that all transactions should be supported by valid receipts and invoices. This documentation is essential for proving the accuracy of the financial records and for resolving any disputes. The document provides a list of items that should be documented, such as sales orders, purchase orders, and contracts.

The fifth part of the document discusses the importance of staying up-to-date on changes in tax laws and regulations. It explains that tax laws can change frequently, and it is essential to know the current rules to avoid penalties and to take full advantage of available deductions. The document provides a list of current tax laws and regulations, along with a guide to how to apply them.

The final part of the document provides a summary of the key points discussed. It emphasizes that maintaining accurate records, reconciling the books, performing regular audits, and staying up-to-date on tax laws are all essential for the success of any business. The document concludes with a list of resources for further information, including books, articles, and websites.

the 1990s, the number of people with a disability has increased in all industrialized countries.

There are many reasons for this increase. One of the reasons is that the life expectancy of people with a disability is increasing. Another reason is that the number of people with a disability is increasing because of the increasing number of people who are becoming disabled as a result of aging.

There are also many reasons for the increase in the number of people with a disability who are living in poverty. One of the reasons is that the number of people with a disability who are living in poverty is increasing because of the increasing number of people who are becoming disabled as a result of aging.

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