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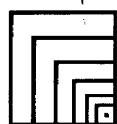
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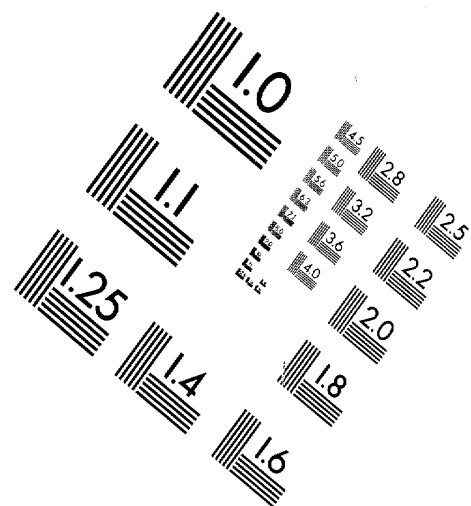
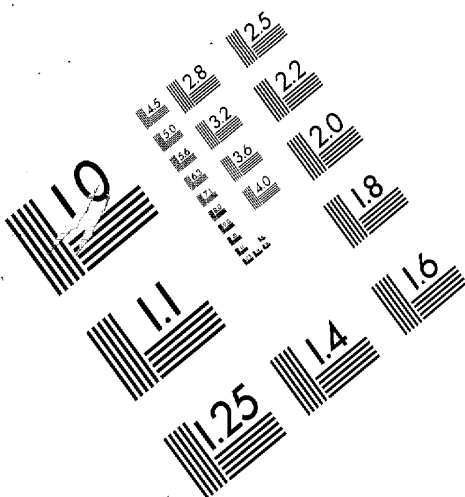
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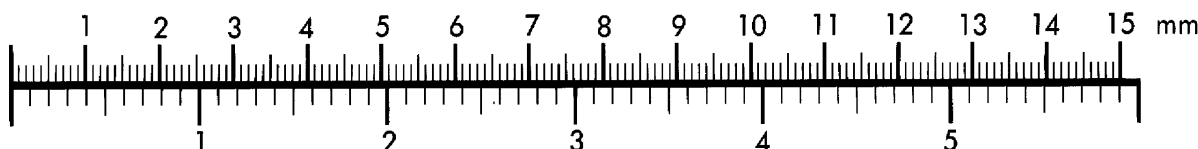


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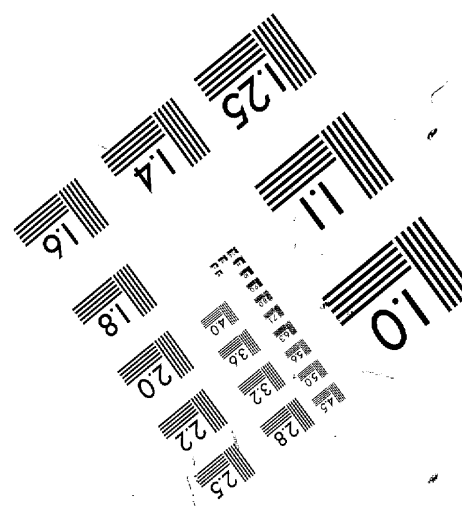
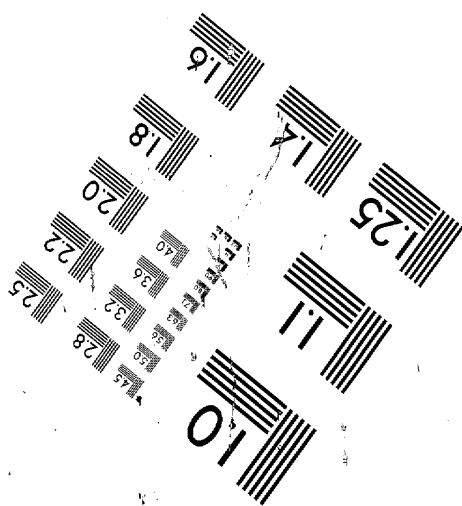
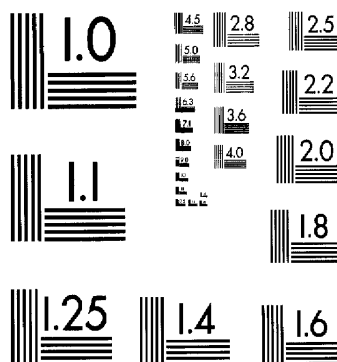
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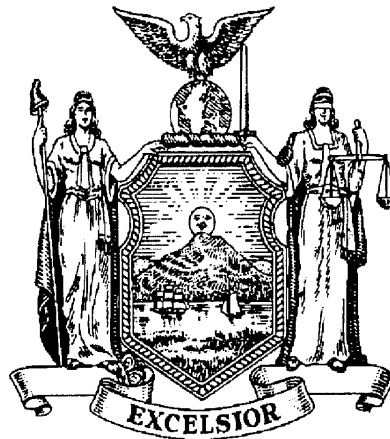


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*Annual Report  
of the  
Superintendent of Insurance  
to the  
New York Legislature*

*Calendar Year 1997*



*Governor George E. Pataki*

*Superintendent of Insurance Neil D. Levin*

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***The One Hundred Thirty-Ninth  
Annual Report  
of the  
Superintendent of Insurance***

*A Report to the New York State Legislature for the  
Year Ending December 31, 1997*

***George E. Pataki***  
***Governor***

***Neil D. Levin***  
***Superintendent of Insurance***

**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.**

**PLEASE NOTE: ALTHOUGH THE DEPARTMENT WAS REORGANIZED IN LATE 1997,  
THIS REPORT REFLECTS THE BUREAU CONFIGURATIONS AS THEY EXISTED  
THROUGHOUT MOST OF CALENDAR YEAR 1997.**

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STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NY 10004-2319

NEIL D. LEVIN  
SUPERINTENDENT OF INSURANCE

May 15, 1998

To the Legislature:

The Annual Report of the Superintendent of Insurance to the New York State Legislature for the year ending December 31, 1997 is herewith submitted in accordance with Section 206 of the Insurance Law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Neil D. Levin".

Neil D. Levin  
Superintendent of Insurance



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# ***N.Y.S.I.D. 1997 HIGHLIGHTS***

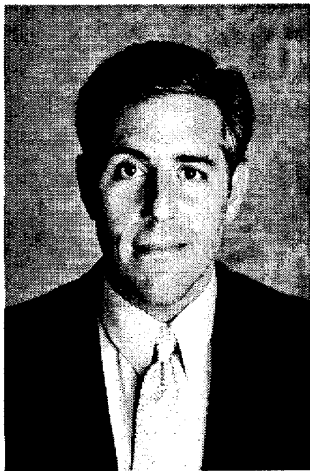
<b>JANUARY</b>	<b>Department subpoenas marketing materials of Prudential sales agents</b>
<b>FEBRUARY</b>	<b>Department aids victims of upstate ice storm; Governor nominates Neil D. Levin as Superintendent</b>
<b>MARCH</b>	<b>Department's regulatory reform efforts win Governor's award</b>
<b>APRIL</b>	<b>Neil Levin named Acting Superintendent; Major investigations lead to arrest of seven for health insurance fraud; Phony bond company shut down</b>
<b>MAY</b>	<b>Neil Levin unanimously confirmed as Superintendent; Governor Pataki directs Superintendent to investigate claims-paying practices of HMOs</b>
<b>JUNE</b>	<b>Governor Pataki proposes bill to provide access to experimental treatments for terminally ill; 23 managed care plans selected to participate in newly expanded Child Health Plus Program</b>
<b>JULY</b>	<b>Superintendent approves 8.4% rate decrease for workers' compensation insurance, resulting in an average two-year reduction of 26.4%; Most doctors see no increase in medical malpractice insurance rates</b>
<b>AUGUST</b>	<b>Governor Pataki directs Superintendent to investigate European insurers' failure to compensate Holocaust victims; Holocaust Claims Office opens to assist survivors in their search for assets; Department relocates its New York City office to financial district</b>
<b>SEPTEMBER</b>	<b>Governor signs bill requiring HMOs to pay claims within 45 days; Department launches its website (<a href="http://www.ins.state.ny.us">www.ins.state.ny.us</a>)</b>
<b>OCTOBER</b>	<b>Department opens Mineola Office to assist Long Island homeowners; HIP is required to bear costs of late payments to physicians and claimants</b>
<b>NOVEMBER</b>	<b>Department cuts MVP Health Plan rate request in half</b>
<b>DECEMBER</b>	<b>Department fines Oxford Health Plans \$3 million and orders \$500,000 in restitution; Superintendent consolidates Department for greater efficiency</b>



## **II Major Developments**

### **Neil D. Levin Confirmed as Superintendent**

Governor George E. Pataki's nomination of Neil D. Levin as Superintendent of the New York State Insurance Department was unanimously confirmed on May 20, 1997 by the New York State Senate. Mr. Levin had served as Acting Superintendent since April 7 following his nomination by Governor Pataki earlier in the year. Before his nomination was brought to the full Senate for consideration, both the Senate Insurance and Finance Committees unanimously approved the nomination.



Mr. Levin had served as Superintendent of Banks for the two years prior to his appointment as Insurance Superintendent. As Banking Superintendent, Mr. Levin chaired the State Banking Board and served as a director of the Empire State Development Corporation, the State of New York Mortgage Agency, the New York State Job Development Authority and the Harlem Community Development Corporation.

Almost immediately following confirmation, the Levin Administration prepared for the Department's move of its New York City headquarters from 160 West Broadway in the TriBeCa section of lower Manhattan to 25 Beaver Street in Manhattan's financial district.

Later in the year, Superintendent Levin announced a reorganization of the Department's regulatory functions into three bureaus--Property, Life and Health. These three bureaus are responsible for regulating the financial condition, products and market conduct of insurers, thereby integrating the Department's regulatory approach to each insurer's business. In addition, the Department's press operations, research functions, library and publication of consumer guides are now carried out under a consolidated Public Affairs and Research Bureau.

### **Health Insurance**

#### **1. Investigation of HMO Claims-Paying Practices**

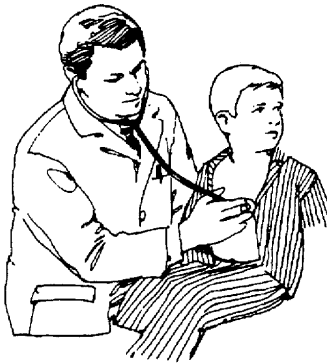
Early in 1997, Governor Pataki directed Superintendent Levin to launch a major investigation into the claims-paying practices of health maintenance organizations and other health insurers. As a result, the Insurance Department undertook a detailed review of cash-management practices and claims-settlement procedures as part of its regular financial examination of all HMOs. As the result of one such market conduct examination, the Department fined Oxford Health Plans \$3 million for violations of New York Insurance Law and regulations. The company was also ordered to pay \$500,000 in restitution to customers and health care providers.

The Department directed Oxford to take a number of steps to improve its record including replacing senior management and establishing internal controls. The states of New Jersey, Connecticut and Pennsylvania began investigations after the New York actions were announced.

In a late development, Superintendent Levin, at the direction of Governor Pataki, sent a letter to Oxford's Board of Directors in April 1998, directing the company to withhold any payments to its former chairman, Stephen Wiggins. The Governor expressed serious concerns about a \$9 million severance package that was approved by Oxford's Board. In February, Oxford appointed a new chief executive to replace Mr. Wiggins, its founder. The company reported significant losses for 1997 and had requested an average 55.2% rate increase for its individual, direct pay subscribers.



## **2. New Health Initiatives for State's Most Vulnerable Children**



In June, 23 managed care plans were selected to provide health care, including hospitalization coverage, for New York children under the newly expanded Child Health Plus Program, the State's subsidized health insurance program for children of low-income families. The Program features a unique partnership of private insurers and state government to cover physician visits, immunizations, x-rays, lab tests, outpatient surgery, emergency care, prescription drugs, physical and occupational therapy and outpatient treatment for alcohol or substance abuse. Children up to age 19 are eligible for the Program.

## **3. Independent Review Process**

Governor Pataki proposed the Patient Care Improvement Act of 1997 in June to provide New Yorkers facing terminal conditions or illnesses with access to life-saving treatments that may be experimental or investigational. The proposal would require insurers and HMOs (upon the enrollee's request) to submit denials of coverage to binding review by an independent treatment review organization made up of qualified clinical peer reviewers and certified by the Health Commissioner in consultation with the Superintendent of Insurance. It would also set clear uniform standards for appeals of decisions. The bill did not pass in the 1997 Legislative Session; however, it has been introduced again in the 1998 Session.

#### **4. Legislation Enacted**

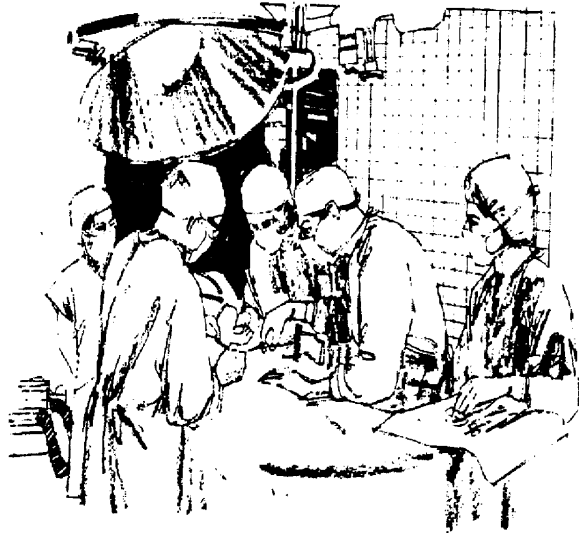
##### **Mastectomies and Cancer**

As a result of a new law that applies to all New York State health insurers and HMOs effective January 1, 1998, patients who are undergoing breast cancer or mastectomies will now be covered by their policies for inpatient hospital care that is necessary for the treatment provided,. In addition, second opinions will now be covered for policyholders being treated for cancer. Such coverage may be subject to annual deductible and coinsurance provisions.

##### **Breast Reconstructive Surgery**

A law enacted in 1997 requires health insurers and HMOs to provide coverage for breast reconstruction surgery after a mastectomy. Coverage will be mandated for all stages of reconstruction of the breast on which the mastectomy has been performed. In addition, surgery and reconstruction of the other breast to produce a symmetrical appearance will be covered. Such coverage may be subject to annual deductible and

coinsurance provisions consistent with those established for other benefits within a given policy. Coverage for such treatment was often denied on the grounds that they are "cosmetic."



##### **Prompt Payment Bill**

The Governor also signed legislation in September requiring HMOs and insurers to pay claims and bills within 45 days of receipt or face fines of up to \$500 a day for each claim not paid after the 45-day limit. The Department established a dedicated hotline for doctors and other health care providers who do not receive prompt payment.

##### **Chiropractic Care Coverage**

Effective January 1, 1998, access to chiropractic care by a licensed doctor of chiropractic is now a required coverage by health insurers and HMOs in New York State. Insurers and HMOs that offer contracts that are not "managed care products" must provide coverage for at least 15 chiropractic visits per year during calendar year 1998 and 1999. Additional visits in those years could be covered as well, provided that the visits are reviewed and approved by the insurer.

Through December 31, 1999, after the first 15 visits (visit number 16 and up) non-managed care products may subject chiropractic care visits to prior review and approval requirements even if similar prior review requirements are not imposed upon physician's office visits.

After December 31, 1999, neither managed care products nor non-managed care products may subject any chiropractic care visits to prior review and approval requirements unless similar requirements are imposed upon physician's office visits. Under provisions of the new law, the Insurance Department will conduct an actuarial study of utilization trends and the rate impact of mandated chiropractic coverage.

### **New York State Conforming to Federal Health Insurance Requirements**

Chapter 661 of the Laws of 1997 was enacted to bring the Insurance Law into conformity with the federal Health Insurance Portability and Accountability Act of 1996 with respect to availability, portability and renewability of health insurance issued by insurers, including health maintenance organizations, in the group and individual markets. The Act retains the states' current role as primary regulators of health insurance at the same time that it establishes minimum federal standards. Among its important provisions, Chapter 661 prohibits insurers from refusing to renew health insurance policies in the individual and group insurance markets except for the specific reasons enumerated in the law (e.g., nonpayment of premium and fraud or material misrepresentation); sets forth the requirements to be met by insurers that decide to discontinue a particular class of health insurance policies; and establishes the requirements for insurers that elect to withdraw from the individual, small group or large group markets and discontinue all coverage.

In anticipation of such legislation, the five Blue Cross & Blue Shield Plans in New York State announced plans early in 1998 to establish a third-party review process for claims denied for reasons of medical necessity. The insurers, with more than six million subscribers across the State, expect the new process to be operational by January 1, 1999. Empire, the largest of the "Blues" in New York, instituted an external-review procedure in 1997 for cases of experimental treatment.

### **5. Managed Care Bill of Rights**

The face of managed care in New York State changed dramatically in April 1997 when major portions of Governor Pataki's 1996 Managed Health Care law took effect. The new law significantly alters the relationship among enrollees, physicians, and their HMOs or managed care insurers.

For example, the law ensures that managed care enrollees have access to appropriate specialists; that questions of medical necessity are decided by health care professionals, not bureaucrats; and that emergency room treatments are properly covered. The law also eliminates "gag" clauses and provides terminated physicians with certain due process rights, such as the right to know the reason for a termination and the right to a hearing regarding such termination.

### **6. Health Care Costs**

The rate of increase in nation-wide health care costs has slowed over the past decade from 7.7% in 1988 to 2.8% in 1997. The slowdown can be attributed in part to the shift in enrollment to managed care from indemnity plans. However, there are signs of pent-up market pressures for a possible increase in health care spending in the near future, as insurers and HMOs attempt to improve their bottom line.



## Property Insurance

### 1. Coastal Homeowners Insurance

The availability and affordability of homeowners insurance remained a significant issue for the Insurance Department in 1997 as insurers continued to re-evaluate the concentration of their business in coastal areas of New York State. The Department has undertaken several initiatives to assist residents who have experienced difficulty in obtaining homeowners insurance coverage for their shoreline property.



- The Coastal Market Assistance Program (C-MAP) was activated in April 1996 to bring homeowners seeking insurance coverage together with insurers willing to write it. Since that time, 2,143 policies have been issued through the C-MAP.

- A comprehensive program was jointly developed by the Insurance Department and U.S. Senator Alfonse M. D'Amato in response to the growing concerns of coastal residents that affordable homeowners' insurance coverage continue to be available in coastal communities. This Coastal Action Plan commenced with the establishment of two toll-free telephone lines—one for consumers and the other for agents and brokers—to handle inquiries about homeowners insurance in Long Island.

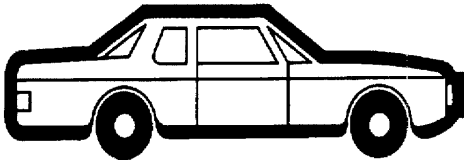
- In an effort to better serve Long Island residents, the Insurance Department opened a new permanent office in Mineola. The opening was a continuation of the efforts begun in 1996 by Governor Pataki, Senator D'Amato and the Department to protect Long Island homeowners. During market conduct investigations initiated in 1996 to review underwriting and claims-handling practices of homeowners insurers, the Department determined that some insurers were improperly cancelling and nonrenewing coverage for homeowners in coastal areas. The Department forced those insurers to stop such practices. (The Mineola office is also the Department's command center for its insurance fraud-fighting efforts on Long Island and will handle consumer complaints.)

- Legislation enacted in 1996 was extended in 1997 to require insurers to submit for the Superintendent's approval a plan of orderly withdrawal if they intend to materially reduce their volume of homeowner's insurance policies in coastal areas. The Department promulgated Regulation 154 to establish standards for the definition of "material reduction of volume of policies." Four such plans were approved in 1997.

In addition, the legislation required the Superintendent to reconvene the Temporary Panel on Homeowners' Insurance Coverage established by the 1996 legislation to examine the problems affecting the availability and affordability of homeowners insurance in New York State and submit an additional report of their findings. (The first report was issued on October 1, 1996.) This second report, issued February 1, 1998, contained a number of recommendations to help resolve the problems and the Department is working closely with the Panel members on implementation of the recommendations.

The legislation also required an additional report on the market dynamics of homeowner's insurance policies written, cancelled or nonrenewed in designated geographic areas. That report was issued in the spring of 1998.

## 2. Automobile Insurance



Private passenger automobile insurance rate changes that do not exceed  $\pm 7\%$  can generally be implemented without prior approval under New York's flex-rating law, which became effective in 1995.

The average change for insurers that received rate changes in 1997 was a **decrease** of approximately 0.65%, based on an average increase of 3.1% on liability rates and an average decrease of 6.9% on physical damage (primarily collision and theft). The 81 insurers that received rate changes in 1997 represent 68.6% of the market for private passenger auto insurers. The overall impact on the rate level was an average **decrease** of 0.45%. Allstate Insurance Company, New York's largest auto insurer with a 14.7% market share, implemented a rate increase of 0.2%.

## 3. Workers' Compensation Insurance

The historic workers' compensation reforms the Governor fought for in 1996 resulted in an average two-year reduction of 26.4% --surpassing the 25% cut the Governor promised when he signed the reforms into law. The two-year average reduction was realized when Superintendent Levin approved an 8.4% decrease effective October 1, 1997. Decreases vary by business and type of industry, but some employers will see their rates fall by as much as 31.1%.

The changes contained in the New York State Employment, Safety and Security Act signed by the Governor in September 1996 have reduced workers' compensation costs for employers by about \$1 billion, while improving workplace safety in the Empire State. Prior to last year's enactment of the Governor's reform legislation, New York had the second highest workers' compensation costs in the nation.

## 4. Captive Insurers

Legislation was enacted in 1997 to permit the formation of captive insurance companies in New York. Captives are insurers owned by the insureds and organized for the main purpose of self-funding the owners' risk. Captives are often categorized as "alternative insurance mechanisms." Rather than purchasing insurance coverage from traditional insurance companies, many corporations form captives to self-insure their risks. By allowing captives for large corporations, New York is encouraging the formation of these self-insurance vehicles in this State rather than forcing companies to look to other jurisdictions to set up captive operations.

Early in 1998, the Department licensed its first two captive insurers under the new legislation. First Mutual Transportation Assurance Company (FMTAC, formed by the Metropolitan Transportation Authority (MTA) to insure/reinsure the risks of the MTA and its subsidiaries and affiliates, was the first captive licensed. The second, CM Insurance Company, Inc. (CMIC), is a subsidiary of Columbus McKennon Corporation, a \$125 million chain and hoist manufacturer. Columbus McKennon redomesticated its captive from Tennessee to New York following enactment of this legislation.

## **5. Net Income Up/Catastrophe Losses Down in 1997**

Net income for all U.S. property/casualty insurers reached \$35.6 billion in 1997, posting the highest total in more than 20 years and surpassing the 1996 total by 45.7%.

The favorable bottom-line results can be attributed in part to catastrophe losses that were dramatically lower than any in the past ten years. Last year, 25 catastrophes caused \$2.6 billion in insured damage compared with 1996's 41 catastrophes that caused \$8.3 billion in covered losses. It is worth noting that only one hurricane made landfall in the U.S. in 1997.

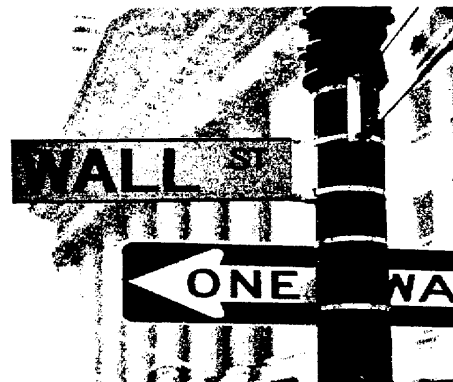
## **Life Insurance**

### **1. Section 4228 Changes**

Chapter 616 of the Laws of 1997 enacts a new Section 4228 of the Insurance Law designed to restore the competitiveness of New York's life insurance industry. Prior to the enactment of Chapter 616, Section 4228 had not been significantly revised in over half a century. Although the new Section 4228 does not alter the maximum first-year 55% commission limit on life insurance products, it does introduce new maximum renewal commissions for policy years 2 through 4. In addition, Chapter 616 simplifies expense limitation rules for life insurers and provides adjustments to the expense limitation formula to allow for levelized commissions and asset-based compensation. New Section 4228 also imposes a 14.5% first-year commission on "qualified" annuity products and a 4.5% renewal commission was established for overrides (commissions that exceed statutory maximums) for instances when General Agents do not personally produce the business as well as for instances when they do. The law became effective on January 1, 1998.

### **2. Mutual Holding Company Law**

A bill is pending in the New York Legislature to authorize a domestic mutual life insurer to reorganize into a domestic stock life insurer through the formation of a new mutual holding company that owns, directly or through one or more stock holding companies, the reorganized mutual life insurer. The bill was not passed in the 1997 Legislative Session, so it has been reintroduced in the 1998 Session as a Governor's Program Bill.



Under the proposed plan, mutual life insurance companies could transform themselves into holding companies and issue stock. This structural reorganization would allow mutual insurers greater access to capital as they strive for competitive equality in today's dynamic financial services marketplace.

### **3. Proposed Prudential Demutualization**

The Board of Directors of the Prudential Insurance Company of America has authorized the company's management to explore changing its corporate structure from a mutual to a stock company. Prudential, a New Jersey-domiciled company, is the largest life insurer in the U.S. with about \$180 billion in admitted assets. The demutualization process requires passage of a law by the New Jersey Legislature permitting the conversion. In addition, Prudential's plan of conversion must be approved by the New York Insurance Department to ensure that it is fair and equitable to New York policyholders. The company has over 10 million policyholders in the U.S., with more than one million located in New York.

Prudential has been the focus of well-publicized regulatory actions in recent years for market conduct problems. In October 1996, the New York Insurance Department initiated an investigation into the practices of Prudential agents involved in the activities uncovered by a multi-state task force that fined Prudential \$35 million.

Early in 1997, the Department's Frauds Bureau completed a sweep of six Prudential sales offices throughout the State to ensure there would be no further destruction of sales materials. The Department took these steps after a federal judge had fined Prudential \$1 million for destroying and removing materials at four locations, including Syracuse. The Department sought documents related to retention and destruction of all records sales, marketing and any other matters that have been the subject of regulatory actions against the company.

### **4. Operating Results for 1997**

New York-licensed life insurers showed a profit in 1997 with net income reaching \$9.3 billion, a year-to-year increase of roughly \$2 billion. These results include net gain from operations of \$8.3 billion, together with net realized capital gains of \$1.0 billion. This compares favorably with 1996 when net gain from operations of \$6.9 billion and net realized capital gains of \$0.4 billion resulted in net income of \$7.3 billion.

## **Superintendent Chairs Holocaust Commission**

Governor Pataki signed an Executive Order on May 8th that, for the first time, expanded and formalized the efforts that were already underway in New York State Government to identify the unclaimed assets of Holocaust victims. The Commission on the Recovery of Holocaust Victims' Assets, chaired by Superintendent Levin is looking into the assets deposited with Swiss financial institutions by victims of the Holocaust between 1933 and 1945.

In February and March 1997, while he was Superintendent of Banks, Superintendent Levin traveled to Switzerland to meet with the management of Swiss banks and top bank regulators. In an historic accord, the Swiss Federal Banking Commission agreed to give New York State Banking Department personnel unprecedented access to Swiss-based records and information relating to Holocaust victims' assets.

In a significant related development, the New York State Banking Department and the Independent Commission of Eminent Persons, also known as the Volcker Commission, whose auditors will review documents and records in Switzerland, have formally agreed to cooperate and exchange information pertaining to the activities of Swiss financial institutions in New York prior to and during World War II.

Governor Pataki also established the Holocaust Claims Processing Office within the New York State Banking Department to assist Holocaust victims and their families in filing claims against Swiss Banks. Superintendent Levin will be working with Acting Superintendent of Banks Elizabeth McCaul to expand the efforts of the office to assist claimants seeking recoveries from European insurance companies. The Holocaust Claims Processing Office is located within the Banking Department's offices in lower Manhattan.

## Web Page Up and Running



The Insurance Department unveiled its website in the fall of 1997, offering a wealth of both general and specific information. A number of the Department's publications are available on the web page, including the consumer guides to auto and homeowners insurance and the health and auto complaint rankings. Consumers can also get information on how to file a complaint and how to request no-fault arbitration.

Some of the kinds of information provided on the web page includes the latest press releases, current disciplinary actions, recent regulations and circular letters, licensing requirements for producers and insurers, and employment opportunities at the Insurance Department. All this and more is accessible at:

**[www.ins.state.ny.us](http://www.ins.state.ny.us)**

### **III. GENERAL REVIEW OF NEW YORK STATE INSURANCE BUSINESS**

#### **A. FINANCIAL CONDITION LIFE BUREAU**

##### **1. Licensed Life Companies**

There were 136 life insurance companies licensed to transact business in New York State on December 31, 1997.

Total admitted assets of licensed life insurers amounted to approximately \$1.30 trillion at December 31, 1996, a ten-year gain of 107.2%. Bonds totaled \$593.2 billion; stocks \$43.9 billion; mortgage loans \$135.5 billion; real estate \$29.2 billion; policy loans \$60.7 billion, and short-term holdings \$20.5 billion. Other admitted assets totaled \$418.1 billion.

##### **2. Domestic Life Companies**

Domestic life insurance companies had admitted assets of \$476.5 billion on December 31, 1996, an increase of 105.2% since 1986. Insurance in force at December 31, 1996 of \$3.04 trillion represents an increase of 89.1% since December 31, 1986.

##### **3. Savings Bank Life Insurance**

There were 22 banks issuing savings bank life insurance at the close of 1997. Total ordinary and group life insurance in force at December 31, 1997 amounted to \$21.8 billion. Admitted assets totaled \$1.2 billion.

##### **4. Organizations Under Financial Condition Life Bureau Supervision**

The Financial Condition Life Bureau supervised 445 organizations as of December 31, 1996. These organizations consisted of: 137 licensed life insurance companies--87 domiciled in New York and 50 foreign; 51 fraternal benefit societies--8 domiciled in New York, 42 foreign and 1 United States Branch of a Canadian Society; 23 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; 106 segregated gift annuity funds; 25 employee welfare funds; 12 viatical settlement companies and 70 accredited reinsurers.

**Table 1**  
**ADMITTED ASSETS**  
**Life Insurance Companies Licensed in New York State**  
**Selected Years, 1986-1996**  
**(dollar amounts in billions)**

Admitted Assets	1996	1995	1991	1986
Total	\$1,301.1	\$1,222.6	\$920.9	\$627.9
Percent increase from 1986	107.2%	94.7%	46.7%	---
Type of asset				
Bonds	\$593.2	\$566.8	\$398.2	\$252.5
Stocks	43.9	39.6	31.0	22.7
Mortgage Loans	135.5	142.6	188.2	146.5
Real Estate	29.2	32.4	27.7	18.0
Policy loans/liens	60.7	58.9	41.5	40.4
Short-term holdings	20.5	21.1	19.9	15.8
Other	418.1	361.1	214.4	132.0

**NOTE:** Detail may not add to totals due to rounding.

Source: New York State Insurance Department

**Table 2**  
**BALANCE SHEET**  
**Life Insurance Companies Licensed in New York State**  
**Selected Years, 1991-1996**  
**(in billions)**

	1996	1995	1991
Assets	\$1,301.1	\$1,222.6	\$921.2
Liabilities	1,233.5	1,160.2	877.7
Capital & Surplus	67.6	62.4	43.5

Source: New York State Insurance Department

**Table 3**  
**TOTAL LIFE INSURANCE IN FORCE**  
**Life Insurance Companies Licensed in New York State**  
**Selected Years, 1986-1996**  
**(dollar amounts in billions)**

Class of Business	1996	1995	1991	1986
Total insurance in force	\$7,324.1	\$6,914.6	\$5,772.5	\$4,046.4
Percent increase from 1986	81.0%	70.9%	42.7%	---
Ordinary	\$3,860.4	\$3,626.8	\$2,777.5	\$2,031.9
Group	3,383.3	3,206.1	2,913.9	1,925.4
Credit	72.7	73.9	72.8	79.2
Industrial	7.7	7.8	8.3	9.9

Source: New York State Insurance Department



**Table 4**  
**SOURCES OF INCOME**  
**Life Insurance Companies Licensed in New York State**  
**Selected Years, 1991-1996**  
**(dollar amounts in millions)**

Source of Income	<u>1996</u>		<u>1995</u>		<u>1991</u>	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Group life	\$12,078.5	4.7%	\$12,011.4	4.8%	\$9,015.1	4.2%
Group annuities	63,355.1	24.5	58,699.0	23.3	57,808.9	26.6
Group A & H	24,792.1	9.6	26,126.3	10.4	25,910.4	11.9
Ordinary life	42,855.3	16.6	42,493.9	16.9	32,434.8	14.9
Individual annuities	27,729.4	10.7	26,309.7	10.5	18,260.5	8.4
Individual A & H	3,420.5	1.3	3,382.6	1.3	2,704.1	1.2
Credit life	293.1	0.1	375.7	0.1	357.6	0.2
Industrial life	216.1	0.1	214.7	0.1	231.1	0.1
<b>Total Premiums</b>	<b>\$174,740.1</b>	<b>67.7%</b>	<b>\$169,613.3</b>	<b>67.4%</b>	<b>\$146,722.5</b>	<b>67.5%</b>
Supplementary contracts	7,652.1	3.0%	7,113.2	2.8%	4,885.4	2.2%
Net investment income	65,357.0	25.3	64,979.8	25.8	61,269.8	28.2
Other income	10,545.8	4.1	10,055.2	4.0	4,336.5	2.0
<b>TOTAL</b>	<b>\$258,295.0</b>	<b>100.0%</b>	<b>\$251,761.5</b>	<b>100.0%</b>	<b>\$217,214.2</b>	<b>100.0%</b>

**NOTE:** Detail may not add to totals due to rounding.  
Source: New York State Insurance Department

**Table 5**  
**OPERATING RESULTS**  
**Life Insurance Companies Licensed in New York State**  
**Selected Years, 1991-1996**  
**(in millions)**

	1996	1995	1991
Total premiums	\$174,740.1	\$169,613.3	\$146,722.5
Investment income	65,357.0	64,979.8	61,269.8
Supplementary contracts	7,652.1	7,113.2	4,885.4
Other income	10,545.8	10,055.2	4,336.5
Total income	258,295.0	251,761.5	217,214.2
Net gain from operations	6,840.9	6,672.6	4,616.1
Net income	7,226.6	4,434.6	6,309.6

Source: New York State Insurance Department

**Table 6**  
**LIFE INSURANCE IN FORCE IN THE STATE OF NEW YORK**  
**Life Insurance Companies Licensed in New York State**  
**Selected Years, 1986-1996**  
**(dollar amounts in billions)**

Insurance In Force	1996	1995	1991	1986
Total	\$907.0	\$829.2	\$702.1	\$485.5
Percent increase from 1986	86.8%	70.8%	44.6%	---
Class of business				
Ordinary	\$550.9	\$501.7	\$388.2	\$247.1
Group	349.0	319.5	300.0	221.4
Credit	6.2	7.0	12.9	15.9
Industrial	0.9	0.9	1.0	1.1

Source: New York State Insurance Department

**Table 7**  
**DOMESTIC LIFE INSURANCE COMPANIES**  
**Selected Years, 1986-1996**  
**(dollar amounts in billions)**

Domestic Life Companies	1996	1995	1991	1986
Admitted assets	\$476.5	\$435.2	\$329.5	\$232.2
Percent increase from 1986	105.2%	87.4%	41.9%	---
Insurance in force	\$3,044.0	\$2,712.0	\$2,214.2	\$1,609.4
Percent increase from 1986	89.1%	68.5%	37.6%	---

Source: New York State Insurance Department

**Table 8**  
**SAVINGS BANK LIFE INSURANCE**  
**New York State**  
**Selected Years, 1987-1997**  
**(dollar amounts in millions)**

SBLI	1997	1996	1992	1987
Number of issuing banks	22	23	35	48
Ordinary insurance issued during year:				
Policies	9,522	12,118	17,193	22,072
Amount	\$226.3	\$317.1	\$479.5	\$508
Ordinary insurance in force end of year:				
Policies	398,042	410,814	447,421	482,544
Amount	\$5,778.9	\$5,884.4	\$5,873.5	\$5,569.2
Group life insurance in force end of year:				
Amount	\$15,974.3	\$16,955.2	\$15,404.1	\$7,805.8
Total admitted assets	\$1,243.3	\$1,198.7	\$997.3	\$744.3

Source: New York State Insurance Department

## 5. Licensed Fraternal Benefit Societies

At the close of 1997, there were 50 fraternal benefit societies licensed to do an insurance business in New York State. Of this number, eight were domestic, 41 were foreign and one was an alien society. In the ten-year period ending December 31, 1996 the admitted assets of licensed societies rose \$29.3 billion to a total of \$45.3 billion, an increase of 183%. Insurance in force rose \$112.9 billion to \$223.2 billion, an increase of 102%.

## 6. Private Retirement Systems

At the close of 1997, 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 1996, the assets of these five private pension funds totaled approximately \$102.1 billion. The following table shows data for the private pension funds for selected years from 1986 to 1996:

**Table 9**  
**PRIVATE PENSION FUNDS**  
**Regulated by NYS Insurance Department**  
**Selected Years, 1986-1996**  
**(in millions)**

Private Pension Funds	1996	1995	1991	1986
Total admitted assets	\$102,057.0	\$84,830.0	\$51,241.3	\$27,684.1
Payments to annuitants and beneficiaries	\$4,487.5	\$3,243.1	\$2,017.4	\$1,399.9

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 1996 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 1996 were approximately \$199.2 billion. During the period from 1986 to 1996, the assets of these retirement systems increased at the compound rate of 9.8% 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 1996 increased by 1.8% over its 1986 level, while the number of pensioners increased by 33% in the same period. The substantial increase in pensioners, as compared with little variation in the work force, points up the need for maintaining adequate actuarial reserves.

The New York City Administrative Code provides for four nonpension funds known as variable supplements funds, financed by the transfer of earnings from the equity portfolios of the New York City Police and Fire Department Pension Funds. These variable supplements funds provide retirement benefits in addition to those received from the pension funds. There are four other variable supplements funds that previously covered members of the New York City Transit and Housing Police. Since these police units were merged with the regular New York City Police Department in April 1995, their funds remain in effect only for members already retired on that date. The eight variable supplements funds, which are under the supervision of the Insurance Department, had assets as of June 30, 1996 totaling \$2.5 billion, a 31% increase over June 30 of the previous year.

As a result of recent legislation the City will guarantee the former variable supplements payments to pensioners (as a supplement to the regular pensions) on a graduated scale up to \$12,000 per annum per retiree. This applies to all eligible members of both Police and Fire Departments, so that the variable benefit has been replaced by the series of fixed guaranteed payments.

The following table shows data for the public employee retirement systems, excluding the variable supplements funds, for selected years from 1986 to 1996:

**Table 10**  
**PUBLIC RETIREMENT SYSTEMS AND PENSION FUNDS**  
**Regulated by NYS Insurance Department**  
**Selected Years, 1986-1996**  
**(In millions)**

Public Retirement Systems and Pension Funds	1996	1995	1991	1986
Total admitted assets	\$199,234.6	\$171,509.8	\$124,912.9	\$78,322.2
Payments to annuitants and beneficiaries	\$9,647.9	\$8,031.0	\$6,036.6	\$3,871.9

Source: New York State Insurance Department

#### **8. Segregated Gift Annuity Funds for Charitable Organizations**

One hundred seventeen charitable annuity societies held permits under Section 1110 of the Insurance Law at the end of 1997. 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 ten-year period ending December 31, 1996, admitted assets of these funds increased by 281.3% and the annual payments increased by 263.7%.

**Table 11**  
**SEGREGATED GIFT ANNUITY FUNDS**  
**Selected Years, 1986-1996**  
**(in millions)**

Segregated Gift Annuity Funds	1996	1995	1991	1986
Total admitted assets	\$471.3	\$420.4	\$185.5	\$123.6
Annual payments to annuitants	\$37.1	\$32.4	\$15.7	\$10.2

Source: New York State Insurance Department

## 9. Employee Welfare Funds

Twenty-five employee welfare funds covering 106,846 employees were supervised by the Department at the close of 1996. 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 \$219.8 million in 1996. Benefits paid totaled \$184.8 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 \$11.6 million representing 5.3% of contributions and 6.3% of benefits.

## 10. Viatical Settlement Companies

Regulation 148 and Article 78 of the Insurance Law became effective as of July 6, 1994 for the purpose of regulating viatical settlement companies and brokers. At the end of 1996, 12 companies were licensed or authorized to act as viatical settlement companies in New York.

As of December 31, 1996, these companies had combined assets of \$173 million, with the largest company accounting for \$107 million. The assets were primarily in the form of life insurance policies purchased. Costs of purchasing these policies amounted to \$148.9 million, which comprised about 71.4% of the \$208.6 million total face value.

## 11. Examinations of Insurers Conducted in 1997

**Table 12**  
**EXAMINATIONS CONDUCTED**  
**by the Financial Condition Life Bureau**  
**1997**

	<u>Regularly Scheduled</u>			<u>Other</u>		
	<u>Total</u>	<u>In</u> <u>1997</u>	<u>Initiated</u> <u>Prior to</u> <u>1997</u>	<u>Special</u>	<u>On</u> <u>organi-</u> <u>zation</u>	<u>Increase</u> <u>in capital</u> <u>and other</u>
Life insurance companies	43	20	19	1	3	0
Life insurance depts. of mutual savings banks	6	4	2	0	0	0
Fraternal benefit societies	6	5	1	0	0	0
Retirement systems and pension funds	2	2	0	0	0	0
Segregated gift annuity funds of charitable organizations	5	5	0	0	0	0
Welfare funds	5	4	1	0	0	0
<b>Total</b>	<b>67</b>	<b>40</b>	<b>23</b>	<b>1</b>	<b>3</b>	<b>0</b>

## 12. Auditing of Financial Statements

### a. Audit and Analysis

As of December 31, 1997, 412 companies licensed to do business in New York State, as detailed below, were required to file their 1997 Annual Statements for audit and analysis:

Life - New York	91
Life - Other States	51
Accredited Reinsurers	70
Fraternals - New York	8
Fraternals - Other States	41
Fraternals - Canadian, U.S. Branch	1
Charitable Annuities	117
Retirement Systems	21
Viaticals	12
<b>Total</b>	<b>412</b>

In addition to a financial analysis, which includes but is not limited to solvency, investment portfolio, reinsurance, and a review of the CPA report etc., the Annual Statements are audited for overall integrity; compliance with National Association of Insurance Commissioners (NAIC) requirements for completing the blank; and compliance with Department statutes, regulations and rules. Questions arising during the audits of the statements were resolved with the companies.

The Bureau revised the computer crosscheck instructions 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 furnished to the Systems Bureau to enable that Bureau to prepare the crosschecks.

#### **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 1997 were updated to meet current needs and requirements. Copies of the Supplements 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. The bonds reported by 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 1997, 130 Annual Statements, 18 Quarterly Statements and 12 Reports on Examination were reviewed. Information was also made available from such source materials as the National Association of Insurance Commissioners (NAIC) *Book of Valuations of Securities* and *Best's Insurance Reports*.

### **13. Real Estate Review**

During 1997, the Real Estate Unit, in connection with financial condition examinations, reviewed valuations of real estate assets held by companies under examination.

Two projects involving the acquisition, construction and improvement of home office facilities were recommended for approval in the aggregate amount of \$3,125,000. In addition, recommendations were made relative to leases between related entities, construction estimates and capital budgets, land acquisition and disposition, the reallocation or transfer of separate and general account assets and mortgage participation agreements.



#### **14. 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 separate account plans of operation for individual and group annuity and for variable life insurance products; plans of distribution of investment income, synthetic guaranteed investment contracts (GICs); plans of operation and projections for licensing a company, a merger of two or more companies and an acquisition of control of one company by another. The actuarial staff also reviews filings made by companies under Section 4228 of the Insurance Law and Regulations 49 and 50 that pertain to compliance with expense limitations, agent compensation plans, new agent training allowance plans and expense allowance plans. The staff performs actuarial examinations of insurers' actuarial practices during regularly scheduled examinations of companies made by the assigned Corporate Regulatory Unit. The actuaries perform the required regulatory functions concerning the various State and City of New York pension plans, each of which is covered by a different section of the law (see Section 12 of this report). Finally, the staff also investigates allegations that company practices are not in compliance with the law and Department policy.

During 1997, the actuarial staff reviewed the last of the filings made under original Section 4228 of the New York State Insurance Law which was repealed as of December 31, 1997. In addition to the regular compensation work, additional time was spent in reviewing the new Section 4228 for a three-way committee composed of representatives from the Assembly, the Senate and the Governor's Office, and in preparing to implement the new Section's requirements in 1998. The Financial Condition Life Bureau introduced new guidelines in 1997 for reviewing projections related to licensing a new company, a merger, an acquisition of control, etc. The number of filings for separate accounts for synthetic GICs remained at seven for a second year.

#### **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.

Because the risk-based capital formula is dynamic, several changes were made to improve it during 1997. New York is a member of the Life Risk-Based Capital Working Group and representatives from the Financial Condition Life Bureau were present during all of the deliberations undertaken by the NAIC to update and improve the formula. The risk-based capital levels reported in the 1996 Annual Statements filed by licensed insurers did not disclose inadequate capitalization by the reporting companies.

#### **16. National Association of Insurance Commissioners (NAIC)**

The New York Insurance Department is a member of a number of NAIC committees and groups. In 1997, the Financial Condition Life Bureau represented the Insurance Department in the work of the IMR/AVR Study Group as chair, and in the following Working Groups, among others: Financial Analysis Research and Development, Financial Analysis Handbook, Codification, Invested Assets, Separate Accounts, Life Risk-Based Capital and SVO Oversight.

A representative of the Financial Condition Life Bureau participated in the NAIC Examiner Team Project as 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.

## **B. FINANCIAL CONDITION PROPERTY/CASUALTY BUREAU**

### **1. Entities Under Financial Condition Property/Casualty Bureau Supervision**

The Financial Condition Property/Casualty Bureau had regulatory authority over 1,584 insurer and noninsurer entities as of December 31, 1997.

The Bureau regulated 954 insurer entities comprised of:

- 16 Accident & health insurers;
- 63 Accredited reinsurers;\*
- 20 Advance premium co-operatives;
- 30 Assessment co-operatives;
- 2 Captive insurers;
- 11 Financial guaranty insurers;
- 53 Nonprofit health insurers and health maintenance organizations;\*\*
- 14 Joint underwriting associations;
- 7 Medical malpractice insurers;
- 1 Medical Malpractice Insurance Association;
- 21 Mortgage guaranty insurers;
- 1 New York Property Insurance Underwriting Association (FAIR Plan);
- 695 Property/casualty insurers; and
- 20 Title insurers

In addition, the Bureau oversaw the operation of 47 risk retention groups in 1997 and supervised 241 reinsurance intermediaries, 15 insurer-controlling producers, and 327 managing general agents.

The Financial Condition Property/Casualty Bureau received 25 applications for licensing and four applications for accreditation during 1997. Twenty-five insurers were newly licensed, including five domestic stock companies, one foreign title insurer, and 19 foreign stock insurers. In addition, five insurers were accredited, including four stock insurers and one alien insurer. At the close of the year, three domestic stock companies and 25 foreign stock companies had license applications pending with the Department. In addition, five applications for accreditation were still outstanding.

The Financial Condition Property/Casualty Bureau also received eight applications for accident and health insurance licenses and four applications for Article 44 HMO Certificates of Authority in 1997. One accident and health insurer was licensed and one Article 44 HMO was licensed or certified in 1997. Thirteen applications are still pending.

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\* Lloyd's of London (Lloyd's), included as an accredited reinsurer, is made up of individual underwriting syndicates each of which must meet the requirements for recognition as an accredited reinsurer. As of December 31, 1997, 161 active Lloyd's syndicates were recognized as accredited reinsurers by the Department.

\*\* These include 16 health, hospital service, medical and dental expense indemnity corporations, 2 Article 43 of the Insurance Law health maintenance organizations (HMOs) and 35 Article 44 of the Public Health Law HMOs.

Article 47 of the New York Insurance Law, enacted in 1994, permits the formation of municipal cooperative health benefit plans. Of the 16 municipal cooperative plan applications that have been submitted, 14 are still pending and two are in the process of being withdrawn.

## 2. Property and Casualty Business

Unless otherwise noted, tables and related data for property and casualty business refer to the nation-wide operations of insurers authorized to do business in this State. Data for stock insurers include United States branches of alien insurers. Data for mutual insurers include the State Insurance Fund, the Medical Malpractice Insurance Association and reciprocals. 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 are summarized separately.

### a. Premium Volume and Surplus to Policyholders

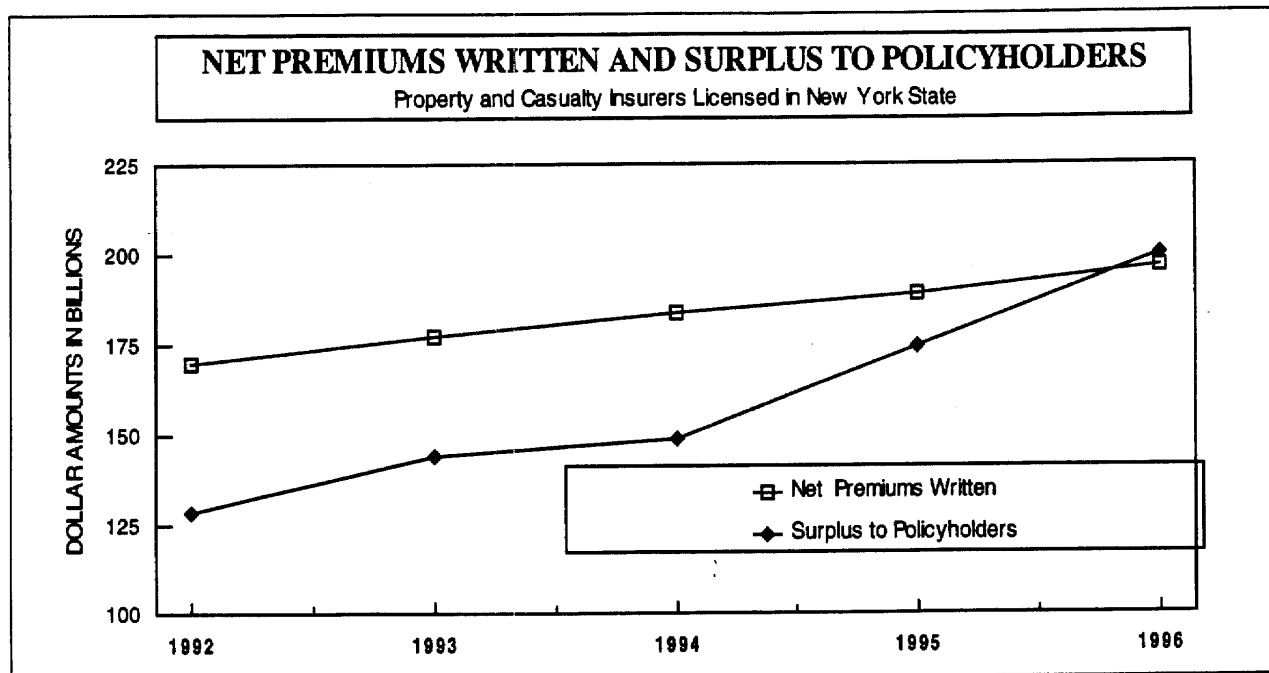
Net premiums written during 1996 by all New York-licensed property and casualty insurers aggregated \$196.3 million of which 73% represents stock company writings. The following discussion of underwriting and investment results deals with the country-wide business of New York-licensed companies:

**Table 13**  
**NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS**  
**Property and Casualty Insurers Licensed in New York State\***  
**1992-1996**  
**(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
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
1994	549	131,404	104,675	1.3	78	52,049	44,051	1.2
1995	567	136,270	122,335	1.1	75	52,647	52,171	1.0
1996	614	143,254	139,288	1.0	75	53,094	60,928	0.9

\* Includes eight reciprocals

Source: New York State Insurance Department



**b. Underwriting Results**

Results for 1996 show a net underwriting loss of \$10.6 million for stock companies and \$0.6 million for mutual companies. For 1995, stock companies showed a net underwriting loss of \$10.6 million, while mutual companies experienced a net loss of \$1.7 million.

**Table 14**  
**UNDERWRITING RESULTS**  
**Property and Casualty Insurers Licensed in New York State**  
**1994-1996**  
**(dollar amounts in millions)**

Year		<u>Stock Companies</u>		<u>Mutual Companies</u>	
		Number of Companies	Amount	Number of Companies	Amount
1994	Underwriting gains	128	\$ 909.2	20	\$ 744.4
	Underwriting losses	401	13,713.1	58	3,617.7
	No gain or loss	20	0.0	0	0.0
1995	Underwriting gains	145	\$ 1,452.4	20	\$1,492.7
	Underwriting losses	395	12,057.7	55	3,191.3
	No gain or loss	27	0.0	0	0.0
1996	Underwriting gains	171	\$ 1,661.2	14	\$1,615.6
	Underwriting losses	409	12,309.2	61	2,196.9
	No gain or loss	34	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 1994 to 1996 are as follows:

**Table 15**  
**INVESTMENT INCOME AND CAPITAL GAINS**  
**Property and Casualty Insurers Licensed in New York State**  
**1994-1996**  
**(In millions)**

Year		Stock Companies	Mutual Companies
1994	Net investment income	\$19,844.8	\$6,448.3
	Realized capital gains	840.7	358.2
	Unrealized capital gains	<u>-2,647.1</u>	<u>-808.3</u>
	Net gain from investments	<u>\$18,038.4</u>	<u>\$5,998.2</u>
1995	Net investment income	\$21,327.5	\$ 7,059.8
	Realized capital gains	3,316.1	787.0
	Unrealized capital gains	<u>9,174.7</u>	<u>5,991.1</u>
	Net gain from investments	<u>\$33,818.3</u>	<u>\$13,837.9</u>
1996	Net investment income	\$23,389.6	\$6,932.3
	Realized capital gains	4,441.0	1,044.0
	Unrealized capital gains	<u>3,833.0</u>	<u>4,773.4</u>
	Net gain from investments	<u>\$31,663.6</u>	<u>\$12,749.7</u>

Source: New York State Insurance Department

d. Underwriting and Investment Exhibit

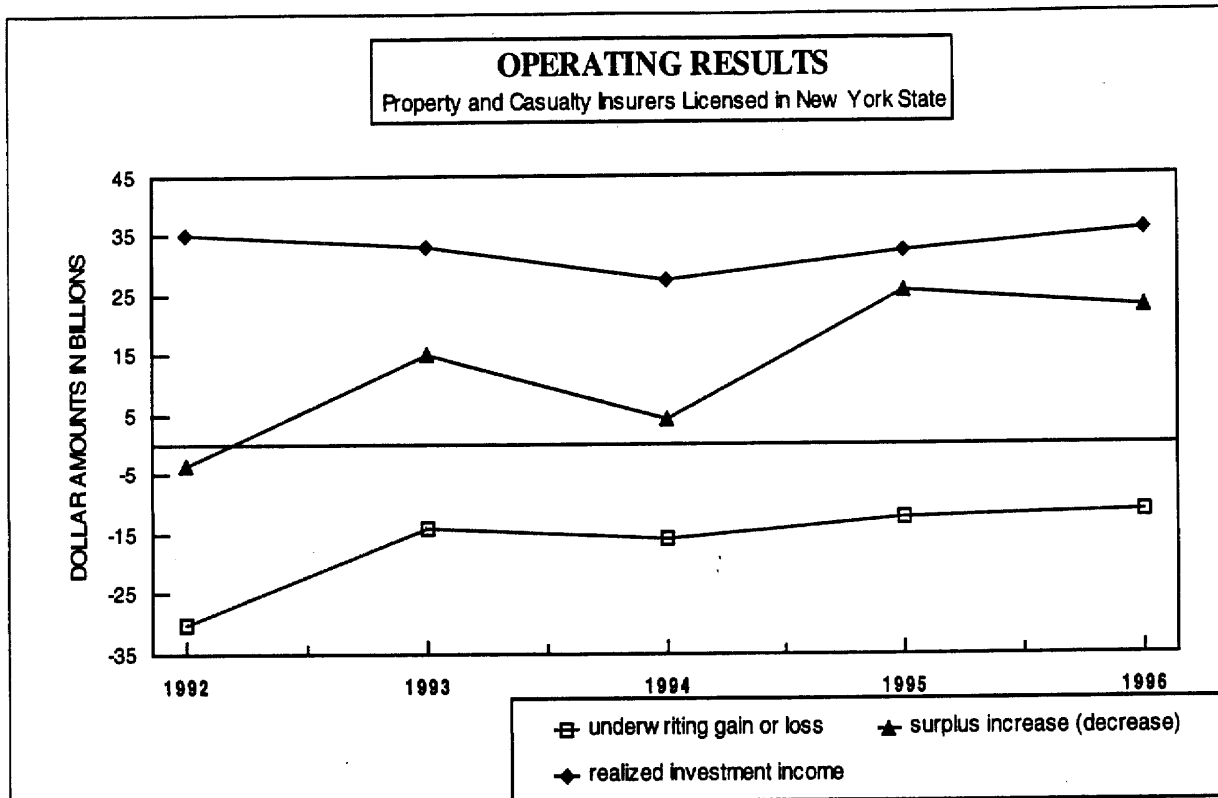
During 1996, dividends to stockholders amounted to \$9.1 billion; for the same period, dividends to policyholders aggregated to \$2.2 billion. The aggregate contribution to surplus for 1996 was \$5.5 billion compared with \$5.9 million for 1995.

**Table 16**  
**AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT**  
**Property and Casualty Insurers Licensed in New York State**  
**1995 and 1996**  
**(in millions)**

	<u>1996</u>		<u>1995</u>	
	Stock Companies	Mutual Companies	Stock Companies	Mutual Companies
Net gain or loss from:				
Underwriting	\$-10,648.0	\$ -581.3	\$-10,605.3	\$-1,698.6
Investments*	27,830.6	7,976.3	24,643.6	7,846.8
Other income	<u>-817.8</u>	<u>-277.2</u>	<u>325.6</u>	<u>-177.7</u>
Net gain or loss	\$ 16,364.8	\$7,117.8	\$ 14,363.9	\$ 5,970.5
Less:				
Dividends to policyholders	893.0	1,327.1	1,124.2	1,511.1
Federal income taxes incurred	<u>2,078.7</u>	<u>1,254.8</u>	<u>2,205.8</u>	<u>768.8</u>
Net income	\$ 13,393.1	\$4,535.9	\$ 11,033.9	\$ 3,690.6
Surplus changes other than net income:				
Dividends to stockholders				
• Cash	\$-9,052.5	\$ 0.0	\$ -6,861.5	\$ 0.0
• Stock	-24.2	0.0	-33.2	0.0
Net remittance to/from home office	<u>259.7</u>	<u>0.0</u>	<u>123.1</u>	<u>0.0</u>
Total dividends and remittance	\$-8,817.0	\$ 0.0	\$ -6,771.6	\$ 0.0
Unrealized capital gains	3,833.0	4,773.4	9,174.7	5,991.1
Changes in statutory over case basis	276.6	-4.1	34.1	-29.3
Miscellaneous items	-172.3	-544.6	-1,962.8	-1,335.4
Contributions to surplus	<u>5,516.5</u>	<u>-5.4</u>	<u>5,850.1</u>	<u>67.8</u>
Total other sources	\$ <u>636.8</u>	\$ <u>4,219.3</u>	\$ <u>6,324.5</u>	\$ <u>4,694.2</u>
Net increase or decrease in surplus	<u>\$14,029.9</u>	<u>\$8,755.2</u>	<u>\$17,358.4</u>	<u>\$8,384.8</u>

\* Excludes unrealized capital gains.

Source: New York State Insurance Department



e. Selected Annual Statement Data

From 1994 to 1996, aggregate net premiums written increased 7%; admitted assets increased 15%; unearned premium and loss reserves increased 6%; and other liabilities increased 20%. Capital and surplus to policyholders increased by 35%.

**Table 17**  
**SELECTED ANNUAL STATEMENT DATA**  
**Property and Casualty Insurers Licensed in New York State**  
**1994-1996**  
**(dollar amounts in millions)**

	1996	1995	1994
<u>Stock Companies</u>			
Number of insurers	614	567	549
Net premiums written	\$143,254	\$136,270	\$131,404
Admitted assets	469,175	438,090	406,112
Unearned premium & loss reserves	290,637	279,091	266,677
Other liabilities	39,250	36,664	34,760
Capital	4,565	4,350	4,244
Surplus funds	134,723	117,985	100,431
<u>Mutual Companies</u>			
Number of insurers	75	75	78
Net premiums written	\$53,094	\$52,647	\$52,049
Admitted assets	159,700	150,411	139,806
Unearned premium & loss reserves	83,722	85,611	85,410
Other liabilities	15,049	12,629	10,345
Surplus to policyholders	60,928	52,171	44,051

Source: New York State Insurance Department

#### f. Audit and Analysis

The 1996 Annual Statements of the companies authorized to transact business in the State of New York were filed for audit and analysis in 1997, as were those of reinsurers accredited in this State. Issues 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. 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 2,650 quarterly statements were received, reviewed for completeness and accuracy, and the financial data analyzed.



**g. State Insurance Fund**

All purchases and sales of bonds by the State Insurance Fund are subject to the approval of the Superintendent. During 1997, the State Insurance Fund acquired bonds totaling \$2.3 billion and sold bonds totaling \$668.3 million. Upon review, the Financial Condition Property/Casualty Bureau recommended the approval of acquisitions totaling \$1.2 billion and sales totaling \$367.1 million. Acquisition of \$1.1 billion and sales of \$301.2 million are currently under review. In 1996, the Bureau recommended approval of acquisitions totaling \$3.5 billion and sales totaling \$552 million.

**h. 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 776 companies. There were nine companies entitled to exemption from the filing requirements.

**i. Public Inspection of Records**

The Financial Condition Property/Casualty Bureau provides public access to various Insurance Department documents pursuant to the Freedom of Information Law (FOIL). In 1997, 342 FOIL requests to review and copy records maintained by the Bureau were received from members of the public.

**j. Holding Company-Related Transactions**

Pursuant to Article 15 of the New York Insurance Law and Department Regulation 52, the Financial Condition Property/Casualty Bureau is responsible for the review and approval of transactions within holding company systems. During 1997, 65 transactions were reviewed and approved by the Bureau. These included, but were not limited to, 36 reinsurance agreements, one management agreement, seven service agreements, four notices of acquisition of control of insurers, and three requests for sales, purchases or transfers of assets.

**3. Accident and Health Insurance**

Thirteen stock and four mutual companies were licensed to transact only accident and health insurance at year-end 1996.

**Table 18**  
**SELECTED ANNUAL STATEMENT DATA**  
**Accident and Health Insurers**  
**1994-1996**  
**(dollar amounts in millions)**

	1996	1995	1994
Number of insurers	17	16	14
Net premiums written	\$3,550.0	\$3,348.6	\$3,201.6
Admitted assets	5,523.7	5,114.3	4,671.4
Unearned premium & loss reserves	879.1	904.5	923.5
Other liabilities	2,413.0	2,221.9	2,076.0
Capital	20.5	20.2	18.6
Surplus	2,211.1	1,967.7	1,653.3
Ratio of premiums written to capital and surplus	1.6	1.7	1.9

Source: New York State Insurance Department

#### **4. Financial Guaranty Insurance**

New York Insurance Law Article 69 made financial guaranty insurance a separate kind of insurance effective May 14, 1989. Financial guaranty insurance may be written only by an insurer empowered to write financial guaranty business as described in Section 1113(a).

As of December 31, 1997, there were six domestic and five 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**  
**1994-1996**  
**(dollar amounts in millions)**

Year	Net Premiums Written (during year)	Surplus to Policyholders (end of year)	Ratio of Premiums to Surplus
1994	\$845.4	\$4,193.3	0.20
1995	729.5	4,569.4	0.16
1996	963.4	4,929.4	0.20

Source: New York State Insurance Department

**Table 20**  
**UNDERWRITING RESULTS**  
**Financial Guaranty Insurers Licensed in New York State**  
**1994-1996**  
**(dollar amounts in millions)**

	<u>1996</u>		<u>1995</u>		<u>1994</u>	
	Underwriting Gain	Loss	Underwriting Gain	Loss	Underwriting Gain	Loss
No. of Companies	10	1	9	3	7	5
Amount	\$347.7	\$3.9	\$240.6	\$20.9	\$227.8	\$22.4

Source: New York State Insurance Department

**Table 21**  
**INVESTMENT INCOME AND CAPITAL GAINS**  
**Financial Guaranty Insurers Licensed in New York State**  
**1994-1996**  
**(in millions)**

	1996	1995	1994
Net investment income	\$717.3	\$619.0	\$552.8
Realized capital gains	106.4	58.5	-5.7
Unrealized capital gains	<u>-31.6</u>	<u>80.6</u>	<u>-4.4</u>
Net gain from investments	<u>\$792.1</u>	<u>\$758.1</u>	<u>\$542.7</u>

Source: New York State Insurance Department

**Table 22**  
**AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT**  
**Financial Guaranty Insurers Licensed in New York State**  
**1994-1996**  
**(in millions)**

	1996	1995	1994
Net gain or loss from:			
Underwriting	\$ 343.8	\$ 219.7	\$ 205.4
Investments*	823.7	677.5	547.1
Other Income	<u>3.7</u>	<u>13.0</u>	<u>4.7</u>
Net gain or loss	\$1,171.2	\$ 910.2	\$757.2
Less:			
Dividends to policyholders	0.0	0.0	0.0
Federal income taxes incurred	<u>241.3</u>	<u>164.8</u>	<u>155.9</u>
Net income	<u>\$ 929.9</u>	<u>\$ 745.4</u>	<u>\$ 601.3</u>
Surplus changes other than net income:			
Dividends to stockholders			
• Cash	\$-180.1	\$-287.8	\$-128.0
• Stock	0.0	0.0	-11.0
Net remittance to/from home office	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total dividends and remittance	\$-180.1	\$-287.8	\$-139.0
Unrealized capital gains	-31.6	80.6	-4.4
Changes in statutory over case basis	0.5	-1.2	0.0
Miscellaneous sources	-428.1	-276.7	-200.6
Contributions to surplus	<u>-19.6</u>	<u>115.7</u>	<u>10.0</u>
Total other sources	<u>\$-658.9</u>	<u>\$-369.4</u>	<u>\$-334.0</u>
Net increase or decrease in surplus	<u>\$ 271.0</u>	<u>\$ 376.0</u>	<u>\$ 267.3</u>

\* Excludes unrealized capital gains.

Source: New York State Insurance Department

**Table 23**  
**SELECTED ANNUAL STATEMENT DATA**  
**Financial Guaranty Insurers Licensed in New York State**  
**1994-1996**  
**(in millions)**

	1996	1995	1994
Number of Companies	11	12	12
Exposure	\$1,004,509.0	\$869,852.0	\$763,318.7
Net premiums written	963.4	729.5	845.4
Admitted assets	12,475.0	11,256.7	10,267.7
Unearned premium & loss reserves	4,601.1	4,247.0	4,027.1
Other liabilities	2,944.4	2,440.3	2,047.3
Capital	198.5	203.5	214.5
Surplus funds	4,730.9	4,365.9	3,978.8

Source: New York State Insurance Department

## 5. Mortgage Guaranty Insurance

At year-end 1996, there were 2 domestic and 19 foreign companies licensed to transact mortgage guaranty business in New York.

**Table 24**  
**NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS**  
**Mortgage Guaranty Insurers Licensed in New York State**  
**1994-1996**  
**(dollar amounts in millions)**

Year	Net Premiums Written (during year)	Surplus to Policyholders (end of year)	Ratio of Premiums to Surplus
1994	\$1,510.8	\$2,101.3	0.72
1995	1,713.4	2,243.3 <sup>r</sup>	0.78
1996	2,158.6	2,556.7	0.84

<sup>r</sup> Revised

Source: New York State Insurance Department

**Table 25**  
**AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT**  
**Mortgage Guaranty Insurers Licensed in New York State**  
**1994-1996**  
**(in millions)**

	1996	1995	1994
Net gain or loss from:			
Underwriting	\$ 327.8	\$ 226.4	\$ 18.6
Investments*	507.2	443.2	378.0
Other Income	<u>1.3</u>	<u>1.3</u>	<u>0.6</u>
Net gain or loss	\$ 836.3	\$ 670.9	\$397.2
Less:			
Dividends to policyholders	0.0	0.0	0.0
Federal income taxes incurred	<u>38.5</u>	<u>66.4</u>	<u>8.2</u>
Net income	<u>\$ 797.8</u>	<u>\$ 604.5</u>	<u>\$389.0</u>
Surplus changes other than net income:			
Dividends to stockholders			
• Cash	\$ -77.0	\$ -81.5	\$ -99.2
• Stock	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total dividends	\$ -77.0	\$ -81.5	\$ -99.2
Unrealized capital gains	-16.0	97.2	-66.2
Changes in statutory over case basis	0.0	0.0	0.0
Miscellaneous sources	-566.6	-633.0	-149.8
Contributions to surplus	<u>94.6</u>	<u>139.6</u>	<u>216.0</u>
Total other sources	<u>\$-565.0</u>	<u>\$-477.7</u>	<u>\$ -99.2</u>
Net increase or decrease in surplus	<u>\$ 232.8</u>	<u>\$ 126.8</u>	<u>\$289.8</u>

\* Excludes unrealized capital gains

Source: New York State Insurance Department

**Table 26**  
**SELECTED ANNUAL STATEMENT DATA**  
**Mortgage Guaranty Insurers**  
**1994-1996**  
**(dollar amounts in millions)**

	1996	1995	1994
Number of companies	21	18	17
Net premiums written	\$2,158.6	\$1,713.4	\$1,510.8
Admitted Assets	8,911.0	7,157.4	6,193.1
Unearned premium & loss reserves	3,666.1	3,019.2 <sup>r</sup>	2,668.4 <sup>r</sup>
Other liabilities	2,688.1	2,030.1 <sup>r</sup>	1,419.2 <sup>r</sup>
Capital	92.9	85.2 <sup>r</sup>	81.7 <sup>r</sup>
Surplus	2,463.8	2,157.1 <sup>r</sup>	2,019.3 <sup>r</sup>

<sup>r</sup> Revised

Source: New York State Insurance Department

## 6. Title Insurance

Eleven domestic and 10 foreign companies were licensed to write title insurance in this State at the close of 1996. The statutory reinsurance reserve of domestic title insurers approximated \$1,061.1 million as of December 31, 1996.

**Table 27**  
**SELECTED ANNUAL STATEMENT DATA**  
**Domestic Title Insurance Companies**  
**1994-1996**  
**(dollar amounts in millions)**

	1996	1995	1994
Number of Companies	11	9	9
Net premiums written	\$257.8	\$228.7	\$294.3
Admitted assets	239.8	203.4	224.8
Liabilities	124.0	114.7	112.7
Capital	11.8	9.3	9.0
Surplus	103.9	79.4	103.1

Source: New York State Insurance Department

## 7. Advance Premium and Assessment Co-operatives

At year-end 1996, there were 20 advance premium cooperatives under the supervision of the Financial Condition Property/Casualty Bureau. One assessment co-operative company converted to advance premium status during the year and one advance premium co-operative converted to mutual status, resulting in no net change in the number of advance premium co-operatives from 1995 to 1996. The net premium volume of these 20 companies increased by 10% over the year.

There were 30 assessment co-operatives under the Bureau's supervision at the end of 1996, down from 31 in 1995 due to the conversion of one company to advance premium status. These remaining 30 companies posted a year-to-year decline of 9% in net premium volume.

During 1997, the Bureau conducted 11 examinations of these companies.

**Table 28**  
**SELECTED ANNUAL STATEMENT DATA**  
**Advance Premium and Assessment Co-operative Companies**  
**1994-1996**  
**(dollar amounts in millions)**

Year		Total	Advance Premium Companies	Assessment Co-operative Companies
1994	Number of companies	51	19	32
	Total assets	\$833.8	\$678.0	\$155.8
	Net premiums written	414.5	355.7	58.8
	Surplus funds	297.3	205.8	91.5
1995	Number of companies	51	20	31
	Total assets	\$920.0	\$755.4	\$164.6
	Net premiums written	429.9	365.7	64.2
	Surplus funds	345.4	250.0	95.4
1996	Number of companies	50	20	30
	Total assets	\$985.6	\$829.0	\$156.6
	Net premiums written	459.5	401.2	58.3
	Surplus funds	376.4	283.3	93.1

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 Financial Condition Property/Casualty Bureau.

During November 1987, the Underwriting Members voted to suspend writing new and renewal business. No business has been written on the Exchange since that time. As of December 31, 1997, the Exchange and six Underwriting Members were in liquidation, the Exchange and five Underwriting Members in New York and one in its domiciliary jurisdiction. All of the remaining Underwriting Members have withdrawn by assumption.

## **9. Special Risk Insurers (Free Trade Zone)**

Calendar year 1997 was the 19th full year of operation for the companies licensed as special risk insurers pursuant to Section 6302 of the Insurance Law. There were 165 licensed companies as of December 31, 1997. Net premiums written during the year amounted to an estimated \$398.8 million, bringing the net premiums written since inception to approximately \$4.3 billion. Net premiums written (in millions) since inception are as follows:

1978-1992	\$2,390.2
1993	340.7
1994	355.4
1995	364.7
1996	443.2
1997	398.8 (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. Up to December 31, 1997, the Financial Condition Property/Casualty Bureau regulated risk retention groups and the Property and Casualty Insurance Bureau regulated purchasing groups. Beginning in 1998, both the risk retention groups and the purchasing groups are regulated by those combined bureaus, now known as the Property Bureau.

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, 1996, forty-six risk retention groups had notified the Department of their intention to do business in New York under the provisions of the federal legislation.

In calendar year 1996, forty-three risk retention groups filing financial statements with this Department reported total direct premiums written of \$559.5 million and total net premiums written of \$171.0 million. These risk retention groups reported direct premiums written of \$31.3 million in New York State during this same period.

## 11. Examinations of Insurers Conducted in 1997

**Table 29**  
**EXAMINATIONS CONDUCTED**  
**by the Financial Condition Property/Casualty Bureau**  
**1997**

	<u>Regularly Scheduled</u>			<u>Other Financial Examinations</u>		
	Total	<u>Initiated</u> In 1996	Prior to 1996	Special	On organi- zation	Increase in capital and other
Property and casualty insurers, including financial guaranty and accident & health companies	102	69	27	1	5	0
Nonprofit health insurers and HMOs	20	11	8	0	1	0
Other insurers and related organizations*	0	0	0	0	0	0
Title and mortgage companies	4	4	0	0	0	0
Total	126	84	35	1	6	0

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

## 12. Municipal Cooperative Health Benefit Plans

Chapter 689 of the Laws of 1994 enacted Article 47 of the Insurance Law, "Municipal Cooperative Health Benefit Plans." The law establishes minimum reserves and surplus as well as filing and reporting requirements. The 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 Department reviewed 16 applications for certification as a Municipal Cooperative Health Benefit Plan, but did not issue any certifications as of year-end 1997. Fourteen applications are still pending and two are in the process of being withdrawn.

## 13. Article 43 and Article 44 Corporations

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

## a. Subscriber Rate Changes

Chapter 504 of the Laws of 1995 established a new procedure for premium rate changes for Article 43 and Article 44 corporations that may replace the prior approval requirements of Section 4308(c) of the Insurance Law under specific conditions. The law permits an Article 43 or Article 44 corporation to submit a filing for a premium rate change of not more than 10% in any 12-month period and such filing shall be deemed approved. Such rate change must meet the loss ratios as specified in the law. Since the law became effective on January 1, 1996, many Article 43 and Article 44 corporations have chosen this alternative method to modify their premium rates. The Department received 53 premium rate change filings under this alternative method during 1997.

In addition, the Financial Condition Property/Casualty Bureau received four premium rate increase applications submitted under the prior approval requirements of Section 4308(c) of the Insurance Law from Article 44 HMOs for their community-rated contracts and riders with requested effective dates in 1997. The rates requested on two of the applications were approved as submitted and two were approved at levels lower than requested. Additionally, the Insurance Department received one application from an Article 43 Corporation for an increase in premiums; the approved rates were lower than requested.

**Table 30**  
**SUBSCRIBER RATE CHANGES**  
**Subject to Prior Approval**  
**1997**

	Average Percent Requested	Average Percent Approved	Effective Date
<u>Insurance Law Article 43 Corporations</u>			
New York Care Plus Insurance Co., Inc.			
Buffalo Division	22.8%	21.4%	1/1/97
Albany Division (Overall)	26.2	25.1	1/1/97
Region I	27.7	26.3	1/1/97
Region II	21.3	21.2	1/1/97
<u>Public Health Law Article 44 HMOs</u>			
Capital District Physician's Health Plan	19.3%	19.3%	1/1/97
Health Now			
Prescription Drug Riders Only	31.0%	31.0%	1/1/97
MVP Health Plan (Direct Pay Contracts only)	52.6%	28.7%	11/1/97
Rochester Area HMO			
Prescription Drug Riders	43.7%	43.7%	1/1/97
Direct Pay Contracts	43.6	0.0	1/1/97

## b. Article 43 and Article 44 Corporations:

The following tables show aggregate figures on assets, liabilities, surplus funds, premium income and membership for years 1994-1996:

**Table 31**  
**HEALTH SERVICE CORPORATIONS\***  
**Selected Data, New York State**  
**1994-1996**  
**(in millions)**

	1996	1995	1994
Number of Companies	13	12 <sup>1</sup>	10
Admitted Assets	\$3,742.4	\$3,998.3	\$4,512.7
Liabilities	2,850.1	3,184.1	3,758.3
Surplus Funds	892.3	814.2	754.4
Net Premium Income			
Hospital	\$4,941.6	\$5,539.6	\$6,683.6
Medical/Dental	4,172.5	4,184.5	3,627.7
Number of Contracts & Riders in Force:			
Hospital	2.8	3.0	3.8
Medical/Dental	3.2	2.7	1.8

\* 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.

<sup>1</sup> Revised

Source: New York State Insurance Department

**Table 32**  
**MEDICAL & DENTAL EXPENSE INDEMNITY CORPORATIONS**  
**Selected Data, New York State**  
**1994-1996**  
**(In millions)**

	1996	1995	1994
Number of Companies	3*	4 <sup>r</sup>	5
Admitted Assets	\$8.5	\$77.9	\$70.5
Liabilities	5.3	43.9	39.8
Surplus Funds	3.2	34.0	30.7
Net Premium Income	6.8	132.9	138.9
Number of Contracts in Force	**	0.2	0.3

\* On July 2, 1996, Finger Lakes Medical Insurance Company, Inc. was issued an amended license to change from a medical expense indemnity corporation to a health service corporation. As such, the financial data of Finger Lakes Medical Insurance Company, Inc. for 1996 was reported in Table 31.

\*\* There were 430 contracts in force for the year 1996.

<sup>r</sup> Revised

Source: New York State Insurance Department

**Table 33**  
**HEALTH MAINTENANCE ORGANIZATIONS**  
**That Are a Line of Business of a**  
**Health Service Corporation\***  
**Selected Data, New York State**  
**1994-1996**  
**(In millions)**

	1996	1995	1994
Number of Companies	5	5	5
Net Premium Income	\$2,652.2	\$2,579.1	\$2,516.8
Participants	1.7	1.6	1.6

\* Figures shown in this Table are included in the corresponding figures shown in Table 31.

Source: New York State Insurance Department

**Table 34**  
**HEALTH MAINTENANCE ORGANIZATIONS**  
**That Are Not a Line of Business**  
**Selected Data, New York State**  
**1994-1996**  
**(in millions)**

	1996	1995	1994
Number of Companies	32	29 <sup>r</sup>	25
Admitted Assets	\$2,355.8	\$2,040.7	\$1,595.7
Liabilities	1,674.3	1,346.1	1,020.2
Surplus Funds	681.5	694.6	575.5
Net Premium Income	6,963.6	5,547.7	3,893.4
Participants	4.4	3.6	2.8

<sup>r</sup> Revised

Source: New York State Insurance Department

#### 14. Lloyd's of London

Underwriters at Lloyd's ( Lloyd's of London) consist of underwriting syndicates at Lloyd's which meet the requirement for recognition as accredited reinsurers in New York. As of December 31, 1997, 161 active syndicates at Lloyd's were recognized as accredited reinsurers by the Department. Each syndicate is required to maintain a trust fund in New York and the amount deposited in each trust fund is required to equal each syndicate's gross liabilities for U.S. *situs* reinsurance business. In addition, all syndicates together must maintain a minimum surplus in trust, on a joint and several basis, of not less than \$100 million, for the protection of United States ceding insurers.

#### 15. Captive Insurance Companies

On August 7, 1997, Governor George E. Pataki signed into law Chapter 389 of the Laws of 1997, the Tax Omnibus Law. Sections 146 through 150 of that law enable the formation and operation of captive insurance companies (Captives) in New York State via a new Article 70 of the Insurance Law and other amendments to the Insurance Law and the Tax Law. The Law became effective December 5, 1997.

Captive insurance companies are insurers owned by the insureds and organized for the main purpose of self-funding the owner's risk. Captives are often referred to as one of the "alternative insurance mechanisms."

The legislation allows the organization and formation of pure captives (those owned by one parent or by affiliated parents) and industrial captives (those owned by a small number of substantially sized unaffiliated entities with similar risks) to insure most of the kinds of property/casualty risks of the captives' parent(s). Captives can also assume reinsurance from other insurers.

The owner(s) of such captives must maintain a net worth equivalent to that of a Fortune 500 Company. This requirement ensures that the owner(s) have the financial strength and business acumen to self-fund its risks.

The legislation does not permit captives to self-insure those types of risks necessary to meet the requirements of financial responsibility laws (*i.e.*, motor vehicle or workers' compensation laws). These captives would be permitted to use licensed "fronting" carriers to meet such requirements.

Since captives are comprised of sophisticated insureds, they do not require the regulatory protection afforded other insureds. These sophisticated financial entities look for the most efficient, cost-effective means to finance their risks. The legislation provides for a regulatory environment similar to that offered by other jurisdictions that captives are attracted to, and offers New York as a viable option for corporations seeking to form captives or to redomesticate existing captives.

On December 5, 1997, the effective date of the legislation, the Insurance Department licensed the First Mutual Transportation Assurance Company, a subsidiary of the Metropolitan Transportation Authority (MTA), as the state's first captive insurance company. It will be insuring the risks of the MTA, its affiliates and subsidiaries. On December 31, 1997, the Insurance Department licensed CM Insurance Company, Inc., a subsidiary of Columbus-McKennon, Inc., which is a New York-based manufacturer that had an existing captive in Tennessee. Columbus McKennon, Inc. redomesticated its existing captive to New York.

## C. LIFE AND HEALTH BUREAU

### 1. Review of Life and Accident and Health Policy Forms

The Life and Health Bureau processed 14,492 life, annuity and accident and health policy forms in 1997, including 241 fraternal benefit society certificate forms, constitutions, by-laws, articles of incorporation and amendments thereto.

**Table 35**  
**LIFE AND ACCIDENT & HEALTH**  
**Policy Forms Processed**  
**1997**

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Individual Life	2,160
Individual Annuity	388
Individual Accident and Health	851
Group Life	570
Group Accident and Health	4,234
Combination Group Life and Health	439
Blanket	681
Article 43 Organizations	423
HMO	1,355
Credit Life	150
Credit Accident and Health	57
Credit Unemployment	18
Variable Life and Annuity	1,600
Fraternal	241
Group Annuity	1,301
Funding Agreements	23
Pre-Paid Legal	1
 TOTAL	 14,492

Of the 14,492 total, 7,059 forms were approved for use both in and out of state; 3,154 forms were either disapproved or withdrawn; 3,908 forms were filed for use in states other than New York; and 371 forms or memoranda explaining variable contract language were filed for reference purposes.

### 2. Review of Accident and Health Rate Filings

The Bureau received 1,598 rate filings and processed 1,566 rate filings during 1997.

### 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 60 pre-filings of policy form submissions in 1997 and provided written answers to 377 formal consumer inquiries and complaints concerning policy forms or related issues.



#### **4. Procedural Changes in the Approval Process**

On August 1, 1997, the Department issued Circular Letter No. 14 (1997) to advise insurers of certain procedural changes in the approval process. The changes are designed to prevent unnecessary delays and to ensure that new products reach the market as expeditiously as possible.

Pursuant to the new procedures, the Department will return all product and rate submissions that are incomplete or were not drafted to comply with New York's statutory and regulatory requirements. Such submissions take an inordinate amount of time to review and require an inefficient use of the Department's limited resources.

Under the new procedures, the Department may also return submissions prior to completing the initial review, if the submission is poorly organized or difficult to understand or if the policy form contains several noncomplying provisions or fails to include several required provisions. This step is taken to ensure that insurance companies submitting complying products are not penalized by lengthy delays caused by the disproportionate amount of time needed to review poorly drafted submissions. It is hoped that these steps will improve the quality of submissions made to the Department.

Circular Letter No. 14 (1997) also permits the Department to close a file if a complete written response to a comment letter, including any requested or required material, is not provided within 45 days. This requirement will force insurers to diligently pursue the approval of the product and rate submissions and should prevent unnecessary delays.

#### **5. Expedited Approval Procedure**

Chapter 616 of the Laws of 1997 amended Section 3201 of the Insurance law to add an optional expedited policy form approval procedure for both life and accident and health insurance forms. The new procedure imposes time constraints on both the Department and the submitting insurer and deems policy forms to be approved or denied if either the Department or the submitting insurer fails to act in a timely manner.

To elect the expedited approval procedure, the submitting insurer must submit a complete filing package with all required forms and necessary supporting material as well as a certification of compliance signed by an officer of the insurer. Pursuant to Section 3201(b)(6), the Department must return the submission within 60 days if it is incomplete or fails to comply with applicable requirements and must provide comments within 90 days to prevent the form from being deemed approved. The submitting insurer must respond to the Department's request for additional information and objections within 45 days or the submission will be deemed denied. Thereafter, the Department and submitting insurer have 45 days to reply to the most recent correspondence and prevent the submission from being deemed approved or denied.

The Bureau issued Circular Letter No. 2 on January 15, 1998 to provide preliminary guidance to insurers interested in submitting policy forms under the new alternative procedure. Although the new procedure allows insurers to bring new products to market in an expeditious manner, it is not known how many and to what extent insurers will avail themselves of the new approval procedure. Some insurers may be reluctant to use the new procedure because Section 3201(b)(6) permits the Superintendent to order retroactive modifications if the form(s) fail to conform to the requirements of the Insurance Law.

## **6. Long Term Care Integration and Finance Act of 1997**

In 1997, the Bureau worked on several legislative initiatives. One major piece of legislation was the Long Term Care Integration and Finance Act of 1997 which became Chapter 659 of the Laws of 1997. Bureau representatives were involved with this legislation from the initial drafting to the final bill negotiations and through implementation.

The legislation made major changes to Article 46 of the Public Health Law which deals with Continuing Care Retirement Communities (CCRCs). These communities offer housing, board, a range of health care and social services including nursing facility care, and access to professional health care services in return for payment of an entrance fee and a monthly fee. Prior to enactment of Chapter 659, community sponsors were limited to offering only a true life care option with unlimited prepaid nursing facility care. This approach limited the options available to residents of New York and priced many out of the market for this type of community. Chapter 659 broadened the options available to New Yorkers. Continuing Care Retirement Communities may now offer multiple options with regard to nursing facility care. The law now requires that at least 60 days of prepaid services of an on-site or affiliated nursing facility be included in the continuing care contract. A community is permitted to offer multiple options to community residents up to and including unlimited prepaid nursing facility care. The legislation brings New York more in line with the regulatory scheme used in many other states and makes it possible for individuals with lesser means to afford to enter a CCRC.

The Continuing Care Retirement Community Council oversees communities operating under a certificate of authority issued by the Council. Prior to Chapter 659, the Council was made up of five state agency representatives and six public members, at least one of whom was a resident of a community, appointed by the Governor with the advice and consent of the Senate. The legislation increased the number of public members to eight and requires that at least two members be residents of a CCRC and that one be a representative of an organization with demonstrated experience in representing the interests of senior citizens.

Chapter 659 also addresses the long-term care insurance program which allows individuals to access Medicaid for payment of nursing home care without the need to spend down their assets. By requiring the purchase of a specified level and duration of private insurance benefits prior to being able to access Medicaid payments for nursing home care expenses, the program is designed to reduce the State's overall Medicaid payments and to promote the private financing of long-term care expenses. Prior to Chapter 659, the program was known as the Long Term Care Security Demonstration Program for Long Term Care. The title was changed to the Partnership for Long Term Care Program. The legislation made the program permanent and codified its existing structure and governance process.

The bill also redefines and streamlines approval of residential health care facility beds which are part of CCRCs; establishes a comprehensive and flexible statutory and regulatory framework for an increased number of demonstration programs providing managed care for elderly and chronically ill populations that would not otherwise be served in a special-needs plan or other managed care program; and permits accelerated payment of death benefits under a life insurance policy when the insured is chronically ill and requires long-term care services for the duration of his or her life.

## **7. Application of ERISA to Insurance Company General Accounts**

In early 1997, the Bureau worked with the National Association of Insurance Commissioners in drafting a response to the U.S. Department of Labor's Request For Information published in the Federal Register. Pursuant to the ERISA clarification legislation in Section 1460 of the Small Business Job Protection Act of 1996 (Public Law 104-188), the U.S. DOL is obligated to promulgate regulations concerning the application of ERISA fiduciary responsibility provisions to general account contracts (other than guaranteed benefit policies) issued to employee benefit plans on or before December 31, 1998.

The ERISA clarification legislation and the required regulations attempt to address the uncertainties and potential disruptions to insurance company general accounts caused by the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust Savings Bank*, 114 S. Ct. 517 (1993). In *Harris Trust*, the court determined that John Hancock was an ERISA fiduciary with respect to the nonguaranteed component of a participating group annuity contract funded through the insurer's general account. ERISA fiduciary status which requires that a fiduciary manage assets "solely in the interests of" and "for the exclusive purpose of" providing benefits to plan participants and their beneficiaries is incompatible with state insurance laws that require insurers to manage general account assets so as to maintain equity among all contractholders, creditors and shareholders.

On December 22, 1997, the U.S. Department of labor published the proposed regulation in the Federal Register (62 FR 66980). The proposed regulation establishes the requirements an insurer must satisfy so that the insurer's underlying general account assets are not considered to be plan assets, subject to the fiduciary responsibility provisions of ERISA. The requirements include (1) approval of the purchase by an independent fiduciary; (2) initial and annual disclosures; (3) disclosure of alternative separate account arrangements; (4) required termination provisions; (5) insurer-initiated amendment procedures; and (6) insurance company general account prudence standards for managing assets, regardless of whether the assets are plan assets.

From the supplementary information submitted with the proposed regulation, it is clear that the U.S. DOL considered the disclosure and contract termination requirements in Insurance Department Regulation 139 in drafting the proposed regulation. The disclosure and contract termination rules in Regulation 139 were drafted, in large part, to address the Department's concerns over the potential application of ERISA fiduciary responsibility provisions to insurance company general accounts.

The Department plans to furnish comments to the U.S. DOL concerning certain aspects of the proposed regulation. The Department's primary concern relates to the retroactive effect of the termination provisions which will alter the liability structure of the existing general account contracts (other than guaranteed benefit policies) and may require a reallocation of assets within the general account that would be prejudicial to other general account policyholders. The Department is also concerned that the proposed termination rules do not provide adequate liquidity safeguards or deferral protection, which appears to conflict with the Superintendent's authority under Article 74 in the event that an insurer becomes impaired or insolvent. The Department will also assist the NAIC in preparing comments to the U.S. Department of Labor from a more general perspective.

## **8. Roth IRAs**

The federal Taxpayer Relief Act of 1997, signed by President Clinton on August 5, 1997, included a new type of IRA effective for tax years beginning after December 31, 1997. This new IRA is called the Roth IRA, named for Sen. William Roth of Delaware. A Roth IRA allows eligible individuals to make designated contributions to either a Roth Individual Retirement Account or a Roth Individual Retirement Annuity. A primary difference between a Roth IRA and a traditional IRA is that, unlike traditional IRAs, contributions to a Roth IRA are not income tax-deductible when they are made. However, if the distribution rules are followed, earnings in a Roth IRA are tax-free rather than merely tax deferred as with a traditional IRA.

A significant number of insurance companies submitted new Roth Individual Retirement Annuity endorsements in the last quarter of 1997. Many insurance companies have planned large marketing efforts to address the expected high consumer demand for this new product. It is anticipated that the number of Roth IRA filings will be significant in 1998 and will only increase when the technical amendments to the legislation are finalized and the new model Roth Individual Retirement Annuity language is published by the Internal Revenue Service. :

## **9. Regulation 27-A**

The working draft of a revised group credit life and accident and health insurance regulation has undergone numerous modifications over the last year in an attempt to respond to specific objections raised regarding the impact of particular provisions on the business of credit life and accident and health insurance in this State. This project, which started over a year and a half ago with several meetings with an informal working group of interested parties, has resulted in a significant overhaul of the regulation which is now in its seventh draft. An effort has been made to solicit comments from industry representatives, consumer groups and trade associations regarding the specifics of the current regulation and its impact. A summary of the proposed changes to the current regulation was circulated during the last informal comment period. For the most part, reaction to the prior draft was favorable. A few remaining concerns were resolved and the latest draft will be submitted to the Secretary of State for filing. The Bureau has also been requested to meet with the Governor's Office of Regulatory Reform (GORR) prior to a formal filing with the Secretary of State.

The revised regulation recognizes the mortgage loan servicer as an eligible group; allows the packaging of life, disability, and/or credit unemployment insurance; allows for a lump sum disability benefit; allows for joint disability insurance; restricts coverage on leases to the equivalent of net coverage and eliminates the need for one case approval; allows the writing of truncated coverage; increases the expense margins for credit life insurance; ties to an index the discount for interest in the formula for producing credit life single premiums; recalculates credit disability premium rates; increases to 3 years the time period for mandatory consideration of rate reduction; allows a true single premium for terms up to 123 months; specifies the compensation payable to creditors for their efforts in selling and administering the insurance; eliminates the requirement that no premium be charged for disability insurance on additional advances while the insured is disabled; allows a limited pre-existing condition exclusion for credit life insurance on revolving credit loans; changes the requirement of the separate disclosure for each rate on the life and disability insurance each month; lowers the benefit ratio for group credit mortgage life insurance to 72%; and updates of the morbidity table for group credit mortgage disability insurance along with a slight lowering of the effective loss ratio requirement.

There is a possibility that a public hearing on the proposed regulation may be necessary, since a hearing preceded promulgation of the current regulation.

## **10. Life Insurance Cost Disclosure and Sales Illustration Regulation**

Chapter 616 of the Laws of 1997 amended Section 3209 of the Insurance Law to require that the Superintendent promulgate a regulation, to be effective on January 1, 1998, for the format and content of preliminary information and policy summary forms for life insurance policies, and to set forth the standards governing the content, format and use of sales illustrations of individual life insurance policies, certain group life insurance policies and certificates, and life insurance policies subject to Section 4232 of the Insurance Law.

The new legislation requires that the regulation be consistent to the greatest extent practicable with the life insurance sales illustration model regulation adopted by the National Association of Insurance Commissioners. In addition, the legislation requires that the regulation ensure that the preliminary information, policy summary and sales illustration are presented in an easy, concise and meaningful way to enable consumers to understand the operation of the policy or the contract.

The Department had been working with an insurance industry task force for the last several years in drafting a comprehensive life insurance cost disclosure and sales illustration regulation for New York. The combined efforts in the drafting of the regulation reflect both Department and industry recognition of a need to provide more understandable sales illustrations as a result of recent consumer dissatisfaction with and misunderstanding of various life insurance products.

In order to meet the statutory requirement of a January 1, 1998 effective date, the Life and Annuity Cost Disclosure and Sales Illustration Regulation (Regulation 74) was promulgated on an emergency basis and remains in effect as an emergency measure.

The Regulation is consistent with the NAIC model regulation but expands slightly with respect to specific product designs such as universal life and comprehensive life products. The Regulation permits insurers that use sales illustrations that are in compliance with the Regulation to satisfy the requirements for preliminary information and policy summary forms through the use of the sales illustration. This will enable consumers to be provided with fewer forms while ensuring all pertinent information is provided in a meaningful way.

The Regulation also addresses the issue of "vanishing premium" sales illustrations which have been the source of much consumer dissatisfaction resulting in many class action lawsuits. The Regulation prohibits the use of the term "vanish" or "vanishing premium" or any similar term that implies the policy becomes paid up, to describe a policy that uses nonguaranteed elements, such as dividends, to pay a portion of future premium. If the sales illustration shows that there is an option to suspend premium payments, then it must also disclose that a charge for the policy continues to be required and that depending on actual results premium payments may need to be continued or resumed.

The Regulation requires that any consumer being provided with a sales illustration that shows the suspension of premium payments prior to the maturity or final expiration date of the policy also be provided with another sales illustration that sets forth a continuous premium payment pattern for the life of the policy.

Three alternative procedures to the use of this additional full payment sales illustration by insurers are permitted by the Regulation. These include the use of a separate signed disclosure document that provides a detailed narrative description of the operation of a suspension-of-premium-payment feature, which is to be used with a supplemental illustration showing a suspension of premium payment; the use of a single sales illustration showing a suspension of premium payments but with the numeric summary portion of the illustration showing premium payments to a specific policy year on a current, median and guaranteed basis; or the use of a single sales illustration showing the full premium being paid for the life of the policy with the numeric summary portion of the illustration showing the full premium payment and the suspended premium payment values.

These requirements will provide consumers with a better understanding of how a suspension-of-premium-payment feature actually operates and provide clarification that such feature is contingent upon current nonguaranteed factors remaining unchanged which may or may not occur. Consumers will now be provided with more complete and meaningful sales illustrations when a suspension-of-premium payment feature is made part of a sales presentation for life insurance.

## **11. Accelerated Death Benefits**

Chapter 659 of the Laws of 1997 amended Section 1113 of the Insurance Law to add a new trigger for the use of accelerated death benefits. Section 1113 had provided for the acceleration of a life insurance policy's death benefit only upon the diagnosis of a terminal illness with a life expectancy of 12 months or less, or for a medical condition requiring extraordinary medical care or treatment regardless of life expectancy.

The new legislation permits the acceleration of the death benefit upon certification by a licensed health care practitioner of any condition that requires continuous care for the remainder of the insured's life in an eligible facility or at home when the insured is chronically ill as defined in Section 7702(B) of the Internal Revenue Code and regulations thereunder, provided the accelerated payments qualify under Section 101(g)(3) of the Internal Revenue Code and all other applicable sections of federal law in order to maintain favorable tax treatment.

This additional trigger provides a new alternative for financing long-term care costs when the insured is confined for the remainder of life in an eligible facility or at home. It allows individuals to use their existing life insurance policy as a means of assisting with the increasing costs of long-term care.

The new legislation requires the Department to amend the current Regulation 143 (11 NYCRR 41) on accelerated death benefits to set forth the standards for the payment of long-term care benefits and to set minimum loss ratio standards for such benefits.

## **12. Health Insurance Portability and Accountability Act of 1996**

The federal Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191) was signed into law by President Clinton on August 21, 1996. Most of the Act's requirements took effect July 1, 1997. The Act provides for improved access, portability and renewability of health insurance in both the group and individual health insurance markets. The Act retains the states' current role as primary regulators of health insurance at the same time that it sets forth minimum federal standards and a new role for the federal government in overseeing the enforcement of these standards. The states may enforce the provisions of the Act; however, provisions of state law that prevent the application of the new federal requirements are pre-empted by the Act.

The Bureau drafted legislation for introduction in the 1997 Legislative Session as a Governor's Program Bill to bring state law into compliance with federal law and preserve state regulation of health insurance policies issued in New York State. Such legislation was enacted as Chapter 661 of the Laws of 1997 with an effective date that coincided with the effective date of the similar requirements contained in the federal Act.

The legislation is applicable to individual, group and blanket accident and health insurance policies that provide hospital, surgical or medical expense coverage. As a result of this legislation, insurers and HMOs amended their policy forms to conform to the new requirements.

### **13. Long-Term Care**

Chapter 42 of the Laws of 1997 amended Section 1117 of the Insurance Law as well as Section 612 of the Tax Law and Section 11-1712 of the Administrative Code of the City of New York to permit favorable tax treatment for certain types of long-term care plans.

To qualify for this benefit, a policy must be determined by the Superintendent to meet minimum standards, including minimum loss ratio standards and must qualify for favorable federal tax treatment under Section 7702(B) of the Internal Revenue Code. This Act became effective for the taxable year beginning January 1, 1996. Because federal law has grandfathered as tax qualified most, if not all, policies issued before January 1, 1997, the Insurance Department has been called upon to assist the Department of Taxation and Finance as well as consumers regarding the eligibility of particular policies for favorable state and city tax treatment.

In late 1997, there were 11 insurers with approved individual long-term care policies, 11 insurers with nursing home only policies, 8 insurers with nursing home and home care only policies and 2 insurers with home care only policies. Eleven insurers have approved policies for sale as part of the New York State Partnership for Long Term Care. The Partnership ceased to be a demonstration project and was made a permanent program in 1997.

### **14. Mastectomy/Breast Reconstruction Surgery**

Chapters 20 and 21 of the Laws of 1997 amended the Insurance Law in relation to mastectomies and breast reconstruction surgery. The legislation requires contracts that provide coverage for inpatient hospital care to provide coverage for inpatient hospitalization following a mastectomy, lymph node dissection or a lumpectomy for the treatment of breast cancer for such a period of time as determined by the attending physician, in consultation with the patient, to be medically appropriate. The legislation also requires that certain policies that provide coverage for surgical or medical care include coverage for reconstructive surgery following a mastectomy, including reconstruction of the healthy breast to produce a symmetrical appearance. In addition, the legislation requires medical, major medical and comprehensive policies to include coverage for a second opinion in the event of a positive or negative diagnosis of cancer, a recurrence of cancer, or a recommendation of a course of treatment of cancer. Chapters 20 and 21 of the Laws of 1997 took effect January 1, 1998 and apply to policies and contracts issued, renewed, modified, altered or amended on or after January 1, 1998.

## **15. Chiropractic Equality Legislation**

Chapter 426 of the Laws of 1997 amended the Insurance Law in relation to the provision of coverage for chiropractic care. The law requires insurers and HMOs providing coverage for physician services in a physician's office, and every "managed care product" that provides major medical or similar comprehensive type coverage, to cover chiropractic care, as so defined in the Education Law, by a licensed doctor of chiropractic in connection with the detection or correction by manual or mechanical means of structural imbalance, distortion or subluxation in the human body for the purpose of removing nerve interference, and the effect thereof, where such interference is the result of or related to distortion, misalignment or subluxation of or in the vertebral column.

The legislation requires the Superintendent to order a study of the utilization trends and experience and the rate and premium impact of the legislation to health insurance consumers. The study must be performed by a member of the American Academy of Actuaries and must be completed and a report submitted by September 1, 1999 to the Governor, the Superintendent, the Temporary President of the Senate and the Speaker of the Assembly. The legislation took effect January 1, 1998 and applies to policies and contracts issued, renewed, modified, altered or amended on or after January 1, 1998.

## **16. Enteral Formulas**

Chapter 177 of the Laws of 1997 requires insurers and HMOs providing coverage for prescription drugs to also provide coverage for medically necessary enteral formulas. An enteral formula is a nutritional supplement that passes through the stomach unaltered to be disintegrated in the intestines. Such formulas are required for the treatment of disorders such as phenylketonuria and galactosemia. In addition to enteral formulas, the law requires insurers and HMOs providing coverage for prescription drugs to also provide coverage for certain modified food products for the treatment of certain inherited diseases of amino acid and organic acid metabolism. The law permits a \$2,500 annual limit per insured for coverage of such modified solid food products. The legislation took effect January 4, 1998, and applies to policies and contracts issued, renewed, modified, altered or amended on or after January 4, 1998.

## **17. Prompt Payment of Health Care Claims**

Chapters 637 and 666 of the Laws of 1997 amended the Insurance Law relative to the settlement of claims for health care and payments for health care services. The legislation generally requires insurers and HMOs to pay claims and bills for health care services within 45 days of receipt. In cases where the obligation to pay a claim or make a payment for health care services is not reasonably clear due to a good faith dispute regarding eligibility, the liability of another insurer for all or part of the claim, the amount of the claim, the benefits covered, or the manner in which services were accessed or provided, the law requires payment of any undisputed portion of the claim within 45 days. The insurer or HMO is required to notify the claimant within 30 days of receipt of the claim of a determination that there is no obligation to pay, or to request additional information needed to determine liability. The legislation also enhances the enforcement powers of the Superintendent relative to investigations and requests for information. The legislation took effect January 22, 1998.



## D. PROPERTY AND CASUALTY INSURANCE BUREAU

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

a. During 1997, there were 7,827 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:

**Table 36**  
**NUMBER OF FILINGS**  
**by Type, 1997**

<u>Line of Business</u>	<u>Rates &amp; Rules</u>	<u>Forms</u>	<u>Classes &amp; Territories</u>	<u>Total</u>
Fire and Allied Lines	712	387	3	1,102
Farmowners Multiple Peril	37	35	0	72
Homeowners Multiple Peril	251	148	6	405
Multiple Line	174	116	2	292
Commercial Multiple Peril	483	327	4	814
Inland Marine	206	180	1	387
Medical Malpractice	219	128	0	347
Earthquake	5	2	2	9
Rain	2	2	0	4
Workers' Compensation & Employer's Liability	62	121	0	183
Other Liability	1,065	996	8	2,069
Motor Vehicle	865	512	8	1,385
Aircraft	3	10	0	13
Fidelity & Surety	131	61	0	192
Glass	82	18	0	100
Burglary & Theft	161	76	1	238
Boiler & Machinery	49	37	0	86
Credit	8	9	0	17
Animal Mortality	5	6	0	11
Mortgage Guaranty	32	21	0	53
Residual Value	1	2	1	4
Title	2	2	0	4
Financial Guaranty	3	37	0	40
<u>Total</u>	4,558	3,233	36	7,827

These figures include approximately 217 consent-to-rate filing applications; 55 group property & casualty filings; 239 manuscript policy filings; and 232 rating plan filings submitted in 1997. Eighty-two form filings and 75 rate or rating rule filings were disapproved during 1997.

b. The following table lists major revisions in rates or loss costs that were approved or acknowledged during 1997:

**Table 37**  
**EFFECTS OF PRINCIPAL RATE & LOSS COST CHANGES**  
**Filed by Property and Casualty**  
**Rate Service Organizations**  
**1997**

	Percent Changes in Average State-Wide Rates
<b><u>Boiler and Machinery</u></b>	
Insurance Services Office Revision of Loss Costs Effective January 1, 1998	-13.4%
<b><u>Burglary and Theft</u></b>	
Insurance Services Office Commercial Burglary and Theft Revision of Crime Loss Costs Effective September 1, 1998	-22.4
<b><u>Farmowners Multiple Peril</u></b>	
Insurance Services Office Revision of Loss Costs Farm Inland Marine Farm Liability Total effect (effective April 1, 1998)	-10.0 +8.7 -4.7
Insurance Services Office Revision of Multi-state and State Loss Costs Effective April 1, 1998	0.0
National Crop Insurance Services, Inc. Introduction of Crop-Hail Final Average Loss Cost Effective January 1, 1998	-21.1
<b><u>Fire and Allied Lines</u></b>	
Insurance Services Office Commercial Fire Revision of Loss Cost Modification - Vandalism Exclusion Effective January 1, 1998	0.0
Insurance Services Office Commercial Fire Revision of Basic Group I Loss Cost to reflect introduction and withdrawal of CSP Class Codes Effective September 1, 1997	0.0

Percent Changes  
in Average  
State-Wide Rates

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Insurance Services Office	
Commercial Fire	
Revision of Loss Costs	
Group I	-12.2%
Group II	-7.0
Special Causes of Loss	+25.0
Total effect (effective August 1, 1997)	-2.5

Insurance Services Office	
Dwelling Fire and Extended Coverage	
Revision of Loss Costs	-14.7
effective July 1, 1997	

Homeowners

Insurance Services Office	
Loss Costs Revised	-4.3
effective July 1, 1997	

Liability Other Than Auto

Insurance Services Office	
Commercial General Liability	
Basic Limits Loss Costs Revised	
Manufacturers and Contractors	-1.7
Owners, Landlords and Tenants	+6.3
Product Liability	-31.0
Completed Operations	+5.6
Total All Coverages	+0.4
effective December 1, 1997	

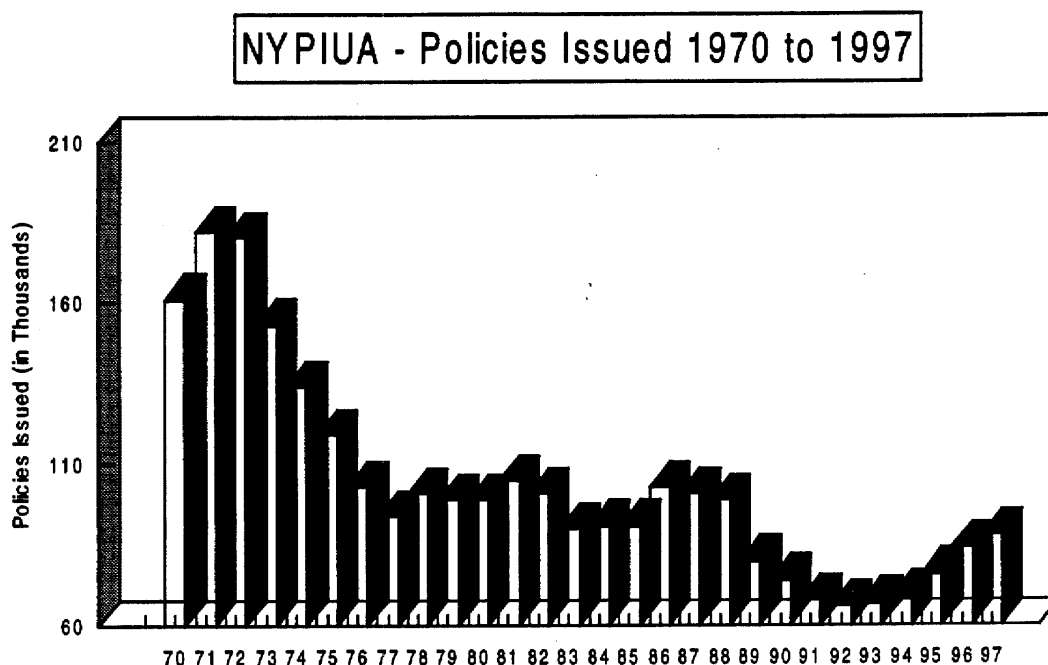
Insurance Services Office	
Commercial General Liability	
Basic Limits Loss Costs Revised	
New York City Apartments and Tenements Classes	+19.6
effective December 1, 1997	

Insurance Services Office	
Commercial General Liability	
Increased Limits and Deductible Discount Factor Revised	
Premises/Operations	-6.3
Products/Completed Operations	-0.4
Total All Coverages	-5.1
effective December 1, 1997	

## 2. New York Property Insurance Underwriting Association (NYPIUA)

### a. Policies Issued

The following graph illustrates the number of policies issued by the New York Property Insurance Underwriting Association from 1970 through 1997:



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 continued through 1994 as many NYPIUA policies were rewritten in the voluntary market. The number of NYPIUA policies began to increase again in 1993 (see Section 10, "Homeowners Insurance") reflecting, in part, the ongoing concern for adequate coastal property insurance coverage.

### b. Financial Information

For the fiscal year ending December 31, 1997, the Association's Financial Report indicated premiums earned of \$37,539,102 and a net underwriting gain of \$10,629,615. Other income of \$3,953,890, comprised of net investment income of \$3,792,485; premium balances charged off (\$72,853); bond amortization gain of \$52,980; loss on sale of securities of (\$4,271); income from data processing services of \$36,764; and policy installment fees of \$148,784, resulted in net income before taxes of \$14,583,505. The change in assets not admitted of (\$92,049) and taxes incurred of (\$547,042) resulted in a net change in the Members' Equity Account of \$13,944,414. The cumulative operating profit as of December 31, 1997 was \$72,764,691. After all assessments (net of distribution of \$40,268,192), the net Members' Equity Account totaled \$32,496,499.

In accordance with Section 5405(c) of the New York Insurance Law, the Association estimated a surplus from operations of \$63,000 for the calendar year 1998. 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, 1998, 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 \$737,000 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, 1998.

For four consecutive years (1986-1989), NYPIUA made special distributions, initiated 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 1993 as well as the provisional 60% close-out of policy year 1994, pursuant to the revised close-out formula approved by the Department in December 1988. The net distribution to member companies for the closing of policy years 1993 and 1994 is currently under review.

#### **c. Rate Revisions**

During 1997, the Department approved rate revisions for both the Dwelling and Commercial classes of business. These revisions resulted in an average state-wide decrease of 12.2% for Basic Group I commercial insureds; a decrease of 7.0% for Basic Group II commercial insureds; and an average state-wide decrease of 11.6% for dwelling fire and -19.1% for dwelling extended coverage insurance. These revisions correspond with loss costs revisions promulgated by the Insurance Services Office for the voluntary market.

#### **d. Legislation in 1997**

Chapter 66 of the Laws of 1997 extended the authority of the New York Property Insurance Underwriting Association to operate until April 30, 1998. The bill also extended the provisions of Chapter 42 of the Laws of 1996 through April 30, 1998, including the requirement that the Association issue homeowners insurance upon a determination of necessity by the Superintendent due to unavailability of meaningful coverage in the voluntary market.

### **3. Insurance Availability Issues**

The general easing of availability problems that has characterized most liability insurance markets over the past several years continued in 1997. 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 status of markets for difficult-to-place insurance coverages. Where a meaningful market did not exist for critical coverages, voluntary market assistance programs (MAP) were successfully developed.

It was 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. 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.

#### **b. Family Day Care Market Assistance Program**

The Family Day Care Market Assistance Program (FDCMAP) was established in 1988 to enable licensed providers of 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. Travelers Property Casualty Insurance Company acts as the servicing carrier for the FDCMAP, in which 14 insurers participate by sharing risks under a quota-share arrangement.

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.

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 Insurance 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 from the Insurance Department.

There have been 346 policies issued in the FDCMAP since its inception. Twenty-five new policies were issued during 1997. There were 92 policies in force at the end of 1997.

#### **c. Insurance for Storage Tanks**

1) 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. Unlike 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.

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 as well as assistance in locating insurers willing to provide the necessary coverage.

2) During 1997, the Department worked with insurers interested in writing insurance for a newly developing market that would provide coverage for residential fuel storage tanks. The Homeowners Environmental Loss Protection (HELP) Program, which was available from the Commerce & Industry Insurance Company has terminated. Great American, through the American Alliance Insurance Company, has proposed the Cleanup for Environmental Accident Relief (CLEAR) Program that would offer similar coverage. The company's filing is currently under review.

**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 in court rulings, and the uncertainty of lead paint abatement standards as the reasons for their requests. As of the end of 1997, exclusions have been approved for approximately 86 insurers. In response to the concerns of property owners who have continued to experience difficulty in obtaining coverage, the Department has actively pursued various options to encourage the availability of meaningful lead paint liability insurance for property owners. (These efforts were described in detail in previous reports.)

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 assess risks and to restore such coverage. As an adjunct member of the Lead Poisoning Prevention Advisory Council, the Department continues to work closely with the Department of Health and other Council members in efforts to recommend effective legislative and regulatory remedies for the lead hazard.

**e. Standby Joint Underwriting Association (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 JUA whenever he determines after a public hearing that there is no meaningful market available for a line of insurance.

Since coverages remained generally available in 1997, the Superintendent's authority under this law did not have to be exercised. The Department's efforts to find workable solutions to difficulties experienced by some property owners in coastal areas of the State are discussed in Section 10, "Homeowners Insurance."

**4. Workers' Compensation Insurance**

**a. Workers' Compensation Rate Credits for Managed Care Programs**

On April 28, 1997, the Department approved for the Hartford Insurance Group a workers' compensation premium rate modification for policyholders adopting a workers' compensation managed care program. As part of the 1996 workers' compensation insurance reform package, the New York Workers' Compensation Law was amended by the addition of Article 10-A to allow employers to use certified Preferred Provider Organizations (PPOs) to deliver medical services to workers suffering from work-related injuries or illnesses.

A managed care program can control associated workers' compensation costs through careful review of utilization and case management, safety programs, return-to-work policies and other loss control techniques. Since the initial program was approved, the Department has approved rate credits for 13 other insurance carriers desiring to offer managed care programs.

It had come to the Department's attention that companies that had received approval for workers' compensation managed care programs, and some that had not, were using PPOs or Managed Care Organizations (MCOs) that had not been approved by the Department of Health. As a result, the Department issued Circular Letter No. 18 to clarify the procedures to be followed by insurers in issuing credits for workers' compensation managed care programs and in properly administering such programs. The Department continues to monitor and investigate several programs.

#### **b. Employee Leasing**

In 1993, the Department approved manual rules and endorsements filed by the New York Compensation Insurance Rating Board (NYCIRB), which currently apply to employee leasing arrangements in New York. An employee leasing arrangement is established when an employer (client) contracts with an outside organization (leasing firm) to provide workers and other employment-related services for a fee or other compensation. Often the client's own workers are transferred to the leasing firm and then leased back to the employer. Based on the approved rule, the client purchases the major workers' compensation policy while the leasing firm must obtain a back-up policy.

The Department and the Governor's Office of Regulatory Reform (GORR) developed a recommendation that NYCIRB revise the current rules for employee leasing arrangements to permit the parties in a leasing arrangement to choose which party will be responsible for providing for the leased employees' workers' compensation benefits. This would enable a leasing firm to purchase a single workers' compensation policy for its entire payroll. Proposed amendments to the New York Workers' Compensation and Employers Liability Rating Manual have been referred to NYCIRB, which must develop an appropriate filing to implement the revised procedure.

#### **c. Workers' Compensation Drug-Free Workplace Credit Program**

In 1996, the Department approved for the Great American Insurance Companies a 5% workers' compensation premium rate modification for employers that adopt a drug-free workplace program. Consideration for this program was based upon a significant number of studies on how drugs and alcohol affect an employer's workplace by adversely increasing the frequency and severity of accidents and claims. Consequently, a drug-free credit program could be a useful loss prevention incentive that would reduce workers' compensation costs. During 1997, the Department approved the 5% credit for seven other insurance carriers desiring to program similar to that of Great American.

### **5. Bail Bonds**

Governor Pataki signed legislation on August 20, 1997 revising Section 6804 of the Insurance Law to provide for an increase in the permissible rates to be charged for bail bonds. The same rates had remained in effect since the 1930s, and New York's authorized rates, as prescribed in the statute, had not kept pace with those in effect in neighboring states. The bail bond business is an important part of New York's criminal justice system, and it was determined that bail bond agents should be fairly compensated for their efforts.

The legislation increased the permissible rates for bail bonds from 5% to 10% of the amount of the bond up to \$3,000. The rate for bonds in excess of \$3,000 was increased from 4% to 8% of the amount over \$3,000 up to \$10,000. The rate for amounts over \$10,000 was increased from 3% to 6%. In cases where the bond is less than \$200, the previous minimum premium of \$10 remains in effect.



It has recently come to the Department's attention that certain bail bond agents have been charging service fees, claiming they were necessary because the previous statutory premium was inadequate. The Department's position has been and continues to be that bail bond agents are not entitled to charge service fees. The bail bond agents' practices are currently under investigation.

## **6. Service Contracts**

Chapter 614 of the Laws of 1997 added Article 79 to the Insurance Law to establish a framework for the registration of service contract providers subject to the Superintendent's jurisdiction. The law provides for a new kind of insurance known as service contract reimbursement insurance that may be utilized by service contract providers as a means of demonstrating financial responsibility. The new law is intended to help ensure that consumers who obtain service contracts on retail purchases will have recourse in the event the party responsible for providing the service fails to do so.

## **7. Contract Frustration-Related Insurance**

Chapter 551 of the Laws of 1997 expanded the definition of credit insurance authorized under Insurance Law Section 1113(a)(17) to provide for insurance indemnifying businesses, entertainers, and sports participants or teams for financial losses sustained in the event parties with whom they have contracted for services are unable to perform in accordance with the terms of the contract.

## **8. Prize Indemnification Insurance**

With the enactment of Chapter 294 of the Laws of 1997, a new paragraph 27 adding "prize indemnification insurance" to the lines of insurance authorized in this State was added to Section 1113(a) of the Insurance Law. The law defines prize indemnification insurance as "insurance against financial loss by reason of payment of any sum or item awarded to a participant in any lawful contest or sports related event." Section 2305(a) was also amended to permit excess line brokers to place such insurance in the excess line market.

## **9. Medical Malpractice Insurance**

### **a. Establishment of Rates and Premium Surcharges**

Chapter 639 of the Laws of 1996 extended for three 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 extended the provision that allowed for the application of surcharges of up to 8% annually, 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, 1995.

Department Regulation 101, as amended, sets forth 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 that are 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 provided in these reports is used to determine whether deficiencies exist and whether any premium surcharges are necessary.

The Twenty-Second Amendment to Regulation 101, which was promulgated on August 13, 1997 as an emergency measure, established primary medical malpractice insurance rates in New York for the July 1, 1997 through June 30, 1998 policy year. Although most physicians' rates remained unchanged from the previous year, simultaneously approved classification and territory changes for all insurers resulted in rate changes for some insureds that ranged between -20% and +20%.

The neutral average effect for policy year 1997 followed an average -6.2% change for policy year 1996, and average rate increases for the three years preceding 1996. The analysis of medical malpractice insurance company experience showed, in general, a decrease in the severity of claims against doctors in New York, while the frequency of lawsuits continued to rise. Overall, it was determined that rates could remain unchanged for most physicians while at the same time ensuring that the medical malpractice system remained adequately funded.

It was also determined that the 4% surcharge imposed since 1989 on Group Council Mutual Insurance Company should continue for the 1997-1998 policy year, based on a review of the segregated account reports received October 1, 1996, 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 during the period 7/1/85 through 6/30/96 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 7/1/97 collected and remitted these surcharges to Group Council Mutual.

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, 1996. 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, 1996. The surcharges collected from these physicians were remitted to insurers in the following proportions:

Medical Liability Mutual Insurance Company	56.75%
Physicians Reciprocal Insurers	25.20
Group Council Mutual Insurance Company	6.40
Frontier Insurance Company	5.50
Medical Malpractice Insurance Association	3.20
Legion Insurance Company	1.20
Academic Health Professionals Insurance Association	1.10
Hospital Underwriters Mutual Insurance Company	0.60

#### 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. This factor varies depending on the number of years the insured has been covered by the claims-made program. The rate for the optional tail coverage 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. (Details of previous amendments were included in Annual Reports for prior years.) For the Twenty-Second Amendment it was determined that no change was needed to these factors. Factors were not needed for years of coverage in excess of eight years.

**d. Rates for Excess Insurance Coverage**

The rates for first and second excess layers of insurance coverage established for the policy year July 1, 1996 through June 30, 1997 were reduced between 18% and 25% from 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 <sup>a</sup>	15.5%	17.6%
Second Excess Layer <sup>b</sup>	9.8%	c

a Provides \$1 million/\$3 million of excess coverage over \$1 million/\$3 million primary coverage.

b 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, 1996, 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, 1997.

**10. Homeowners Insurance**

**a. New York's Coastal Areas**

In the past few years, property/casualty insurers continued to re-evaluate the concentration of their business in coastal areas in order to determine their individual exposure to catastrophic storms. Homeowners insurance is generally still available both on Long Island and state-wide. However, due to major disasters such as Hurricane Andrew, insurers revised their eligibility criteria by limiting the number of policies written, particularly for properties located within a specific distance from shore.

The Department continues to closely monitor the coastal availability situation. We have continued to meet with interested parties to discuss the problems and arrive at workable solutions. In addition, the Department continues to respond to inquiries from producers and property owners received either by mail, in person, or on our hotline (212-480-6292) or toll-free line (800-522-4370). Where appropriate, we have intervened to resolve disputes involving incorrect policy rating and declination of initial or renewal coverage. The Department's objectives have been--and continue to be--maximizing consumer protections, encouraging risk management, emphasizing responsible underwriting, and facilitating voluntary market homeowners insurance coverage in shore communities.

The Legislature and the Insurance Department have taken several initiatives to assist New York State residents located near the shore or waterfront areas who have experienced difficulty in purchasing and maintaining homeowners insurance. These initiatives have included the development of "wrap-around" policies, as well as permitting insurers to offer catastrophe windstorm deductibles in their homeowners policies. Under wrap-around programs, an insurer provides liability, theft, and other coverages to an insured who has purchased fire and extended coverage through NYPIUA. The coverage from NYPIUA and the wrap-around coverages from a voluntary insurer essentially provide an insured with the equivalent of a full homeowners policy. Several insurers and rate service organizations have received approval for both windstorm deductible and wrap-around coverage programs. It is anticipated that the utilization of these innovative underwriting tools would 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 Superintendent activated the Department's Coastal Market Assistance Program (C-MAP) on April 2, 1996. C-MAP is a voluntary network of insurers and insurance producers that assists New York homeowners in coastal areas in obtaining and retaining insurance coverage. Information concerning C-MAP can be obtained through most insurance producers or through NYPIUA at 212-208-9898. Most companies participating in C-MAP are making use of the wrap-around coverage forms mentioned above.

Participating insurers have agreed to write 5,000 policies in total over a three-year period through the C-MAP program. From April 1996 through December 31, 1997, 2,143 policies have been issued through C-MAP. The Department believes C-MAP will continue to help consumers secure vital homeowners coverage while still addressing insurers' coastal area concerns.

b. Legislation and Regulations Affecting the Coastal Availability Problem

1) Chapter 66 of the Laws of 1997 extended the provisions of Chapter 42 of the Laws of 1996, which:

i) Permits insurers to offer multi-tier rating programs, facilitating insurers' ability to establish more than one homeowners insurance rate level in the same company. This should enhance voluntary market availability of homeowners insurance in coastal areas.

ii) Requires insurance companies seeking to substantially reduce the number of homeowners insurance policies written in New York State to submit a plan to the Superintendent outlining how the withdrawal can be accomplished in a manner that minimizes market disruptions. An insurer may not withdraw from New York until its plan is approved by the Superintendent. During 1997, four such filings were approved. The majority of policyholders affected by such withdrawals were offered replacement coverage in the voluntary market.

iii) Extends the operating authority of NYPIUA to April 30, 1998, thus maintaining the safety net for residents unable to obtain insurance in the voluntary market. The law also grants authority to the Superintendent to authorize NYPIUA to provide full homeowners insurance coverage if deemed necessary. (NYPIUA currently provides fire and extended coverages, but does not provide protection for theft or personal liability.)

2) In accordance with Chapter 42 of the Laws of 1996, the Department promulgated Regulation 154 on an emergency basis, which was made final effective July 30, 1997, to establish standards for the definitions of "material reduction of volume of policies" and to establish standards by which an insurer's application for such material reduction will be approved.

In addition, the Regulation requires insurers to report information relative to homeowners insurance policies on a quarterly basis in a format prescribed by the Superintendent, and defines those areas in which the Superintendent has deemed that writings by NYPIUA had increased significantly since January 1, 1992. There were four plans of orderly withdrawal approved in 1997, affecting approximately 7,000 policies. Virtually all of the policyholders were offered replacement coverage in the voluntary market.

3) Chapter 66 also directed a special advisory panel established in accordance with Chapter 42 of the Laws of 1996 to report to the Governor and the Legislature on the problems affecting the availability and affordability of homeowners insurance in New York State. (See Item 14, "Reports and Publications.")

#### c. Computer Hurricane Simulation Models in Rate Filings

Analyses of several major insurers' rate filings over the past two years revealed that some portion of the proposed rate revisions was based on the potential losses that would result if a hurricane hit Long Island. These filings include a catastrophe factor developed from a computer simulation model that would predict the amount of loss for numerous projected storms and the probability that such storms would affect New York. These models have indicated catastrophe loadings of more than 20% in some cases. Historically, approximately 2% of the homeowners premium was attributed to catastrophe loading.

The Insurance Department's statutory responsibility is to ensure that the rates filed by insurers are adequate, not excessive, and not unfairly discriminatory. Accordingly, with respect to catastrophe models, the Department must determine if the various models are statistically valid and produce reasonable results. In order to facilitate these determinations, insurers are required to submit all of the underlying support and assumptions that were taken into consideration in the derivation of the proposed rates. Although insurers have provided the Department with all information available to them, the underlying data, assumptions and key components of modeling methodologies used have been retained by the developers of these models, citing the proprietary nature of the information. While Department actuaries have met with several developers of models on a number of occasions and continue to research and study the facts, figures, and assumptions surrounding this issue, models cannot be accepted by the Department as standard rate-making tools unless all the components of the models are available for review.

In addition, the Department is closely following the work done on catastrophe modeling by Insurance Departments in Florida and Louisiana. The Department is also a member of the Personal Lines P/C Insurance Committee which with respect to catastrophe issues is currently focusing on state, federal, industry and NAIC acceptability of tax deductible catastrophe reserves, and the various accounting standards that would be required to be developed. The Committee is also developing a catastrophe modeling handbook.

#### d. Reinsurance Cost Factors in Homeowners Insurance Rate Filings

The Department permits insurers to reflect the cost of catastrophe excess-of-loss reinsurance in homeowners insurance rate filings, provided an insurer can reasonably allocate the cost of such reinsurance to its New York policyholders. During 1997, the Department accepted five homeowners rate filings in which reinsurance costs were among the factors in the rate increase, bringing the total to 12 as of 12/31/97.

The Department has recently begun reviewing the reinsurance contracts of insurers that used reinsurance costs as a factor in previous rate increases. This was initiated to determine that consideration is also given to reductions in reinsurance costs in insurers' preparations of rate revisions.

**e. Mineola Office**

In order to assist consumers on Long Island who are experiencing problems obtaining homeowners policies, the Department opened a satellite office in Seaford, New York in 1996. This office was designed to provide consumers with information to assist them in obtaining insurance protection for their homes, and was staffed by Department examiners during regular business hours. The Seaford office's functions were transferred to the Department's permanent satellite location in Mineola, New York, when that office opened in October 1997. Consumers can contact the staff at the Mineola office either in person at 200 Old Country Road in Mineola or by telephone at (800) 300-4593 or (800) 300-4576.

**11. Automobile Insurance**

**a. General Issues**

**1) Increase in Supplementary Uninsured/Underinsured Motorists Coverage (SUM)**

Chapter 568 of the Laws of 1997 requires auto insurers to offer SUM limits up to bodily injury limits of \$250,000/\$500,000. However if an insurer offers a personal umbrella liability policy containing a liability limit up to \$500,000 that also includes SUM coverage, then it is only required to offer underlying SUM limits up to bodily injury limits of \$100,000/\$300,000 in the automobile policy. The new provision applies to all policies issued, renewed or amended on and after March 9, 1998.

**2) Disclosure of Liability Limits**

Chapter 547 of the Laws of 1997, effective January 8, 1998, requires an automobile insurer to disclose the motor vehicle liability limits of a policyholder to any claimant covered by supplementary uninsured/underinsured motorists coverage. This law will allow a SUM claimant to promptly and readily compare the liability coverage of the tortfeasor to his or her own policy and, if appropriate, make prompt claim against his or her SUM carrier. The request for such information by the SUM insured must be in writing and must disclose the SUM insured's bodily injury and SUM limits. Failure of the tortfeasor's insurer to comply with a limits disclosure request within 45 days will constitute an unfair claims practice.

**3) Multi-Tier Programs for Private Passenger Motor Vehicle Insurance**

In 1995, the Legislature amended the Insurance Law by adding a new Section 2349 that permits the establishment of multi-tier programs for private passenger motor vehicle insurance. Multi-tier programs allow insurers to move a portion of their policyholders among various rate tiers, each of which includes exclusive underwriting criteria for eligibility, within an approved multi-tier program. Multi-tiered rating systems encourage depopulation of the New York Automobile Insurance Plan (Assigned Risk Plan) by providing voluntary insurers with the ability to continue to offer coverage to policyholders who are no longer eligible for coverage under a particular rating tier's guidelines, rather than nonrenewing the policy.

Regulation 150, effective December 1, 1995, established standards for multi-tier programs. Through December 31, 1997, 15 insurers had received approval for multi-tier programs pursuant to this Regulation.

b. No-Fault Motor Vehicle Insurance

1) Insurance Department Administration of the Optional Arbitration System

For 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 no-fault arbitration began to accelerate in 1990, when the Department processed 12,233 cases. With the exception of 1993 when the volume of arbitration requests processed by the Department declined by 9% from the year before, that trend continued through 1997, when 29,369 cases were filed and processed for arbitration. This represents a 13.1% increase in volume from 1996, when 25,967 requests were processed, and is more than double the average 12,500 requests processed by the Department in the years from 1990 through 1994.

The increased volume in no-fault arbitration requests appears to be primarily the result of increased use of the arbitration system by health providers. Such assignee cases totaled 25,179 in 1997, an increase of 3,665 cases, or 17%, from the prior year. Since 1995, when 14,895 assignee cases were processed, there has been an increase of 69% in such requests. The number of no-fault arbitration requests filed by claimants has remained somewhat constant since 1990. During that time period claimant cases ranged from a high of 5,075 in 1992 to a low of 3,894 filed in 1994. In 1997, 4,190 requests from claimants were processed.

Of the disputes received in 1997, 3,513 were successfully conciliated by Department examiners. The Department's conciliation rate of 23.5% represents an increase from 22.5% in 1996.

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, which was 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 have become experts in the adjudication of no-fault disputes, resulting in more consistent application of the no-fault law and regulations.

The IDA's expanded role under the Twentieth Amendment resulted in the adjudication of 1,015 cases in 1997. This accounted for 6.8% of all cases filed for arbitration in 1997. Overall, 30.3% of all no-fault cases closed in 1997 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 38**  
**DISPOSITION OF NO-FAULT ARBITRATION CASES**  
**1995-1997**

	<u>1997</u>		<u>1996</u>		<u>1995</u>	
	No. of Cases	Percent of Closed Cases	No. of Cases	Percent of Closed Cases	No. of Cases	Percent of Closed Cases
Total Cases Accepted by the Department	29,369		25,967		19,380	
Disposition:						
Disputes Conciliated by the Department	3,513	23.5%	3,271	22.5%	2,467	22.9%
Transmitted for Arbitration to:						
American Arbitration Forum (AAA)	10,398	69.6	10,010	68.8	7,309	68.0
Insurance Department Arbitration Forum (IDA)	1,015	6.8	1,255	8.6	975	9.1
IDA and AAA Concurrently	14	0.1	12	*	2	*
Total Transmitted for Arbitration	11,427	76.5	11,277	77.5	8,286	77.1
Total Closed	14,940	100.0%	14,548	100.0%	10,753	100.0%
Pending Disposition	14,429		11,419		8,627	

\* less than 0.01



**Table 39**  
**SOURCES OF APPLICATIONS FOR NO-FAULT ARBITRATION**  
**1995-1997**

	<u>1997</u>		<u>1996</u>		<u>1995</u>	
	No. of Disposition Cases	Percent of Total	No. of Disposition Cases	Percent of Total	No. of Disposition Cases	Percent of Total
Applications Made by Assignee	25,179	85.7%	21,514	82.9%	14,895	76.9%
Applications Made by Claimants	4,190	14.3	4,453	17.1	4,485	23.1
Total	29,369	100.0%	25,967	100.0%	19,380	100.0%

## 2) Managed Care

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 policyholders who elect to have their health care services provided pursuant to such programs. The Twenty-Third Amendment to Regulation 68, and the Twenty-Second Amendment to Regulation 83 were adopted effective August 15, 1995 to implement Chapter 726.

The purpose of this legislation 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. 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. If the insurer provides a managed care program, insureds, at their option, can choose either to participate in the managed care program or to remain with the traditional fee-for-service no-fault coverage.

Through 1997, the Department approved three managed care organizations to provide medical/health-related services and has one application pending. In addition, three insurers have had their managed care programs certified by the Department and one insurer's application for certification is pending.

3) A proposed revision to Regulation 68, the regulation that implements New York's no-fault law, was published in the State Register on September 17, 1997. The Department is currently reviewing comments on the proposal.

## 12. Market Conduct Activities

### a. Market Conduct Fines Collected

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

There were 27 investigations in progress at the beginning of 1997. Thirty-nine market conduct investigations were initiated during the year and 41 investigations were closed in the course of the year, leaving 25 investigations in progress at year end. One of the two statutory examinations of rate service organizations in progress during the year was filed. Forty stipulations were entered into during the year. The fines collected as a result of admitted violations totaled \$889,635.

### b. Penalties Imposed Under Insurance Law Section 3425

Section 3425 limits the total number of personal automobile insurance policies that an insurer is allowed to nonrenew per year. 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(l)(1), four stipulated fines totaling \$38,250 were collected during calendar year 1997. (This amount is included in the above total of fines collected.)

### 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 their 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 1996 and submitted to the Department no later than April 15, 1997. Following an analysis of these forms, some insurers are required to submit further statistical data on reporting Forms 131-B, C, E, & F.

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 late filings.

Previously, insurers that had not submitted Form 131-A by the required date were assessed penalties based upon the number of calendar days the required form was late. The Court of Appeals, in a 1990 decision, ruled that failure to file the 131-A form constitutes only one offense regardless of the number of days the required form is late. Therefore, the maximum fine imposed is limited to the maximum penalty per offense applicable to violations of the Insurance Law, which is \$500.

During calendar year 1997, 68 insurers paid a total of \$34,000 in penalties for late filings of Form 131-A, representing a \$500 penalty for each company not in compliance with the Regulation.

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

The No-Fault Unit of the Property/Casualty Bureau received a significant number of complaints from applicants for no-fault arbitration alleging that even after successfully arbitrating their entitlement to no-fault benefits or obtaining a conciliation of their dispute, the claimants were not receiving all amounts due from insurers in a timely manner. The no-fault regulation requires insurers to pay all amounts awarded within 30 days. 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 provide either 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. In addition, these complaints are recorded for the purpose of calculating the complaint ratios that form the basis of the Department's annual automobile insurance complaint ranking. During calendar year 1997, the Department collected fines totaling \$50,250 from 40 companies for 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 into underwriting and rating practices of commercial risks, several insurers were required to perform re-rating reviews for the periods specified in the stipulations. As a consequence of these reviews, five insurers refunded to policyholders a total of \$421,005 in premium overcharges.

f. Underpayments Remitted to Claimants

As a result of findings of previous market conduct investigations verifying compliance with Regulations 64 and 68, a number of insurers signed stipulations whereby they agreed 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 these stipulations, eight insurers remitted \$1,794,714.

g. Availability of Homeowners Insurance in Coastal Areas

As part of several initiatives undertaken to make homeowners insurance available to all coastal homeowners, the Insurance Department undertook a series of market conduct investigations of insurance companies to review their homeowners insurance underwriting and claims practices both in coastal areas and inland regions throughout the State. The investigations determined that some insurers were using retail credit reports improperly to cancel and nonrenew homeowners coverage, while others were, through other measures, inappropriately nonrenewing coverage. The Insurance Department required the insurers to cease these practices. All insurers involved in these investigations have, at the Department's request, submitted written action plans detailing the corrective measures that have been implemented.

#### **h. New York State Financial Security Program**

On July 1, 1984, Article 6 of the Vehicle and Traffic Law, the "Motor Vehicle Financial Security Act," was enacted along with new provisions to Part 34 of the Department of Motor Vehicles (DMV) Commissioner's Regulations and Section 317 of the New York Insurance Law. As part of the Financial Security Program, insurers are required, upon termination of automobile liability policies in effect for six months or less, to report such termination to the DMV no later than 30 days following the effective date of the policy termination. While the DMV is responsible for informing the Insurance Department of violators of these reporting requirements, the Insurance Department is responsible for enforcing insurer compliance.

The success of the Financial Security Program is important because of its deterrent effect on the uninsured motorist population. Based upon reports received from the DMV, there appears to be a noticeable increase in the number of late policy terminations filed and in the number of insurers that are making these late filings. In addition, the overall quality of the data being submitted to DMV has come into question. Late, incomplete, or inaccurate submissions may cause unwarranted suspensions of drivers' licenses and result in complaints from motorists, agents and brokers.

Accordingly, the Department, with the cooperation of the DMV, has increased its market conduct surveillance in this area. It is anticipated that disciplinary action will be taken against several insurers during 1998.

#### **13. 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.

Since insurers providing 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 from excess line brokers through tax statements required to be filed no later than March 15 of each year relating to business written during the previous calendar year. The data pertaining to excess line business used in this Report were obtained from statistical reports provided to the Superintendent by the Excess Line Association of New York (ELANY) pursuant to Section 2130 of the New York Insurance Law. ELANY obtains the information from affidavits required to be filed by excess line brokers under Section 2118 of the Insurance Law. There are approximately 450 licensed excess line brokers who filed approximately 66,317 affidavits for the year 1997. Fifty-one complaints and inquiries regarding excess line business were received in 1997.

For calendar year 1997, total excess line gross premiums written on risks located or resident both in and out of New York State amounted to approximately \$571 million, of which approximately \$408.5 million was attributable to risks located or resident wholly in New York State.

In 1997, there were approximately 281 unauthorized insurers eligible to do business in New York pursuant to Regulation 41. This includes 72 foreign insurers; 49 alien insurers; and Lloyd's, with 160 Syndicates. These insurers are required to file Form EL-1 annually by March 15. The 1997 filing requirement was changed to include the use of computer diskettes.

## a. Business Written in New York

Excess line premiums written in New York State declined from \$416.0 million in 1996 to \$408.5 million in 1997, a decrease of 1.8%. There was steady decline from 1980 through 1994, when premium writings fell from \$471.7 million to \$375.1 million. However, the volume of business picked up in 1995 and again 1996 when premiums reach \$416.0 million. The largest dollar decline from the previous year occurred in fire and allied lines, down \$19 million, a decrease of nearly 40%. The largest percentage decline occurred in the burglary and theft line, which was off by 62.7%. Other decreases included fidelity and surety, down by \$3.2 million; automobile physical damage, down by \$2.9 million; and errors and omissions, down by \$2.5 million.

The largest dollar increase over the previous year occurred in the commercial multiple peril line, up by \$14 million in 1997. Other liability increased by \$7.5 million. The largest percentage increase occurred in the aircraft physical damage line, which, although small in volume, was up by 336% over the previous year.

**Table 40**  
**EXCESS LINE PREMIUMS WRITTEN**  
**Risks Located in New York State**  
**1994-1997**  
**(in thousands)**

Line of business	1997	1996	1995	1994
Fire and allied lines	\$29,447	\$48,856	\$50,878	\$37,730
Inland marine	26,934	27,370	24,683	25,836
Auto liability	3,050	3,060	1,975	2,775
Malpractice	3,787	5,717	4,476	2,100
Errors and omissions	158,475	160,956	121,462	117,832
Commercial multiple peril (excluding fire)	29,656	15,458	18,991	16,294
Other liability	126,041	118,502	136,580	142,884
Auto physical damage	13,302	16,214	15,118	13,133
Aircraft physical damage	5,001	1,146	1,713	14
Burglary and theft	1,707	4,583	5,761	2,654
Fidelity and surety	5,382	8,555	9,192	10,620
Other lines	<u>5,706</u>	<u>5,602</u>	<u>3,605</u>	<u>3,203</u>
<b>Total</b>	<b><u>\$408,489</u></b>	<b><u>\$416,019</u></b>	<b><u>\$394,434</u></b>	<b><u>\$375,075</u></b>
Excess line premiums as a percentage of all Property and casualty Insurance premiums Written in New York	1.84%*	1.88%	1.78%	1.80%

\*Estimated

Source: Excess Line Association of New York

#### b. Warranty Programs

The Department continues to investigate companies offering illegal warranty programs. For a set price, these companies offer to replace stolen items--generally automobiles or bicycles--during a specific period of time. For the most part, the Department considers these programs to be insurance, not warranties, since the benefits offered are based upon a fortuitous event (the theft of the item subject to the guarantee).

However, an agreement between the Attorney General and Winner International, manufacturer of "The Club," set a precedent that allows warranty providers to operate in New York until July 1, 1999 without the passage of enabling legislation. In order to operate in accordance with the agreement, warranty providers must enter into a stipulation with the Department and must establish an escrow account for claims, or a surety bond provided by an insurer not authorized in this State. To date, stipulations have been signed by four entities, and three others are under investigation.

#### c. Illegal Theft Insurance

The Department investigated a home protection plan that would pay consumers in the event their homes were burglarized. Additionally, people providing information leading to the capture of burglars would be paid a benefit as well. The entity that offered this program, Signature Agency, Inc., was not licensed by the Department to sell insurance. The program was immediately stopped once the Department informed Signature that it did not comply with the Insurance Law. The agency advised the Department that it was unaware that its activities and participation in the program constituted the offer and sale of insurance, or that a licensed insurer was needed to underwrite this program. Signature Agency, Inc., has agreed to sign a stipulation and pay a fine of \$25,200.

#### d. Inland Marine vs. Ocean Marine Insurance

The Department initiated an investigation into the activities of an excess line broker who made five placements with a company that was not an eligible excess line carrier. The broker made the placements as ocean marine business, which is exempt from regulation by the Department. These placements were in fact inland marine policies which are subject to the Department's regulation. The broker agreed to sign a stipulation and pay a \$500 fine.

#### e. Fraud Investigation

The Department is investigating a complaint against an excess line broker regarding fraudulent activities relative to placements made in the London market. It was alleged that the wholesale brokerage engaged in a pattern of overbilling retail brokers for which the brokerage was placing excess line coverage.

#### f. Liability Risk Retention Act (LRRRA) 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 their 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.

Since the inception of the LRRRA, the Department has received notices of intent from 596 purchasing groups. Subsequently, 209 have withdrawn their notice of intent, 64 have notified the Department of their inactive status, and 39 have been given ineligible status by the Department due to failure to comply with all the requirements of the applicable laws and regulations. As of December 31, 1997, 28% of the remaining 284 purchasing groups (18 of which are in pending status) have named unlicensed companies as their intended insurers.

Some of the most common types of businesses and professions that have formed purchasing groups in the past year include real estate professionals, insurance professionals, entertainers, health care facilities and services, and manufacturers/dealers. Approximately 17 complaints and inquiries regarding purchasing groups were received in 1997.

**g. Binding Authority**

Sections 2117 and 2118 of the Insurance Law were amended to provide that an excess line broker, licensed pursuant to Section 2105 of the Insurance Law, may exercise binding authority, which the law defines as "...the authority to issue and deliver insurance policies on behalf of an insurer not licensed or authorized to do business in this state." Excess line brokers may exercise binding authority provided a written agreement between the broker and insurer is filed with the Excess Line Association of New York. The new law took effect on January 17, 1998. (Regulation 41 was amended on an emergency basis in order to implement the new law.)

**h. Lloyd's of London**

Pursuant to the provisions of Section 27.13(g) of Regulation 41, Lloyd's is required to maintain various trust funds in New York in order to conduct surplus lines business in the United States. In 1995, an examination of Lloyd's by the Department determined that the trust funds Lloyd's maintained in New York for its United States business were insufficient to meet its liabilities under Regulation 41. As a result of these findings, Lloyd's entered into a stipulation with the Insurance Department whereby Lloyd's was required to fund its surplus lines business at 100% of gross liabilities, in addition to the \$100 million required to be maintained in the Lloyd's American Surplus Joint Asset Trust Fund.

In 1997, Lloyd's petitioned the Department to amend the agreement to provide for a reduction in the portion of its liabilities to be maintained in trust. Ongoing discussions between representatives of the Department and Lloyd's resulted in a tentative agreement. On December 2, 1997, the Superintendent announced that effective December 31, 1997, Lloyd's surplus lines business will be funded at 50% of gross liabilities. This applies to all surplus lines business funded by the Lloyd's United States *situs* surplus lines trust funds and written on or after August 1, 1995. As part of this agreement, Lloyd's also increased the funding of the Lloyd's American Surplus Joint Asset Trust Fund from \$100 million to \$200 million, effective January 1, 1998.

**14. Reports and Publications**

**a. A Study of Market Dynamics of Homeowners Insurance Policies Written, Canceled, or Nonrenewed in Designated Geographic Areas.**

In accordance with Regulation 154 and Circular Letter No. 10 (1996), the Department has collected quarterly reports from property/casualty insurers in the homeowners market showing policies in force; new business written; policies terminated; transfers of books of business; and the numbers of producers authorized to service policies on behalf of these insurers for all counties in the State and for other designated geographic areas.

The data were compiled in the report, which also provided a historic overview of the development and current status of the homeowners marketplace, as well as information on various initiatives taken by the Legislature and the Insurance Department to alleviate the problems of homeowners residing in coastal areas. As required by Section 3425(o) of the Insurance Law, the report was submitted to Governor Pataki and the Legislature.

b. The Annual Commercial Property/Casualty Report

As required by Section 334 of the Insurance Law, the Department since 1986 has collected from licensed property/casualty insurers (in accordance with Regulation 131) data on annual statement experience for selected lines of insurance; loss experience for selected lines of insurance; commercial claims reports; commercial claims summaries; and premium deviations. The data are compiled in an annual report, which was submitted to Governor Pataki and the Legislature on May 1, 1997. The report included data through the 1994 policy year.

c. Publication of the Free Trade Zone Updates

In an effort to promote awareness of the Free Trade Zone and encourage insurers and brokers to utilize it, the Department has been issuing these updates for the past three years. The updates contain a list of the names of insurers actively underwriting risks eligible for placement in the Free Trade Zone, along with the names, addresses and telephone numbers of the contact persons at each insurer. In addition, an updated listing of risks eligible to be written in the Free Trade Zone as Class 2 risks was released in September 1997.

d. Consumer Guide for Automobile Insurance

On October 1, 1997, the Department published two editions of the *1997 Consumers Guide to Automobile Insurance*, one for upstate New York residents and one for downstate residents. The guide is required by Section 337 of the Insurance Law to be updated annually. This comprehensive guide helps consumers determine how much auto insurance they need and explains all mandatory and optional coverages available in New York State. The guide also contains lists of insurers, telephone numbers, and sample rates to facilitate comparison shopping, as well as advice regarding how to file a claim or make a complaint against an insurer. Copies of the guide were distributed to every Department of Motor Vehicles office and public library in the State. The guide is also available free of charge directly from the Insurance Department, and can be accessed via the Department's website.

e. Taxi and Limousine Brochures

Publication of informational pamphlets for taxi and livery owners was one of the goals of the Taxi and Livery Advisory Committee, formed by the Insurance Department in February 1997 to address insurance issues as they relate to taxi and livery risks.

The Committee is comprised of representatives from the Insurance Department, the New York Automobile Insurance Plan, insurers, taxi and livery owners, agents and brokers, and legislators. Four pamphlets are available: "Discounts and Credits Available for Public Automobiles," "The NY Public Automobile Pool Safety Group Dividend Program for Public Livery Owner-Driver Risks," "Experience Rating Plan for Public Automobiles," and "Premium Surcharges for Taxi and Limousine Risks."



f. The Status of the Primary and Excess Medical Malpractice Market and the Future Need for the Medical Malpractice Insurance Association

Pursuant to Chapter 161 of the Laws of 1997, the Department prepared a report detailing the status of the market for primary and excess medical malpractice insurance; an assessment of the operation of and financing for the program for the providing of excess medical malpractice coverage created pursuant to Chapter 266 of the Laws of 1986; an assessment of the future need for the Medical Malpractice Insurance Association to provide a market for medical malpractice insurance pursuant to Article 55 of the Insurance Law; and recommendations for the improvement of the markets providing primary and excess medical malpractice insurance in this State. The report was submitted to the Governor and the Legislature on December 1, 1997.

**15. Property/Casualty-Related Regulations Promulgated and Circular Letters Issued in 1997**

a. Regulations Adopted

- 1) The Third Amendment to Regulation 79: Mandatory Underwriting Inspection Requirements for Private Passenger Automobiles
- 2) Second Amendment to Regulation 35-D: Supplementary Uninsured Motorists Insurance
- 3) The First Amendment to Regulation 27-B: Insurance Covering Debtors or Personal Property Purchased on Installment or Deferred Payment Plans
- 4) Sixth Amendment to Regulation 64: Unfair Claims Settlement Practices and Claim Cost Control Measures
- 5) The Twenty-fourth Amendment to Regulation 83: Charges for Professional Health Services
- 6) The Third Amendment to Regulation 100: Noncommercial Motor Vehicle Insurance Merit Rating
- 7) Regulation 154: Homeowners Insurance; Applications for Withdrawal from Marketplace
- 8) Eighth Amendment to Regulation 107: Legal defense Costs in Liability Insurance
- 9) Fourth Amendment to Regulation 121: Claims-Made policies; Scope of Application; Minimum Standards
- 10) Twenty-first Amendment to Regulation 101: Medical Malpractice Insurance Rate Modifications, Provisional Rates, Required Policy Provisions and Availability of Additional Coverages
- 11) Regulation 153: Flexible Rating for Nonbusiness Automobile Insurance Policies

**b. Circular Letters Issued**

- 1) Circular Letter No. 2: Reporting of Bodily Injury, Wrongful Death and Death Benefit Claims to a Reporting Organization Pursuant to Section 340 of the Insurance Law
- 2) Circular Letter No. 8: Policies Covering Injury to Economic Interest
- 3) Supplement #7 to Circular Letter No. 3 (1986): 1997 Insurance Availability Survey
- 4) Circular Letter No. 10: Required Informational Statement on the Consequence of Driving While Under The Influence of Alcohol or Drugs
- 5) Circular Letter No. 12: Reduction in No-Fault Loss of Earnings Benefits for Qualified Wage Continuation Plans
- 6) Circular Letter No. 16: Paint and Material Costs Reimbursements
- 7) Circular Letter No. 17: Supplementary Uninsured/Underinsured Motorists (SUM) Insurance Coverage
- 8) Circular Letter No. 18: Workers' Compensation Credits for Managed Care
- 9) In addition, as an adjunct to Circular Letter No. 11 (issued June 24, 1997), a letter was sent to all licensed rate service organizations on December 3, 1997, to advise them of their responsibilities in addressing the Year 2000 data systems issue, and to take the necessary steps to prevent loss or damage arising from computer programs that may be affected by it.

**16. Individual Policyholder Complaints and Inquiries**

Certain complaints and inquiries are processed independent of the Consumer Services Bureau. A total of 1,961 such complaints and inquiries were received by the Property Bureau in 1997. This total consisted of 1,101 involving personal automobile insurance (including 700 no-fault complaints and inquiries); 108 involving commercial automobile insurance (including three no-fault complaints and inquiries); 143 involving homeowners insurance; 190 involving other liability insurance; 29 involving commercial multiple peril insurance; 140 involving medical malpractice insurance; 13 involving title insurance; and 237 involving other types of insurance (fire and allied lines, surety, inland marine, workers' compensation, etc.).

## **Casualty Actuarial**

Casualty Actuarial reviews rate filings for workers' compensation insurance, private passenger automobile insurance, and private passenger and commercial insurance offered through the Automobile Insurance Plan. All workers' compensation filings are subject to prior approval. Private passenger automobile filings for changes not exceeding  $\pm 7\%$  can generally be implemented without prior-approval under New York's "flex-rating" statute, which became effective July 1, 1995. However, filings for the Automobile Insurance Plan, voluntary insurers requesting changes outside the  $\pm 7\%$  range or filings involving classification revisions are all subject to prior approval. In terms of premium volume, private passenger automobile and workers' compensation insurance are the largest property/casualty coverages, accounting for approximately \$11 billion dollars of premium volume in 1997.

### **1. Private Passenger Automobile Insurance Rate Changes**

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.

In 1997, the Department approved 36 rate requests for either new private passenger automobile rates or changes to existing rates. Of these, 18 were new automobile programs in New York, six of which were multi-tier rating programs. Additionally, there were 33 rate changes implemented on a file-and-use basis. Furthermore, 12 insurers implemented both a prior-approval and a flex-rating change in 1997. Table 41 lists both requested and approved rate changes as well as flex-rating changes, and provides the liability and physical damage components of all implemented changes.

The average change for insurers receiving rate changes in 1997 was approximately -0.65%. For these insurers, liability rates increased 3.1% on average, while physical damage, primarily collision and theft coverages, declined 6.9% on average. The 81 insurers receiving rate changes in 1997 represent 68.6% of the total market for private passenger automobile insurance. The overall impact on the rate level was an average decrease of 0.45%. Allstate Insurance Company, the largest auto insurer in New York State with a 14.7% market share in 1997, implemented a rate increase of 0.2%.

Table 41

**PRIVATE PASSENGER AUTOMOBILE RATE CHANGES IMPLEMENTED IN 1997<sup>1</sup>**

Renewal Effective Date	Insurance Company or Insurance Group	Market Share (%)	Overall Requested Change (%)	Liability Change <sup>2</sup> (%)	Physical Damage Change <sup>2</sup> (%)	Overall Implemented Change (%)
9/22/97	Allstate Ins Co <sup>4,5,6</sup>	14.65	0.20	5.21	-9.01	0.20
7/1/97	State Farm Mutual Auto Ins Co <sup>4</sup>	11.44	-4.10	-1.66	-8.98	-4.10
10/1/97	GEICO & GEICO General Ins Cos <sup>3</sup>	5.48	-0.10	6.14	-11.32	-0.10
4/1/98	Nationwide Mutual Ins Co <sup>4</sup>	3.30	2.50	4.18	-1.12	2.50
10/6/97	Liberty Mutual Ins Cos: LMFC,LIC,FLIC <sup>3</sup>	3.25	-2.90	-3.28	-2.46	-2.90
12/27/96;8/27/97	Aetna/Travelers: ACSC,AICH,SFIC <sup>3,4</sup>	2.58	-0.90	2.15	-4.46	-0.90
2/24/97	General Accident Ins Group <sup>3</sup>	2.57	0.01	4.94	-11.37	0.01
12/27/96;11/17/97	Travelers: NFMIC,PIC,TIC,TICA <sup>3,3</sup>	2.54	-0.90	-0.22	-2.81	-0.90
4/14/97	Progressive: PCIC,PSIC,UFCC,NCIC <sup>3</sup>	2.14	4.60	7.57	0.00	4.60
9/10;1/7/98	USAA & USAA-CIC Ins Cos <sup>4,4</sup>	1.63	-12.97	-7.25	-21.26	-12.97
10/15/97	Kemper: AMMIC,APIC,LMCC,AMIC <sup>4</sup>	1.58	-0.70	3.27	-10.46	-1.80
5/14/97	Prudential: PCIC,PGIC,PPCIC <sup>3,4</sup>	1.25	3.80	8.13	-6.19	3.80
3/13/97;1/22/98	Integon Nat & Integon Preferred Cos <sup>3,4</sup>	1.18	10.20	13.09	7.45	7.90
10/27/97;1/7/98	Commercial Union Ins Group <sup>3,3</sup>	1.17	-1.30	0.34	-4.05	-1.30
12/1/96;5/15/97	Royal Ins Cos: NIC,RICOA,RIC,SIC <sup>3,4</sup>	1.06	1.07	1.78	0.15	1.22
2/1;12/3/97	Hartford Ins Co of the Midwest <sup>3,3</sup>	1.04	-2.70	2.94	-17.18	-2.70
4/1;9/1/97	Hartford: HAIC,HCIC,HFIC,HUIC,CFIC <sup>3,3</sup>	0.97	-2.60	-1.39	-4.77	-2.60
4/1/97	Hanover Ins Cos: HIC,MBIC,CICOA <sup>4</sup>	0.94	0.42	0.68	-0.17	0.42
7/1/97	State Farm Fire & Casualty Co <sup>4</sup>	0.78	-1.30	0.56	-5.47	-1.30
6/5/97	National Grange Mutual Ins Co <sup>3</sup>	0.70	-5.70	0.93	-20.00	-5.70
9/1/97	Empire & Allcity Ins Cos <sup>3</sup>	0.67	6.90	9.49	-2.70	6.90
3/17/97	Chubb Ins Group <sup>4</sup>	0.65	2.10	13.82	-8.68	2.10
11/1/97	Utica Ins Cos: UMIC,GAMIC,UNAC <sup>4</sup>	0.64	0.30	2.95	-4.10	0.30
10/15/97	CNA Ins Group <sup>3</sup>	0.55	-4.40	-5.70	-1.87	-4.40
7/14;9/12/97	USF&G Cos: USFGC,FGIU,FGIC <sup>3,4</sup>	0.50	5.70	10.39	0.00	5.70
9/1/97	Motors Ins Corp; CIM Ins Corp <sup>4</sup>	0.45	-2.70	0.00	-2.90	-2.70
10/1/97	GEICO Indemnity Co <sup>3</sup>	0.36	5.40	6.43	2.01	5.40
1/8/97	Provident: PAHIC,PPCIC,EICOW,WUIC <sup>3</sup>	0.35	4.50	10.76	-7.44	4.50
11/15/96;1/1/98	Preferred Mutual Ins Co <sup>3,3</sup>	0.32	-0.20	2.00	-7.38	-0.20
5/15/97	Atlantic Mutual & Centennial Ins Cos <sup>3</sup>	0.31	1.80	7.17	-4.93	1.80
6/10/97	Electric Ins Co <sup>4,5</sup>	0.29	0.00	0.00	0.00	0.00
3/1/97	State-Wide Ins Co <sup>4</sup>	0.27	13.70	17.08	-6.06	13.70
10/8/97	Amex Assurance Co <sup>4</sup>	0.26	9.20	23.96	-7.98	9.20
4/1/97	Peerless Ins Co & Excelsior Ins Co <sup>3</sup>	0.25	-0.70	8.38	-13.05	-0.70
2/13/97	AIG Ins Group <sup>4,3</sup>	0.22	-1.00	7.77	-18.14	-1.00
9/14;10/12/97	St. Paul Guardian Ins Co <sup>3,4</sup>	0.21	6.70	8.70	4.37	6.70
8/1/97	Worcester Ins Co <sup>4</sup>	0.19	22.10	22.84	0.00	15.00
3/31;8/25/97	Progressive NE Ins Co <sup>4,6</sup>	0.18	4.90	2.14	4.61	1.20
1/1/98	TIG Ins Co & TIG Ins Co of NY <sup>4</sup>	0.18	13.70	28.79	-7.15	13.70
5/2/97	Windsor Ins Co <sup>3</sup>	0.18	-0.20	-0.10	0.15	-0.20
7/1;11/1/97	Republic-Franklin Ins Co <sup>3,4</sup>	0.16	-2.90	-1.83	-4.22	-2.90
7/1/97	New York Casualty Ins Co <sup>3</sup>	0.15	4.50	5.12	3.79	4.50
7/15/97	Great American: GAIC,AIC,ANFIC <sup>3</sup>	0.13	6.40	12.72	-5.01	6.40
1/28/98	National General Ins Co <sup>3</sup>	0.11	7.00	19.77	-9.35	7.00
7/1/97	Eveready Ins Co <sup>3</sup>	0.11	-2.50	-2.92	-1.83	-2.50
8/27/97	Legion Ins Co <sup>4</sup>	0.10	5.60	0.00	5.55	5.60
7/1/97	Eagle Ins Co <sup>3</sup>	0.08	-0.40	0.00	-14.76	-0.40
7/23/97	Unigard & Unigard Indemnity Ins Cos <sup>3</sup>	0.07	7.00	13.51	-7.87	7.00
5/1/97	Blue Ridge Ins Co <sup>3</sup>	0.06	7.00	7.00	7.00	7.00
10/14/96	Lancer Ins Co <sup>3</sup>	0.05	-1.20	-1.20	-1.20	-1.20
7/1/97	Metropolitan P&C Group <sup>4</sup>	0.04	-1.00	0.94	-3.03	-1.00
11/1/97	Agway Ins Co <sup>4</sup>	0.04	-0.30	9.96	-11.34	-0.30
8/1/97	Capital Mutual Ins Co <sup>3</sup>	0.03	0.00	24.38	-44.98	0.00
11/1/97	Granite State Ins Co <sup>3</sup>	0.03	5.20	7.25	-1.89	5.20
11/1/97	Utica First Ins Co of Oneida City, NY <sup>4</sup>	0.03	5.40	0.00	15.00	5.40
4/1/97	Holyoke Mutual Ins Co in Salem <sup>4</sup>	0.03	3.00	5.18	-1.86	3.00
4/18/97	American Economy & American States <sup>3</sup>	0.03	6.90	14.61	-5.99	6.90

Table 41

**PRIVATE PASSENGER AUTOMOBILE RATE CHANGES IMPLEMENTED IN 1997<sup>1</sup>**

Renewal Effective Date	Insurance Company or Insurance Group	Market Share (%)	Overall Requested Change (%)	Liability Change <sup>2</sup> (%)	Physical Damage Change <sup>2</sup> (%)	Overall Implemented Change (%)
9/30/97	Pioneer Mutual Ins Co <sup>4</sup>	0.02	-9.30	-8.99	-9.59	-9.30
12/96;5/6;11/17/97	Charter Oak Fire Ins Co <sup>3,4</sup>	0.02	-2.30	-1.46	-3.83	-2.30
6/9;6/25/97	TICO Ins Co <sup>3</sup>	0.02	6.68	3.77	14.86	6.68
9/16/97	GEICO Casualty Ins Co <sup>3</sup>	0.02	6.90	11.33	-2.38	6.90
10/15/97	Response Ins Co & Adirondack Ins Co <sup>4,5</sup>	0.01	0.00	0.00	0.00	0.00
2/1/98	Yasuda Fire & Marine Ins Co <sup>3</sup>	0.01	0.60	12.25	-9.34	0.60
7/10/97	Horace Mann Ins Co <sup>4</sup>	0.01	-6.80	-0.61	-9.90	-6.80
2/1/97	Central Mutual Ins Co <sup>3</sup>	0.00	4.50	6.00	2.00	4.50
10/1/97	Newark Ins Co (A Robert Plan Co) <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
1/2/98	West American Ins Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
3/24/97	Baloise Ins Co of America <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
4/2/97	American Agents Ins Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
3/27/97	Blue Ridge Indemnity Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
10/22/97	Deerbrook Ins Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
8/4/97	Infinity Ins Co & Infinity Select Ins Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
11/1/97	Nationwide Mutual Fire Ins Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
10/1;12/13/97	Reliance Nat & United Pacific Cos <sup>4,5,6,3</sup>	0.00	-6.80	-6.80	-6.80	-6.80
5/6;11/17/97	Travco Ins Co <sup>4,5,4</sup>	0.00	-2.40	-2.12	-4.05	-2.40
5/6;11/17/97	Travelers: TICI, TICC, THMIC <sup>3</sup>	0.00	-1.90	-2.43	-1.55	-1.90
3/15/97	Firemans Fund: AAIC, FFICWI, NSC <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
3/31;6/9;9/30/97	Leader National Ins Co <sup>4,5,6,3</sup>	0.00	6.68	4.72	12.53	6.68
4/1/97	Nationwide P&C Ins Co <sup>4,5</sup>	0.00	0.00	0.00	0.00	0.00
2/3;8/25/97	Progressive NW & Northern Ins Cos <sup>4,5,6</sup>	0.00	-2.40	-2.17	-2.60	-2.40
1/29;12/17/97	Reliance National Indemnity Co <sup>4,5,6,3</sup>	0.00	0.00	0.00	0.00	0.00

1997 Rate Change Summary	Prior Approval	Flex- Rating	Combination <sup>7</sup>	Total
• Number of companies implementing rate changes:	36	33	12	81
• Average liability change for insurers implementing rate changes:	2.57%	3.00%	5.84%	3.08%
• Percentage of total liability industry premium affected:	35.12%	22.07%	7.02%	64.21%
• Impact on the entire market of the overall average liability rate change:	0.90%	0.66%	0.41%	1.98%
• Average physical damage change for insurers implementing rate changes:	-7.95%	-6.63%	-2.18%	-6.93%
• Percentage of total physical damage industry premium affected:	43.02%	27.06%	7.52%	77.59%
• Impact on the entire market of the overall average physical damage change:	-3.42%	-1.79%	-0.16%	-5.38%
• Average combined liability and physical damage change for insurers:	-1.38%	-0.62%	3.08%	-0.65%
• Percentage of total industry premium affected:	37.72%	23.71%	7.18%	68.61%
• Impact on the entire market of the overall average liability and physical damage rate change:	-0.52%	-0.15%	0.22%	-0.45%

<sup>1</sup> Under the flex-rating system currently in effect, rate changes are either prior approval or file and use. Rate filings that include any classification changes are prior approval.

<sup>2</sup> These rate changes are calculated using 1995 Annual Statement premiums.

<sup>3</sup> Flex-rating changes that by statute are within +/- 7.0%.

<sup>4</sup> Prior approval

<sup>5</sup> New program

<sup>6</sup> Multi-tier program

<sup>7</sup> Combination filings refer to companies that implemented separate flex-rating and prior approval filings. These companies are denoted with superscripts 3 and 4.

NOTE: No change in Assigned Risk Plan private passenger automobile rates was approved in 1997.

## **2. New York Automobile Insurance Plan**

The New York Automobile Insurance Plan (Assigned Risk Plan) did not receive a rate change in 1997 for private passenger automobiles written through the Assigned Risk Plan, covering those drivers who cannot obtain coverage in the voluntary market. The most recent change was effective October 15, 1995 for new business and December 1, 1995 for renewals. The change was divided into a 7.3% increase for liability coverages and a 13.9% decrease for physical damage coverages.

### **a. Plan Experience in 1995 and 1996**

#### **(i) Earned Car Years**

An important indicator of the size of the Assigned Risk Plan 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 23.0% for liability and 17.5% for collision from 1995 to 1996. This marks the sixth consecutive year that assigned risk collision earned car years decreased from the previous year and the second consecutive year for liability. In 1996, there were 976,415 private passenger earned car years for liability and 51,547 for collision coverage insured through the Plan.

#### **(ii) Risks by Rating Territory**

The proportion of all private passenger liability risks that are assigned risks, listed by rating territory for 1995 and 1996, is shown in Table 42. During 1996, 12.8% of all New York State private passenger automobiles were assigned risks as opposed to 16.0% in 1995. The number of voluntary risks increased by 19,276 over the year, while the number of assigned risks decreased by 292,435. The proportion of assigned risks was 10% or higher in 27 of the 70 rating territories in 1995 and was 10% or higher in 16 of the 70 in 1996. The highest 1996 ratio was 77.8% in the Bronx Territory and the lowest was 1.7% in the Corning Territory. Between 1995 and 1996, the percentage of Assigned Risks decreased in all 70 rating territories. As usual, the congested urban areas of New York City produced the highest assigned risk-to-voluntary ratios in the State.

Table 42

**Private Passenger Earned Car Years by Voluntary, Assigned Risk and Combined Markets**  
(Including Ranking by Percentage of Risks Placed in the Plan for 1995 and 1996)

1995						1996							
				A/R as % of	R A N K					Chg. from 1995	% Chg.	A/R as % of	R A N K
<u>Territory</u>	<u>Assigned</u>	<u>Voluntary</u>	<u>Combined</u>	<u>Comb.</u>		<u>Assigned</u>	<u>Voluntary</u>	<u>%</u>	<u>Combined</u>				
01 Bronx Territory	42,785	7,890	50,675	84.4	1	35,295	10,081	27.8	45,376	-5299	-10.5	77.8	1
19 Queens	33,685	20,651	54,336	62.0	3	29,094	23,864	15.6	52,958	-1378	-2.5	54.9	2
18 Manhattan	63,377	72,817	136,194	46.5	9	53,288	80,772	10.9	134,060	-2134	-1.6	39.7	3
03 Bronx Suburban Territory	68,963	86,014	154,977	44.5	15	55,599	92,907	8.0	148,506	-6471	-4.2	37.4	4
17 Kings County	148,473	179,750	328,223	45.2	64	118,350	202,255	12.5	320,605	-7618	-2.3	36.9	5
55 Queens Suburban	191,381	322,749	514,130	37.2	49	160,101	330,288	2.3	490,389	-23741	-4.6	32.6	6
94 Mount Vernon and Yonkers	27,101	74,513	101,614	26.7	53	21,475	76,862	3.2	98,337	-3277	-3.2	21.8	7
05 Staten Island	34,359	149,938	184,297	18.6	45	27,337	157,613	5.1	184,950	653	0.4	14.8	8
76 Suffolk County East	63,067	317,467	380,534	16.6	35	51,617	306,392	-3.5	358,009	-22525	-5.9	14.4	9
95 White Plains	6,069	29,943	36,012	16.9	36	4,832	29,474	-1.6	34,306	-1706	-4.7	14.1	10
75 Suffolk County West	76,954	408,582	485,536	15.8	66	62,769	397,475	-2.7	460,244	-25292	-5.2	13.6	11
82 Sullivan County Central	2,411	10,416	12,827	18.8	55	1,661	10,527	1.1	12,188	-639	-5.0	13.6	12
20 Hempstead	69,704	370,336	440,040	15.8	5	56,166	359,828	-2.8	415,994	-24046	-5.5	13.5	13
97 New York City Suburban	27,147	181,099	208,246	13.0	4	21,752	181,966	0.5	203,718	-4528	-2.2	10.7	14
81 Monticello-Liberty	1,752	10,053	11,805	14.8	2	1,163	9,876	-1.8	11,039	-766	-6.5	10.5	15
21 North Hempstead	17,862	130,600	148,462	12.0	11	14,520	130,016	-0.4	144,536	-3926	-2.6	10.0	16
83 Sullivan County (Balance)	2,694	17,234	19,928	13.5	22	1,789	16,812	-2.4	18,601	-1327	-6.7	9.6	17
07 Buffalo	14,889	93,625	108,514	13.7	25	9,148	91,865	-1.9	101,013	-7501	-6.9	9.1	18
64 Middletown	15,318	105,766	121,084	12.7	52	11,016	111,511	5.4	122,527	1443	1.2	9.0	19
22 Oyster Bay	24,703	201,224	225,927	10.9	59	19,636	200,280	-0.5	219,916	-6011	-2.7	8.9	20
37 Oswego	3,913	28,949	32,862	11.9	65	2,773	28,317	-2.2	31,090	-1772	-5.4	8.9	21
62 Highland, Kingston	9,103	63,641	72,744	12.5	54	6,150	63,830	0.3	69,980	-2764	-3.8	8.8	22
29 Gloversville	2,982	19,947	22,929	13.0	21	1,802	20,184	1.2	21,986	-943	-4.1	8.2	23
34 Troy	6,519	48,146	54,665	11.9	51	4,236	48,782	1.3	53,018	-1647	-3.0	8.0	24
36 Glens Falls	3,942	32,240	36,182	10.9	42	2,560	31,119	-3.5	33,679	-2503	-6.9	7.6	25
46 Putnam County	6,510	59,207	65,717	9.9	34	4,804	59,811	1.0	64,615	-1102	-1.7	7.4	26
58 Dutchess County (Balance)	8,176	73,831	82,007	10.0	28	5,794	72,670	-1.6	78,464	-3543	-4.3	7.4	27
33 Poughkeepsie	8,880	80,473	89,353	9.9	20	6,337	80,385	-0.1	86,722	-2631	-2.9	7.3	28
68 Rockland County	17,233	153,468	170,701	10.1	46	12,045	153,860	0.3	165,905	-4796	-2.8	7.3	29
65 Ossining	15,233	151,044	166,277	9.2	26	11,620	150,903	-0.1	162,523	-3754	-2.3	7.1	30
67 Clinton County, etc.	29,427	272,803	302,230	9.7	23	20,388	272,686	-0.0	293,074	-9156	-3.0	7.0	31
32 Newburgh	5,832	54,718	60,550	9.6	70	3,966	54,006	-1.3	57,972	-2578	-4.3	6.8	32
61 Delaware County, etc.	11,642	110,463	122,105	9.5	69	7,763	112,348	1.7	120,111	-1994	-1.6	6.5	33
59 Columbia County, etc.	6,474	65,114	71,588	9.0	67	4,407	64,424	-1.1	68,831	-2757	-3.9	6.4	34
74 Jefferson County	5,680	55,423	61,103	9.3	50	3,743	56,577	2.1	60,320	-783	-1.3	6.2	35

1995						1996						
Territory	Assigned	Voluntary	Combined	A/R as	R	Assigned	Voluntary	%	Combined	Chg. from 1995	%	A/R as % of
				% of Comb.	A N K							
13 Albany	13,351	134,772	148,123	9.0	61	8,585	136,468	1.3	145,053	-3070	-2.1	5.9
31 Chautauqua County	7,001	71,372	78,373	8.9	44	4,483	72,221	1.2	76,704	-1669	-2.1	5.8
14 Niagara Falls	6,140	63,500	69,640	8.8	56	3,699	63,517	0.0	67,216	-2424	-3.5	5.5
52 Fort Plain, Herkimer	3,187	32,614	35,801	8.9	27	1,893	32,512	-0.3	34,405	-1396	-3.9	5.5
84 Allegany County, etc.	14,768	160,939	175,707	8.4	40	9,493	163,310	1.5	172,803	-2904	-1.7	5.5
54 Cortland County, etc.	15,132	168,643	183,775	8.2	58	9,777	169,108	0.3	178,885	-4890	-2.7	5.5
51 Ontario County, etc.	13,504	161,889	175,393	7.7	63	8,993	162,893	0.6	171,886	-3507	-2.0	5.2
11 Rochester	28,410	374,534	402,944	7.1	47	19,398	371,889	-0.7	391,287	-11657	-2.9	5.0
43 Niagara Falls Suburban	2,603	31,336	33,939	7.7	38	1,516	31,055	-0.9	32,571	-1368	-4.0	4.7
28 Binghamton	8,029	110,305	118,334	6.8	43	5,254	108,170	-1.9	113,424	-4910	-4.1	4.6
12 Syracuse	15,648	196,806	212,454	7.4	6	9,359	193,263	-1.8	202,622	-9832	-4.6	4.6
47 Orleans County	2,070	23,556	25,626	8.1	39	1,136	23,699	0.6	24,835	-791	-3.1	4.6
73 Rensselaer County (Balance)	2,728	33,612	36,340	7.5	29	1,567	32,823	-2.3	34,390	-1950	-5.4	4.6
56 Saratoga County (Balance)	1,600	17,362	18,962	8.4	37	891	18,699	7.7	19,590	628	3.3	4.5
09 Schenectady County	6,719	89,166	95,885	7.0	60	4,174	88,803	-0.4	92,977	-2908	-3.0	4.5
41 Erie County (Balance)	3,888	51,617	55,505	7.0	31	2,280	52,975	2.6	55,255	-250	-0.5	4.1
42 Buffalo Suburban	10,332	167,997	178,329	5.8	19	6,750	157,229	-6.4	163,979	-14350	-8.0	4.1
25 Auburn	1,666	23,301	24,967	6.7	18	983	23,171	-0.6	24,154	-813	-3.3	4.1
86 Oneida	2,540	37,980	40,520	6.3	33	1,510	37,143	-2.2	38,653	-1867	-4.6	3.9
30 Saratoga Springs	1,240	17,269	18,509	6.7	30	690	17,130	-0.8	17,820	-689	-3.7	3.9
24 Rome	1,519	20,307	21,826	7.0	24	752	19,453	-4.2	20,205	-1621	-7.4	3.7
35 Amsterdam	1,546	20,898	22,444	6.9	68	796	20,631	-1.3	21,427	-1017	-4.5	3.7
08 Buffalo Semi-Suburban	10,229	180,380	190,609	5.4	62	6,808	184,801	2.5	191,609	1000	0.5	3.6
16 Saratoga Springs Suburban	2,899	41,575	44,474	6.5	48	1,454	40,216	-3.3	41,670	-2804	-6.3	3.5
72 Albany County (Balance)	676	10,353	11,029	6.1	32	351	10,019	-3.2	10,370	-659	-6.0	3.4
44 Broome County (Balance)	936	14,044	14,980	6.2	13	483	13,916	-0.9	14,399	-581	-3.9	3.4
48 Monroe County (Balance)	905	12,884	13,789	6.6	10	469	13,675	6.1	14,144	355	2.6	3.3
49 Niagara County (Balance)	1,661	27,792	29,453	5.6	12	961	28,238	1.6	29,199	-254	-0.9	3.3
60 Genesee County	2,201	37,239	39,440	5.6	8	1,204	36,084	-3.1	37,288	-2152	-5.5	3.2
15 Utica	2,952	61,671	64,623	4.6	14	1,498	59,411	-3.7	60,909	-3714	-5.7	2.5
39 Rochester Suburban	1,477	35,529	37,006	4.0	41	857	34,984	-1.5	35,841	-1165	-3.1	2.7
71 Saratoga County South	1,647	36,795	38,442	4.3	57	860	37,641	2.3	38,501	59	0.2	2.7
27 Elmira	2,514	44,644	47,158	5.3	7	979	44,173	-1.1	45,152	-2006	-4.3	2.7
38 Syracuse Suburban	2,074	51,169	53,243	3.9	16	1,169	53,238	4.0	54,407	1164	2.2	2.7
40 Corning	818	19,621	20,439	4.0	17	347	19,757	0.7	20,104	-335	-1.6	1.7
Entire State	1,268,850	6,643,605	7,912,455	16.0		976,415	6,662,881	0.2	7,639,296	(273,159)	-3.6	12.6

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



### **3. Workers' Compensation Insurance**

#### **a. Rate Revision Effective October 1, 1997**

On October 1, 1997, the annual workers' compensation rate revision became effective producing an average decrease of 7.5%. Including the change in the New York State Assessment, the overall decrease was 8.4%. In addition to the overall rate change, there was a change in the rate multiplier from 100 to 110.

This revision marked the first time that the experience of the large deductible programs, approved by the Department for individual writers, was included in the determination of the rate level. These policies, available to insureds with standard premium of \$200,000 and over, have been written since the end of 1990. They represent a full fifth of the standard premium written by the commercial writers. However, because of reporting problems they could not, until now, be included in the overall rate level calculation.

#### **b. 1996 Workers' Compensation Reform Legislation (Chapter 635 of the Laws of 1996 as amended in Chapter 648 of the Laws of 1996)**

Among the many other provisions of the 1996 reform legislation were two that directly involved the casualty actuarial staff. (See the *Annual Report of the Superintendent of Insurance to the Legislature* for calendar year 1996.) The Superintendent, along with the Commissioner of Labor and the Chair of the Workers' Compensation Board, was required to study the role of rating organizations in establishing workers' compensation rates, the nature and number of rating classifications, territorial rating and the feasibility of open rating. The Superintendent was also to conduct a study of the ratemaking process, covering an analysis and explanation of workers' compensation losses, assessments, expenses and investment income.

These studies were performed for the Department by the actuarial consulting firm, Milliman and Robertson. The required reports were completed at the end of 1997.

## WORKERS' COMPENSATION DIVIDEND PLANS

**Plan Types:**      **A = Flat**  
                             **C = Safety Group**

**B = Sliding Scale/ Loss Ratio**  
**D = Retention**

COMPANY NAME	PLAN TYPE	EFFECTIVE DATE
American Central Ins Co	B	10/10/97
American Guarantee & Liability Ins Co	D	12/19/97
American & Foreign Ins Co	A,B,D	09/01/97
Argonaut Ins Co; Argonaut-Midwest Ins Co	B	06/16/97
Assurance Co of America	C	11/18/97
Athena Assurance Co	D	11/24/97
Athena Assurance Co	B	06/30/97
Bankers Standard Ins Co	B	09/10/97
Bankers Standard Ins Co	C	09/03/97
Bituminous Fire & Marine Ins Co	B	09/15/97
Business Ins Co	A,B,D	10/21/97
Camden Fire Ins Association	D	03/20/97
Centennial Ins Co	C	04/01/97
Charter Oak Fire Ins Co	B	06/09/97
Cigna Ins Co; Cigna Property & Casualty Ins Co	B	09/10/97
Cigna Ins Co; Cigna Property & Casualty Ins Co	C	09/03/97
Citizens Ins Co of America	B	04/18/97
Commercial Union Midwest Ins Co	B	10/10/97
Excelsior Ins Co	B	11/14/97
FICO Ins Co	B	07/18/97
Fidelity and Guaranty Ins Co	B	04/22/97
Fidelity & Guaranty Ins Underwriters, Inc.	B	04/22/97
Fremont Compensation Ins Co; Fremont Indemnity Co	B	10/14/97
General Assurance Co	D	03/20/97
Graphic Arts Mutual Ins Co	B	06/02/97
Graphic Arts Mutual Ins Co	D	08/14/97
Hartford Casualty Ins Co; Hartford Fire Ins Co;	D	04/15/97
Hartford Ins Co of the Midwest	D	04/15/97
Houston General Ins Co	B,D	03/27/97
Ins Co of Greater NY	A	06/20/97
Insurance Co of the State of Pennsylvania	D	03/18/97
Lumber Mutual Ins Co	C	05/19/97
Manufacturers Alliance Ins Co	D	11/14/97

**Table 43**

## WORKERS' COMPENSATION DIVIDEND PLANS

### Plan Types:

**A = Flat**

**C = Safety Group**

**B = Sliding Scale/ Loss Ratio**

**D = Retention**

<b>COMPANY NAME</b>	<b>PLAN TYPE</b>	<b>EFFECTIVE DATE</b>
Maryland Casualty Co	C	11/18/97
Massachusetts Bay Ins Co	B	04/18/97
Netherlands Ins Co	B	11/14/97
New Hampshire Ins Co	D	03/18/97
North River Ins Co	B	11/18/97
Northern Assurance Company	C	11/18/97
Pacific Employers Ins Co	B	09/10/97
Pacific Employers Ins Co	C	09/03/97
Peerless Ins Co	B	11/14/97
Pennsylvania General Ins Co	D	03/20/97
Pennsylvania Manufacturers' Association Ins Co	D	11/14/97
Pennsylvania Manufacturers Indemnity Co	D	11/14/97
Potomac Ins Co of Illinois	D	03/20/97
Providence Washington Ins Co	B	07/28/97
Realm National Ins Co	B	11/18/97
Reliance National Ins Co	B	12/01/97
Reliance National Ins Co	C	04/01/97
Republic-Franklin Ins Co	B	06/02/97
Republic-Franklin Ins Co	D	08/14/97
Royal Indemnity Co; Safeguard Ins Co	A,B,D	09/01/97
Selective Ins Co of South Carolina; Selective Way Ins Co	B	09/08/97
St. Paul Fire & Marine Ins Co; St. Paul Guardian Ins Co	B	06/30/97
St. Paul Fire & Marine Ins Co; St. Paul Guardian Ins Co	D	11/24/97
St. Paul Medical Liability Ins Co	D	11/24/97
St. Paul Medical & Liability Ins Co; St. Paul Mercury Ins Co	B	06/30/97
St. Paul Mercury Ins Co	D	11/24/97
Travelers Indemnity Co of America	B	06/09/97
Twin City Fire Ins Co	D	04/15/97
Ulico Casualty Co	D	04/01/97
United States Fidelity & Guaranty Co	B	04/22/97
Utica Mutual Ins Co; Utica National Ins Co of Texas	B	06/02/97
Utica Mutual Ins Co; Utica National Ins Co of Texas	D	08/14/97
Zenith Ins Co	C	11/14/97

Table 44

WORKERS' COMPENSATION RATE HISTORY

Effective Date	Policy Year	Calendar Year	Law Amendments & Medical & Hospital Agreements		Wage & L/R Trend Factors	Expenses	Effect on Rate Level	Assessments			Filed	Approved	Cumulative Approved
			Indemnity	Medical				WCB	SDF&RCF				
July 1980	-4.5%	-7.1%		0.0%	1.0133	-4.1%		-0.1%	-2.5%		-3.1%	-10.1%	-10.1%
Oct. 1990											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 <sup>1</sup>	-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 <sup>2</sup>	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%	-16.9%
July 1988	9.2%	12.2%		7.2%	0.9470	0.7%		-0.4%	-1.4%		28.3%	11.1%	-7.7%
July 1989	17.6%	22.5%		2.0%	0.9254	0.7%		-0.3%	1.5%		28.5%	15.5%	6.6%
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% <sup>3</sup>		18.4%	15.6%	84.1%
July 1993	12.0%	17.1%	1.0%		1.0010	0.0%		-0.3%	-1.0% <sup>3</sup>		18.7%	14.4%	110.6%
April 1994	-4.9%	-0.1%		-1.9% <sup>4</sup>	1.0010	0.0%	-16.3% <sup>5</sup>		13.5% <sup>5</sup>		-5.0%	-5.0%	100.1%
Oct. 1994	8.0%	1.9%		0.8%	0.9640	-1.2%	1.4%		-3.1% <sup>5</sup>		-1.6%	-1.7%	96.7%
Oct. 1995	-17.1%	-15.3%		0.05%	1.0960	0.8%	-8.4%		3.7%		-2.8%	-5.0%	86.9%
<u>Pol. Yr. Acc. Yr.</u>													
Oct. 1996	-14.9%	-16.5%		-3.2%	1.0430	0.0%	-14.9%		-0.2%		-15.1%	-18.2%	52.9%
Oct. 1997	-9.1%	-9.5%		0.0%	1.0140	-0.1%	-7.5%		-1.0%		-3.8%	-8.4%	40.1%

<sup>1</sup> Includes Stock Security Fund Tax of 1.012.

<sup>2</sup> The Loss Constant Offset was removed in 1985.

<sup>3</sup> Includes OSHA assessment of 1.25%.

<sup>4</sup> Includes elimination of 13.0% Hospital Surcharge.

<sup>5</sup> Assessments are included in a fee. In April 1994, this produced an effect of -15.0% on the rate level.

Table 45

**WORKERS' COMPENSATION LARGE DEDUCTIBLE PROGRAMS**  
**Approved in 1997**

COMPANY NAME	EFFECTIVE DATE
Agricultural Insurance Company <sup>2</sup>	10/15/97
American Alliance Insurance Company <sup>2</sup>	10/15/97
American National Fire Insurance Company <sup>2</sup>	10/15/97
Bankers Standard Insurance Company <sup>2</sup>	03/20/97
CIGNA Fire Underwriters Insurance Company <sup>2</sup>	03/20/97
CIGNA Insurance Company <sup>2</sup>	03/20/97
CIGNA Property & Casualty Insurance Company <sup>2</sup>	03/20/97
Clarendon National Insurance Company <sup>1</sup>	08/28/97
Connecticut Indemnity Company <sup>2</sup>	10/31/97
The Fire and Casualty Insurance Company of Connecticut <sup>2</sup>	10/15/97
Great American Insurance Company <sup>2</sup>	10/15/97
Great West Casualty Company <sup>1</sup>	10/10/97
Indemnity Insurance Company of North America <sup>2</sup>	03/20/97
Insurance Company of North America <sup>2</sup>	03/20/97
Old Republic Insurance Company <sup>2</sup>	10/15/97
Pacific Employers Insurance Company <sup>2</sup>	03/20/97
Reliance Insurance Company <sup>2</sup>	02/10/97
Reliance National Indemnity Company <sup>2</sup>	02/10/97
Reliance National Insurance Company <sup>2</sup>	02/10/97
Safety National Casualty Corporation <sup>1</sup>	11/25/97
Security Insurance Company of Hartford <sup>2</sup>	10/31/97
United Pacific Insurance Company <sup>2</sup>	02/10/97
Utilities Mutual Insurance Company <sup>2</sup>	04/17/97

<sup>1</sup> Approval of a new program

<sup>2</sup> Approval of modifications to an existing program

Table 46

**WORKERS' COMPENSATION APPROVED RATE DEVIATIONS**  
**Currently in Effect**  
**As of December 31, 1997**

Company Name	Effective Date	Downward Deviation	Company Name	Effective Date	Downward Deviation
A.I.U. Ins Co	05/15/96	15.0	Commercial Compensation Ins Co	04/01/98	10.0
Arcadia Ins Co	11/01/97	10.0	Commercial Ins Co of Newark, NJ	09/27/83	15.0
Agricultural Ins Co	06/13/83	15.0	Commercial Union Midwest Ins Co	06/01/96	15.0
All America Ins Co	08/01/96	10.0	Connecticut Indemnity Co	02/27/97	15.0
American Manufacturers Mutual Ins Co	10/01/85	10.0	Covenant Mutual Ins Co	09/14/83	10.0
American Alliance Ins Co	06/13/83	15.0	Erie Ins Co of New York	11/01/96	5.0
American Automobile Ins Co.	06/13/83	16.0	Exchange Ins Co	08/01/86	5.0
American Casualty Co. of Reading, PA	10/01/95	10.0	Exchange Mutual Ins Co	08/01/83	15.0
American Central Ins Co	06/01/96	15.0	Fairfield Ins Co	12/03/97	10.0
American Economy Ins Co	06/01/96	15.0	Farmington Casualty Co	03/01/87	10.0
American Employers' Ins Co.	06/01/96	15.0	Federated Mutual Ins Co	05/17/96	15.0
American Guarantee & Liability Ins Co	03/04/97	15.0	FICO Ins Co	01/01/97	15.0
American Policyholders Ins Co	01/01/88	15.0	Fidelity & Deposit Co of Maryland	10/15/97	10.0
American Protection Ins Co	01/01/88	12.0	Fidelity & Guaranty Ins Co	08/04/83	15.0
American-Zurich Ins Co	12/01/96	15.0	Fidelity & Guaranty Ins Underwriters Inc.	12/22/97	10.0
Amerisure Ins Co	10/01/82	10.0	Fire & Casualty Ins Co of CT	02/13/98	10.0
Argonaut-Midwest Ins Co	09/01/96	15.0	Fire Districts of NY Mutual Ins Co	12/17/97	9.0
Assurance Co of America	06/13/83	15.0	Fireman's Fund Ins Co	02/15/85	10.0
Atlantic Mutual Ins Co	08/01/96	12.0	Fireman's Ins Co of Newark, NJ	03/24/83	10.0
Atlantic Specialty Ins Co	08/01/96	15.0	Fireman's Ins Co of Washington, DC	01/01/97	0.0
Automobile Ins Co of Hartford, CT	05/25/83	15.0	Fremont Compensation Ins Co	10/28/97	10.0
Bankers Standard Ins Co	03/23/95	15.0	Fremont Indemnity Ins Co	10/28/97	15.0
Blue Ridge Ins Co	05/15/96 <sup>1</sup>	15.0	General Assurance Co	09/01/88	10.0
Blue Ridge Ins Co	08/01/96 <sup>2</sup>	15.0	Globe Indemnity Co	09/01/97	15.0
Business Ins Co	02/01/97	15.0	Graphic Arts Mutual Ins Co	01/01/84	15.0
Camden Fire Ins Co	10/01/85	10.0	Great Northern Ins Co	08/12/85	7.0
Casualty Ins Co	10/28/97	15.0	Hartford Casualty Ins Co	10/20/92	17.5
Centennial Ins Co	07/15/88	10.0	Hartford Fire Ins Co	10/01/86	15.0
China America Ins Co, Ltd.	01/01/90	10.0	Hartford Ins. Co. of the Midwest	05/02/86	10.0
Cigna Fire Underwriters Ins Co	03/23/95	10.0	Houston General Ins Co	08/22/96	15.0
Cigna Property & Casualty Ins Co	01/01/97	10.0	Indemnity Ins Co of North America	01/01/97	10.0
Citizens Ins Co of America	02/01/85	15.0	Insurance Co of Greater New York	09/01/83	10.0
Clarendon National Ins Co	07/10/97	10.0	Insurance Co of Evanston	07/26/95	10.0
Colonial American Casualty & Surety Co	10/15/97	10.0	International Ins Co	10/15/85	10.0
John Deere Ins Co	08/01/97	10.0	Safeguard Ins Co	05/01/95	10.0

Table 46

**WORKERS' COMPENSATION APPROVED RATE DEVIATIONS**  
**Currently in Effect**  
**As of December 31, 1997**

Company Name	Effective Date	Downward Deviation	Company Name	Effective Date	Downward Deviation
Legion Ins Co	12/01/96	15.0	Safety National Casualty Corp.	01/02/98	10.0
Liberty Ins Corp.	02/01/95	12.5	Safeco Ins Co of America	02/01/97	15.0
Liberty Mutual Fire Ins Co	07/15/95	10.0	Selective Ins Co Of North Carolina	08/19/96	15.0
Lumber Mutual Ins Co	11/17/97	10.0	Sentry Indemnity Co	01/01/87	15.0
Main Street America Assurance Co	06/24/96	10.0	St. Paul Mercury Ins Co	02/13/96	15.0
Michigan Millers Mutual Ins Co	06/01/98	10.0	Star Ins Co	01/08/97	15.0
Mount Vernon Fire Ins Co	07/10/97	10.0	Sun Ins Office, Ltd.	12/03/86	7.0
Netherlands Ins Co	04/01/97	15.0	Titan Indemnity Co	03/19/97	15.0
New Hampshire Ins Co	05/15/96	15.0	Transamerica Ins Co of New York	08/09/83	15.0
New York Casualty Ins Co	02/13/98	10.0	Transcontinental Ins Co	10/01/95	17.5
Newark Ins Co	05/01/95	7.5	Travelers Indemnity Co of America	01/16/91	15.0
Niagara Fire Ins Co	03/24/83	10.0	Travelers Casualty & Surety Co of Illinois	08/12/85	15.0
North River Ins Co	02/04/97	15.0	Travelers Indemnity of Rhode Island (CT)	08/01/94	7.5
Northbrook National Ins Co	03/15/83	10.0	Ulico Casualty Company	01/11/96 <sup>3</sup>	15.0
Northern Ins Co of New York	06/13/83	15.0	Ulico Casualty Company	06/24/96 <sup>4</sup>	10.0
Oriska Ins Co	04/01/96	15.0	Unigard Ins Co	05/15/96 <sup>1</sup>	15.0
Pacific Indemnity Co	01/13/83	15.0	Unigard Ins Co	08/01/96 <sup>2</sup>	15.0
Paramount Ins Co	10/03/83	15.0	United Community Ins Co	01/05/83	10.0
Patriot General Ins Co	01/01/87	15.0	United Pacific Ins Co	07/01/96	7.5
Peerless Ins Co	05/01/96	7.5	Universal Underwriters Ins Co	04/01/98	10.0
Pennsylvania Manufacturing Indemnity Co	10/01/96	15.0	Utilities Mutual Ins Co	01/01/89	10.0
Potomac Ins Co of Illinois	01/01/93	15.0	Utica National Assurance Co	01/07/98	17.5
Preferred Risk Mutual Ins Co	02/01/94	12.5	Utica National Ins Co of Texas	01/01/96	17.5
Princeton Ins Co	12/03/97	10.0	Valley Forge Ins Co	06/15/83	15.0
Realm Ins Co	01/03/97	10.0	Wausau Business Ins Co	06/10/96	15.0
Reliance National Ins Co	06/15/96	15.0	Wausau Underwriters Ins Co	06/10/96	10.0
Republic-Franklin Ins Co	01/01/88	10.0	Worcester Ins Co	10/01/85	10.0
Royal Indemnity Co	09/01/97	17.5	Zenith Ins Co	01/01/97	15.0
Royal Ins Co	05/01/95	12.5			

<sup>1</sup> New Business<sup>2</sup> Renewal Business<sup>3</sup> ADR (Alternative Dispute Resolution) Policies.<sup>4</sup> Non-ADR (Alternative Dispute Resolution) Policies.

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

Pursuant to Article 76 of the New York State 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 contributions. In order for the Superintendent to have the necessary flexibility to carry out the statutory obligations concerning the PCISF and the dynamic insurance market in general, the Task Force periodically reviews and revises the PCISF guidelines as circumstances warrant. A subgroup of this Task Force, consisting primarily of members from the Casualty Actuarial Unit, annually calculates the PCISF net value and any necessary quarterly contributions.

Prior to 1988, contributions were last required in 1973. In 1988, contributions resumed as a consequence of the Superintendent's determination that the fund's net value as of 12/31/87 had fallen below \$150 million. By statute, the quarterly contributions for the 1988 fund year were due on May 15, 1988, August 15, 1988, November 15, 1988 and February 15, 1989. Similarly, contributions continued through 1992. For the 1993 fund year, the Superintendent determined that the PCISF net value was greater than \$150 million. Therefore, except for contributions that were due on February 15, 1993 from the prior fund year, no additional contributions were required in 1993. The same circumstances held true for the 1994, 1995, 1996 and 1997 fund years. Table 47 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.

Table 47	
<u>PCISF Contributions</u>	
<u>1988 - 1997</u>	
<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 - 1997	0

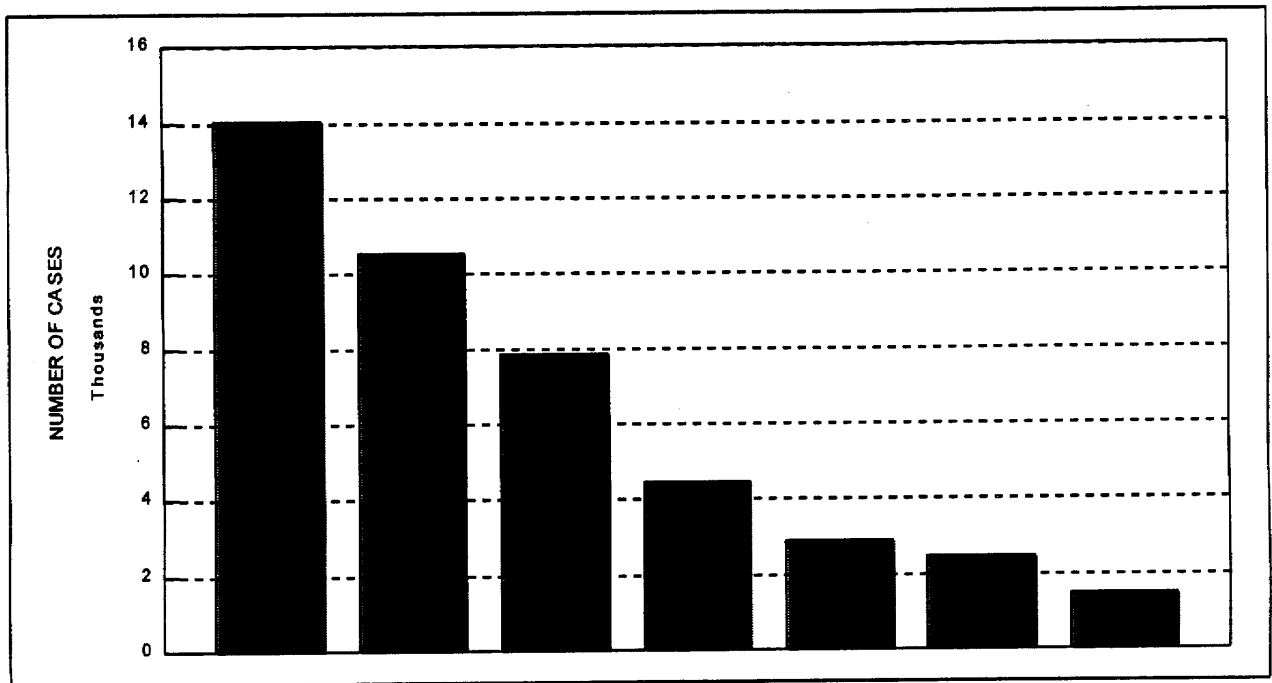


## E. CONSUMER SERVICES BUREAU

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 43,662 cases in 1997. Of these, 32,038 involved loss settlements or policy provisions, of which 44% were automobile complaints, 33% were accident and health complaints, 14% were other property and liability complaints and 9% were life and annuity complaints. Another 7,833 cases involved complaints against agents, brokers and adjusters. Written inquiries accounted for 2,316 and referrals accounted for an additional 1,475 cases. All told, the Bureau received 45,824 cases during 1997.

### TOTAL COMPLAINTS & INVESTIGATIONS CLOSED

#### CONSUMER SERVICES BUREAU 1997



AUTO	A & H	AGENTS, BROKERS ADJUSTERS	PROPERTY CASUALTY	LIFE & ANNUITY	INQUIRIES AND MISC.	REFERRALS
14,050	10,514	7,833	4,461	2,881	2,448*	1,475

\*includes 132 miscellaneous cases

The Bureau responded to approximately 450,000 calls on both the Albany and New York City information lines. The Bureau's telephone system is an attendant system whereby 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 to an agency services representative. The Bureau also maintains a toll-free line that will access a multi-lingual telephone service. This interpretive service, provided by AT&T Language Line Services, can translate 140 languages.

In addition, the Bureau, through a dedicated toll-free line, responded to 7,422 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. Private insurers began offering Partnership contracts in March of 1993.

The Partnership 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 Medicaid funds. In addition, the Bureau mailed Partnership literature to thousands of consumers and worked with both the Department of Health and the State Office for the Aging on consumer issues related to long-term care insurance.

**N.Y.S. Partnership for Long Term Care  
Consumer Calls  
January - December 1997**

January	1632
February	727
March	531
April	676
May	519
June	478
July	704
August	387
September	667
October	464
November	282
December	<u>355</u>
Total	7,422

**1. Disaster Preparedness/Emergency Management**

The Bureau continues to participate in the activities of the State Emergency Management Office (SEMO). In 1997, Bureau representatives participated in the New York State Disaster Preparedness Conference in Long Island and Albany. Although the Department is a member of the Disaster Recovery Team, there was no need in 1997 for the Department's active participation, since no major disaster occurred in the State during the year.

## **2. Insurance Department's Coastal Action Plan**

A comprehensive program was jointly developed by the New York Insurance Department and U.S. Senator Alfonse M. D'Amato in response to the growing concerns of coastal residents that affordable homeowners insurance coverage continue to be available in coastal communities so that residents can protect their homes and property from storm damage.

This Coastal Action Plan commenced with the establishment of two toll-free telephone lines--one for consumers and the other for agents and brokers--to handle inquiries about homeowners insurance in Long Island.

In an effort to better serve Long Island residents, Governor George E. Pataki announced the opening of the New York State Insurance Department's new permanent office on Long Island, located at 200 Old Country Road in Mineola. This office replaces the temporary office, which opened in July, 1996, in Seaford, Long Island. The new office is a continuation of the efforts begun last year by Governor Pataki, Senator D'Amato and the Insurance Department to protect the needs of Long Island homeowners by working to ensure the availability of homeowners insurance for coastal residents. The new office provides Long Island residents with an opportunity to meet with Department representatives to discuss any difficulties they are experiencing in obtaining homeowners coverage and to work toward resolving their problems. The office is open from 9 a.m. to 5 p.m. Monday through Friday.

## **3. Other Bureau Activities**

Bureau examiners staffed the Department's information booth at the State Fair held in Syracuse from August 27 through September 7, 1997. The examiners answered consumer questions, took complaints and distributed various Department consumer guides and booklets. The booth was well attended, and over 13,700 publications were distributed to the public. The Bureau also staffed information booths at the Black and Puerto Rican Legislative Caucus, Somos El Futuro and the African-American Cultural Festival.

The Bureau continued to provide speakers as part of its program of assistance to senior citizens for whom Medicare supplement (Medigap) 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 participated in the Health Insurance Information Counseling and Assistance Program (HIICAP) consortium, providing education for thousands of Medicare beneficiaries and their family members. Bureau staff assisted in developing the training video and training manual. Bureau staff also participated in Regional Training Sessions of HIICAP Counselors and Volunteers in order to supplement the training manual and respond to technical questions on Medigap and long-term care insurance.

Although the Bureau no longer meets with representatives of insurance companies to review complaint data used to formulate the annual automobile and health rankings, we continue to meet with insurers to assist them in understanding the complaint-handling process, and to inform them of 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.

The Bureau continues to respond to inquiries concerning Prudential Insurance Company's Remediation Program and the class action settlement matter. As a member of the Multi-State Task Force, this Department signed onto the Remediation Program for Prudential policyholders who purchased life insurance policies between 1982 and 1995. Bureau examiners also attended training courses concerning the Prudential "Alternative Dispute Resolution" process in Newark, New Jersey, and Phoenix, Arizona.

The Bureau responded to questions concerning the implementation of the federal Health Insurance Portability and Accountability Act (HIPAA) of 1996 at the state level. As a result of HIPAA, states had to make changes in law to comply with the federal statutes.

The Bureau also responded to many calls concerning the tax deductibility of premiums paid and benefits received from long-term care policies on both federal and state income tax returns. HIPAA permits consumers to take an income tax deduction for premiums paid on qualified policies. State laws also permitted a deduction as early as tax year 1996.

The Bureau also responded to new legislation on chiropractic care, managed care, mastectomy, prompt payment of claims and breast reconstruction. The Bureau began to handle complaints filed by participating providers concerning delay in payment of claims by HMOs and health insurers. As a result of this change, the Bureau handled 3,315 complaints from providers whose claims were not paid timely.

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.

This Bureau continues to develop relationships with outside agencies on the state and federal level. It has developed a working relationship with the U.S. Department of Labor to aid in the regulation of these alternative plans. Meetings have been held to determine ways to formalize communications to better protect the public. In addition to the U.S. Department of Labor, the Bureau has worked on several significant criminal and civil cases in cooperation with the Insurance Frauds Bureau and other law enforcement agencies.

These cooperative efforts have not been limited to the health area; there are cases in process that involve all lines of insurance. The Bureau currently is investigating a pension-deferred and disability income plan run by several commercial businesses. There is a significant impact on New York residents who contribute to these plans, expect future benefits and are not afforded the protections of Insurance law. The Bureau has conducted several investigations involving life and property/casualty agents which, in cooperation with the Insurance Frauds Bureau, have resulted in arrests or indictments.

The New York State Insurance Department continues to be committed to the full imaging and automating processes for the complaints, investigations, inquiries and correspondence of its Consumer Services Bureau. A major goal is to improve customer service. The combined processes of redesigning the Bureau's business procedures and workflow, while automating all tasks, will benefit our customers. Rapid document retrieval will decrease the time needed to resolve problems. Consistent, reliable data will be immediately available from any of our locations. Within the Bureau, there will be more efficient document processing and routing. This will shorten processing cycles while reducing paper and storage space.

To accomplish these goals, the Department has purchased document imaging and workflow automation software. The Department has also contracted the services of vendors to rewrite the Department's current mainframe application in the client/server environment. This will allow the Department to take full advantage of new technologies, efficiencies and imaging software. The contractor, with the assistance of Department staff, is participating in the review to expedite and streamline the Bureau's business procedures. The project has been named CIIMS or the Consumers' Information and Imaging Management System.

The Bureau continues to be 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.

**Table 48**  
**CONSUMER SERVICES BUREAU CASES**  
**Involving Loss Settlements or Policy Provisions**  
**Closed In 1997**

<b>Line of Business</b>	<b>Total Processed</b>	<b>Upheld</b>	<b>Adjusted in Consumers' Favor</b>	<b>Not Upheld</b>	<b>Other Action Taken*</b>
Life and Annuities, Total	2,881	476	238	1,473	694
Individual Life	2,576	440	219	1,290	627
Individual Annuity	165	22	12	95	36
Group Life & Annuity	140	14	7	88	31
Viatical Settlements	0	0	0	0	0
Accident & Health, Total	10,514	2,426	511	5,240	2,337
Individual Accident & Health	697	95	49	427	126
Group Accident & Health	2,771	342	191	1,075	1,163
Article IX-C Corps. & HMOs	6,835	1,967	250	3,601	1,017
Medicare	20	1	1	10	8
Medigap	137	16	13	98	10
Long-Term Care	31	2	4	19	6
Health Alliance	1	0	1	0	0
Medicaid	12	2	0	4	6
Municipal Co-Ops	10	1	2	6	1
Auto, Total	14,050	1,823	1,104	7,453	3,670
Auto, Liability (B.I.)	1,562	236	96	1,057	173
Auto, Liability (P.D.)	3,906	420	327	1,782	1,377
Auto, Physical Damage	3,932	302	301	2,524	805
No Fault	4,650	865	380	2,090	1,315
NYAIP Taxicab/Limo Pool	0	0	0	0	
Other Property & Liability, Total	4,461	601	367	2,465	1,028
Liability Other Than Auto	426	52	28	219	127
Professional Malpractice	30	2	2	22	4
Fire & Extended Coverage	95	11	10	48	26
Homeowners	1,991	183	126	1,205	477
Inland Marine/Ocean Marine	68	10	5	36	17
Workers' Compensation	1,182	283	115	604	180
Commercial Multiple Peril	516	48	53	264	151
Burglary & Theft	8	0	2	5	1
Fidelity & Surety	67	7	10	27	23
Flood	10	1	5	0	4
Title	66	4	10	34	18
GAP	2	0	1	1	0
Miscellaneous	132	15	0	84	33
<b>Total</b>	<b>32,038</b>	<b>5,341</b>	<b>2,220</b>	<b>16,715</b>	<b>7,762</b>

\* Includes closed cases with the disposition of questions of fact and action suspended due to litigation and/or arbitration

**Table 49**  
**CONSUMER SERVICES BUREAU CASES**  
**Not Involving Loss Settlements or Policy Provisions**  
**1997**

<b><u>Subject of Cases or Investigations</u></b>	<b><u>Total Processed</u></b>	<b><u>Fines Revocations &amp; Other Actions*</u></b>	<b><u>Upheld</u></b>	<b><u>Not Upheld</u></b>
Misleading Advertising	65	29	15	21
Application for License	1,564	1,508	24	32
Acting without License	26	17	4	5
Aiding Unauthorized Company	287	86	5	196
Misappropriation of Premium	182	123	28	31
Issuing Bad Checks	538	426	19	93
Commingling	7	3	3	1
Rebating	15	9	1	5
Misrepresentation of Coverage	455	201	53	201
Excess Comp. Without Contract	87	41	1	45
Twisting	337	69	194	74
Public Adjusters, Prohibited Practice	14	9	1	4
Violation of NYAIP/NYPIUA Rules	348	238	7	103
Commission Disputes	31	13	3	15
Return Premium, Producer	124	53	6	65
Other Violations of Insurance Law	454	264	36	154
Violations of Other Law	55	33	4	18
Fraudulent NYAIP Application	393	209	1	183
Incorporators and/or Directors	2,252	2,252	0	0
Discrimination/Redlining	0	0	0	0
Illegal Insurance Enterprise	3	3	0	0
Ending of Agency/Broker Acct.	185	123	30	32
Miscellaneous Complaints	114	49	0	65
Delay in Issuing Policy	13	10	1	2
Policy Status	9	5	2	2
License Status, Company	3	3	0	0
Voluntary Surrender of License	84	80	0	4
Misleading Sales, Life	11	7	0	4
Other	177	137	1	39
<b>Total</b>	<b>7,833</b>	<b>6,000</b>	<b>439</b>	<b>1,394</b>

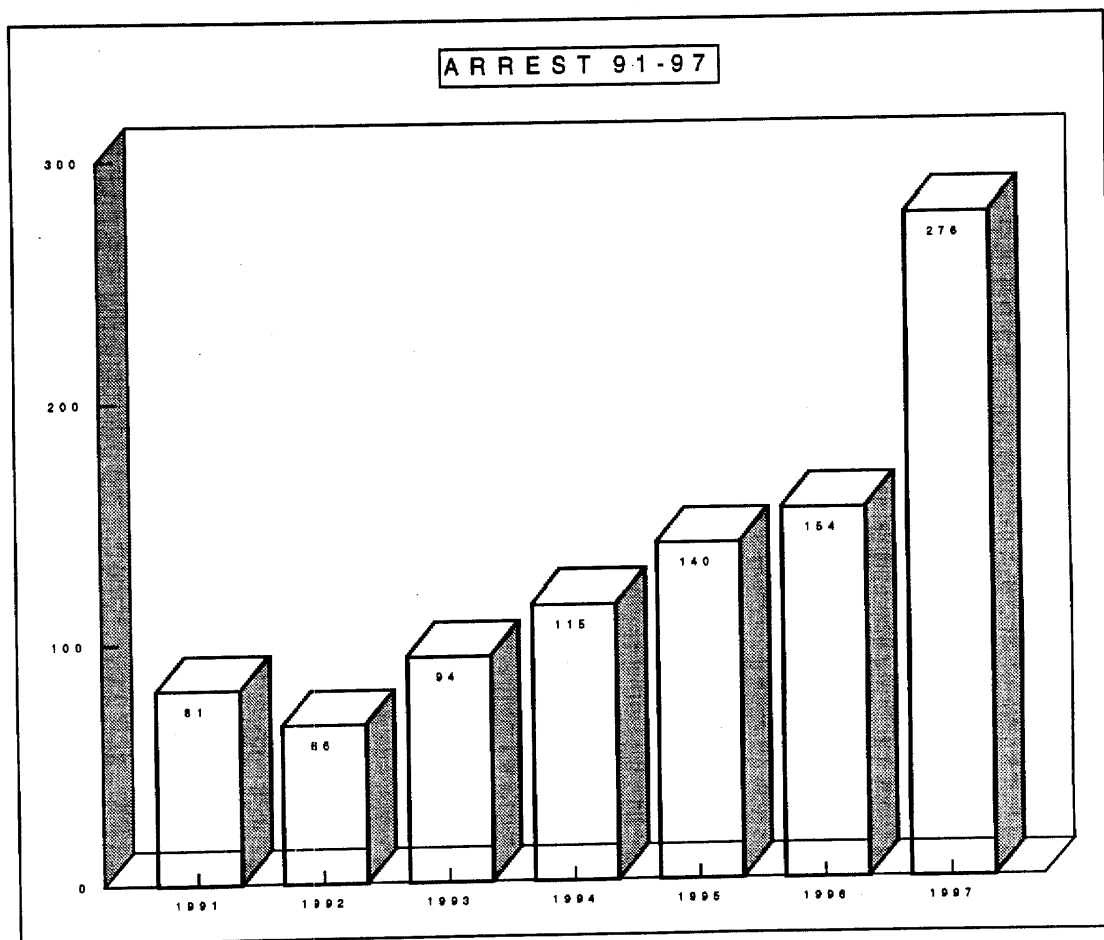
\* Including license and incorporators' and/or directors' approvals

## F. INSURANCE FRAUDS

The Insurance Frauds Bureau (IFB) was established by an act of the Legislature in 1981 as a law enforcement agency within the New York State Department of Insurance. Its primary mission is the detection, investigation and referral for prosecution of individuals and groups who commit insurance fraud and related crimes. IFB staff consists of 32 investigators, organized in seven units--Arson, Automobile, General, Medical, Organized Fraud, Upstate, and Workers' Compensation--each of which is headed by a Supervising Investigator. Investigative oversight is performed by the Chief Investigator with the assistance of one Principal Investigator. Members of the investigative staff are designated by the Superintendent as peace officers. IFB also has a staff of five insurance examiners who work under the supervision of a Principal Examiner. There are seven support staff who report to the Secretary to the Director. IFB has its headquarters in New York City, and has offices in Albany, Buffalo, Mineola, Oneonta, Rochester and Syracuse.

Section 405 of the Insurance Law requires the Superintendent to submit to the Governor and the Legislature by January 15 each year a comprehensive summary and assessment of the Frauds Bureau's efforts. Among the highlights of the *Insurance Frauds Bureau 1997 Report* are:

- Arrests for insurance fraud and related crimes totaled 276 in 1997, a year-to-year increase of 79%;
- Under the Civil Enforcement Program, individuals who committed fraudulent insurance acts paid over \$109,600 in civil penalties in 1997.





The year was also marked by the establishment of two new Units within the Bureau: the Organized Fraud Unit and the Workers' Compensation Unit. The Workers' Compensation Unit was established pursuant to the mandate of the comprehensive reform of the workers' compensation Insurance system enacted by the Legislature and signed into law by Governor George Pataki in 1996. This Unit began operation in mid-February of 1997 with the assignment of newly hired investigators and the reassignment of a number of members of the existing staff. The Unit currently consists of three investigators in the newly established Long Island Regional Office, three investigators in the New York City Main Office, and two upstate. Two additional investigators will be added to the Unit's staff in 1998 to comply with the mandated staffing level of ten investigators.

The establishment of the Workers' Compensation Unit and the overall increase in Bureau personnel has led to a significant change in the approach to workers' compensation cases. Instead of the "triage" system used in the past in which only the most promising leads were pursued, the Workers' Compensation Unit has begun examining in detail every report of suspected workers' compensation fraud received from the industry and from the public.

The Unit has also begun a series of direct contacts with insurance companies and large self-insurers to improve communications and to ensure the timely reporting of suspicious claims to the Frauds Bureau. The Unit is also working on a daily basis with the Workers' Compensation Inspector General and with his investigative staff to coordinate efforts, conduct joint investigations, and identify potentially fruitful joint investigative projects. The Inspector General and the Director of IFB communicate on a regular basis to ensure that this positive working relationship is maintained and enhanced.

The Report also detailed some of the Bureau's most notable 1997 achievements including:

- The arrest of a Brooklyn man charged with setting up a front company as part of an elaborate scam to cheat insurers of over \$1.4 million dollars. The defendant is accused of filing false documents with Empire Blue Cross & Blue Shield claiming that over 150 people were employed by a fictitious organization known as "Jewish Folk Schools." Empire Blue Cross & Blue Shield paid out over \$1 million dollars in benefits under these false policies. In reality, none of the subscribers were employees of any organization and the defendant frequently charged them more for their premium payments than would be required by Blue Cross & Blue Shield.
- The indictment of a Spring Valley corporation on charges that the company sold three-day temporary insurance cards to more than 20 auto dealerships to be issued to their customers to aid in registering new cars. The insurer named on the insurance cards had no knowledge of the corporation's activities. On May 7, the corporation was convicted of insurance fraud in the second degree and fined \$140,000 dollars.
- The arrest of six individuals charged in the first-ever sweep of insurance fraud offenders conducted by the Nassau County District Attorney and Insurance Frauds Bureau. One purpose of this sweep was to call public attention to the pervasiveness of insurance fraud and its impact on the general public. Those arrested included a Valley Stream man who had been fraudulently collecting workers' compensation benefits since 1991. He had recently received a lump sum award in excess of \$46,000 dollars as a result of his false statements about his work status. A second workers' compensation claimant from Levittown, also arrested, claimed that she was unable to work. However, she was videotaped working in a beauty salon which had been her line of work prior to her injury.
- Guilty pleas by two related Niagara Falls corporations and their comptroller on charges of federal mail fraud. It is alleged that the defendants under-reported the number of employees covered by their workers' compensation insurance policies by nearly 50% over a period of almost five years.

The defendants have agreed to pay up to \$1.2 million dollars in restitution to the State Insurance Fund and a criminal fine of \$350,000 dollars. The comptroller is expected to face a prison term under federal sentencing guidelines.

- The arrest of a Lyndhurst, NJ, man in connection with a scheme to defraud a number of governmental entities and a homeowners' association. The defendant and his corporation, which was also charged, allegedly provided fraudulent surety bonds guaranteeing the bids, payments to subcontractors and workers, and completion of all work by contractors on several public construction contracts valued at over \$5 million dollars.

The defendants are not licensed by the Insurance Department to issue surety bonds and the surety bonds they did issue were worthless. The scheme cost taxpayers thousands of dollars in wasted premium payments for worthless insurance. It also exposed a number of public entities to enormous potential losses running into millions of dollars. The general contractors on a number of these jobs have defaulted, leaving large losses for the public project owners. Since the bonds which were supposed to protect the public entities were worthless, the entities themselves must bear the additional costs of completing these projects.

## **G. SYSTEMS BUREAU**

The Systems Bureau (Systems) supports the Insurance Department's technical infrastructure, while providing information technology services to its roughly 850 employees. Clients include insurers, the public, federal, state and local agencies, actuaries, clerks, examiners, frauds investigators, real estate appraisers, lawyers, researchers and statisticians.

Systems provides support services such as troubleshooting, training, consulting, maintenance and research and development. Help and Info Centers have been created in the Albany and New York City offices to support office automation, including electronic mail and word processing. The Bureau develops custom client/server applications, including databases and spreadsheets, while maintaining legacy mainframe systems, and uses sophisticated enabling technologies, including telecommunications, bar code scanning, imaging, optical character recognition and electronic data interchange (EDI).

The Bureau has two offices, one located in New York City and the other in Albany. Due to a major re-engineering initiative, the Bureau has developed a flexible organizational structure based on functional, not geographical location. Using this approach, the Bureau has eliminated duplication of effort and redundant management structures, as well as recognizing the Department's common, not geographically isolated, needs.

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

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

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

The Technical Services Unit (TSU) maintains advanced platforms in the mainframe, minicomputer, LAN and microcomputer categories. TSU is responsible for database administration, network installation and maintenance, mainframe and minicomputer maintenance, all third-party software installation and maintenance, operational aspects of all systems, as well as site administration for office automation.

Systems operates an IBM ES9000/260 and several powerful servers which comprise our Local Area Network (LAN) environment. Components of the LAN include file and print servers, Lotus Notes e-mail server, Sybase server, and imaging and document management software. Other application servers include a fax gateway and a batch-processing server.

Two Novell NetWare Token Ring (16 megabit) networks are now maintained. TSU also supports a wide-area network (WAN), connecting Albany, New York City, Buffalo, and Mineola to the LANs.

One noteworthy accomplishment during 1997 was the relocation of the Department, and all its computer equipment, to new quarters in lower Manhattan. Utilizing extensive planning, innovative and creative approaches to acquire equipment for the move, and dedicated staff that worked extremely long hours, the move of all computer equipment went smoothly. The day after the move, all systems were operational. The move of our vast array of computer equipment was as transparent and seamless to employees and clients as could be imagined.

Systems began working with Administration and General Counsel in 1997 to prepare a PC Technology Leasing RFP. This leasing will allow the Department to upgrade its entire laptop fleet to Pentium-based processor units incorporating CD-ROM, high-speed modems, and sufficient hard drive and memory capacity to perform the work required by field staff. Older 486-based desktops will be upgraded to Pentium-based 200 MHz processor machines. The operating system for the entire PC fleet will be Windows NT 4.0 with a common office suite of Microsoft Office 97. Lotus Organizer 97 GS will be the Department standard for group scheduling. Control agency approval commenced in February 1998 and a 2Q98 implementation of the hardware and software upgrade is anticipated.

During 1997, the Department took aggressive actions to ensure attaining Year 2000 (Y2K) readiness for its computer applications. A full-time Project Manager was assigned to such tasks as assessment, awareness, risk, scope, confirmation of internal assessments, remediation requirements, testing and certification, and contingency planning. A Project Management Office was established to review third-party compliance with Y2K readiness and other tasks. The Department actively participates with the Office for Technology's Y2K Task Force and with such other entities as the Federal Reserve Bank of New York. Outside resources have been utilized thus far and the Department is exploring the possibility of engaging outside assistance for more aspects of this project.

A significant milestone was the release of the Department's website on the Internet on September 8, 1997. Since going live, **www.ins.state.ny.us** has generated tremendous interest and has been exceedingly well received. Numerous enhancements have been made since its inception including additional content and stylistic changes.

A continuing initiative during 1997 was the re-engineering of the Consumer Services Bureau's complaint and investigation system. The primary goal is to be more responsive to New York State's consumers. The Consumers Imaging and Information Management System (CIIMS) will achieve this goal through shortened processing cycles, faster record look-up and more efficient document processing and routing. It will also reduce paper, free up physical storage areas and provide access to information at all remote locations.

The Systems Bureau's approach uses a blend of excellent consulting expertise, assisting in-house specialists, along with reliable software. The finished system will be based on a Sybase database engine, using PowerBuilder application code, VisiFLOW management system and AdaptFile 2.0 software. VisiFLOW management is a Datamax Technologies, Inc. product, while AdaptFile 2.0 is a product of Adaptive Information Systems. It is a totally client/server-based system, residing on two Novell NetWare LANs. These are connected by a frame relay WAN.

The Department took this opportunity to replace its existing mainframe-based complaint handling system. This additional benefit will ultimately save the Department a significant amount of time and money. The completed system will be Y2K ready.

The system development and implementation schedules were lengthened due to several technical environment changes made at the Department, various functionality changes required, and the need for extended acceptance testing by the clients. It is anticipated that the completed system will be in production by the end of the second quarter of 1998.

Image enabling for other areas of the Department is planned. The combination of flexible, sophisticated technology along with streamlining the document and workflow processes will make the Department more efficient and responsive to our customers.

The Licensing Information Online Network (LION) project continued to move forward throughout the year. When complete, this system will combine the existing Licensing and Corporate Affairs legacy systems, along with the client/server-based Continuing Education and Pre-Licensing systems. LION will integrate all of the existing systems' functionality and added features, will address and resolve all of the Y2K issues with these systems, will be supported by a unified database structure, and will provide a springboard for future enhancements.

Another major accomplishment in the applications area during 1997 was the re-engineering of the Fire Tax System as a client/server application. This went into production in early 1998. Also of note was the implementation of remote entry of fraud suspect data directly by insurers. This is accomplished through a secure network environment and greatly minimizes the amount of manual data entry work that must be performed by Department staff.

Work on the strategic Department task of promoting the availability, accessibility and usability of data as a Department resource continued during 1997. TSU installed CD-ROM versions of NILS, West and Shepards for all attorneys and other clients. There has been a continuous program of installation and client demonstrations by the FSU staff. Other CD-ROM products were also provided to clients.

During 1997, Systems' technical staff began releasing Windows NT as the client interface. This 32 bit platform is our new standard and all new applications are written for this environment. The 32 bit platform provides a more stable environment and allows true multi-tasking functionality.

In the data communications arena, we continued to expand our frame relay connectivity. In addition to controlling data traffic between our offices, we connect to the National Association of Insurance Commissioners and to other New York State agencies. In 1997, direct connectivity to the Internet was enabled. This allows our clients to seamlessly access the Internet for research purposes. For messaging, the conversion of our Lotus Notes Mail to release 4.5 was completed in 1997.

Staff began reviewing the Department's technical infrastructure and architecture, assessing where we are and where we wanted to be, deciding how best to get from here to there, and offering recommendations to make this happen. In 1998, we will begin implementing these recommendations.

A messaging and Department-wide library system was added to the LAN to allow paperless distribution of important documents. Among the documents currently available on-line are an Applications Catalogue from Systems, Department Regulations, NAIC Model Laws, the Employees' Handbook and a variety of manuals and forms.

The FSU provides in-house support and training in the use of the Department's query tool, Questo, and the NAIC's financial subsystems. During 1997, the FSU produced over 25 statistical tables for the Annual Report of the Superintendent. The Unit also produced the *Directory of Regulated Insurance Companies*, and the tables for the *Annual Ranking of Auto Insurance Complaints* and the *Annual Ranking of Health Insurance Complaints*. FOIL requests generated revenue of about \$ 31,400, and company certifications generated revenue of about \$ 3,100.

To aid in managing and improving support for the Help Center, a Windows-based Help Center software product is used. It provides the ability to efficiently and quickly route, track and resolve inquiries, questions and problems. The Help Center responded to 5,461 calls from Department staff during 1997 as follows:

	<u>1997</u>	<u>1996</u>
Administration	77	54
Actuarial Valuation	201	160
Casualty Actuarial Unit	60	43
Corporate Affairs	126	114
Consumer Services	837	627
Executive	243	116
Financial Condition Life	316	280
Financial Condition Property	618	533
Health Rating	108	84
Insurance Frauds	330	269
Systems	199	154
Life and Health	294	402
Licensing	486	430
Office of General Counsel	360	307
Property and Casualty	694	455
Personnel	169	157
Research	46	49
Taxes and Accounts	297	336
<b>TOTAL</b>	<b>5,461</b>	<b>4,570</b>

New initiatives and major modifications were completed in several application areas, incorporating changes in the New York State Insurance Law, rules and regulations. Manual tasks were automated and system performance for all applications was improved or maintained.

The Systems Bureau represented the Department on various National Association of Insurance Commissioners (NAIC) task forces and working groups during 1997, for example:

- Financial Database Task Force of the Information Services (EX7) Subcommittee (reviewing and recommending policy issues regarding the Annual Statement Re-engineering initiative)
- Information Services (EX7) Subcommittee's working groups:
  - Systems Strategic Planning Working Group (determining the best short- and long-term technology initiatives to benefit the NAIC, the states and industry); and
  - Producer Database Working Group (developing a national producer database, exploring the viability of national licensing, and creating a Producer Information Network (PIN) to facilitate dissemination of information between regulators and the industry).

## **H. 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.

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 of 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 \$400,000 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.

A number of changes in the law have had an impact on the operations of MVAIC since its inception. For example:

- 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.
- Effective July 22, 1989, the time limit for filing affidavits with MVAIC to report claims involving hit-and-run accidents was extended from 90 to 180 days.
- Effective November 13, 1991, the no-fault law was amended to increase the maximum monthly loss earnings from \$1,000 to \$2,000, which has had an impact on the yearly no-fault payments.



• In June of 1995, the New York State Legislature amended Section 1 Paragraph 1 of subsection (f) of Section 3420 of the Insurance Law to increase the New York financial responsibility limits from \$10,000 per person, \$20,000 per accident to \$25,000 per person and \$50,000 per accident. These limits are equally applicable to uninsured claims submitted to MVAIC. This law took effect for accidents occurring after January 1, 1996.

During 1997, MVAIC opened 3,949 new files. A total of 3,602 cases were settled with payment in 1997 at an average cost per claim of \$8,064. In 1995 and 1996, the average settlement per claim was \$6,223 and \$6,598, respectively. An additional 1,714 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 1997 was 9,108, down from 10,050 in 1996.

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 50  
SOURCES OF FUNDS  
Motor Vehicle Accident Indemnification Corporation  
1995-1997

Source	1997	1996	1995
Net assessments	\$ 16,000,000 <sup>a</sup>	\$ 28,000,000 <sup>b</sup>	\$ 17,500,000 <sup>c</sup>
Self-Insurers' fees	110,186	100,277	108,270
Investment income & profit	4,331,023	3,998,494	4,089,739
Subrogation recoveries	3,292,011	3,350,199	3,155,021
Total	\$ 23,733,220	\$ 35,448,970	\$ 24,853,030

<sup>a</sup> originally assessed for \$32,000,000; waived 3rd & 4th quarter assessment of \$16,000,000.

<sup>b</sup> originally assessed for \$32,000,000; waived 50% of 4th quarter assessment by \$4,000,000.

<sup>c</sup> originally assessed for \$23,500,000; waived 4th quarter assessment amount of \$5,875,000.

Table 51  
TRANSACTIONS  
Motor Vehicle Accident Indemnification Corporation  
1995-1997

Transaction	1997	1996	1995
<u>Number of Cases</u>			
Pending at beginning of year	10,050	10,026	11,791
Total opened cases	4,374	5,685	4,515
Reported qualified	-0-	-0-	-0-
Reported tort and no-fault <sup>a</sup>	3,949	5,291	4,251
Reopened <sup>a</sup>	425	394	264
Total closed cases <sup>a</sup>	5,316	5,661	6,280
Cases closed without payment	1,714	2,038	2,369
Settled cases with payment	3,602	3,623	3,911
Qualified persons	-0-	-0-	-0-
No-fault and tort	3,602	3,623	3,911
Pending at end of year <sup>a</sup>	9,108	10,050	10,026
<u>Payments of Settled Claims (Before Subrogation)</u>			
Payments to claimants	\$22,895,605	\$24,169,705	\$23,073,118
Qualified persons	-0-	-0-	-0-
No-fault and tort	22,895,605	24,169,705	23,073,118
Allocated claims expense <sup>b</sup>	\$ 3,616,344	\$ 3,736,370	\$ 3,313,345
<u>Reserves Year End (in 000s)</u>			
Total reserves <sup>c</sup>	\$ 50,391	\$ 48,201	\$ 48,814
On pending claims	24,760	28,657	29,230
On claims (IBNR)	22,500	16,500	16,500
Special expense reserve	2,836	2,709	2,744
On unallocated claims expense	295	335	340

<sup>a</sup> Most claims count as one case for BI or tort and one case for not-fault PIP.

<sup>b</sup> The corporation also expended \$44,852,719 in 1997, \$4,389,998 in 1996 and \$4,102,230 in 1995 for operations and maintenance (unallocated expenses).

<sup>c</sup> Surplus was \$3,433,365 at year-end 1997, \$12,912,228<sup>r</sup> at year-end 1996 and \$9,202,781 at year-end 1995. In 1997, the Corporation was established a reserve of \$649,000 in accordance with the FASB 106 (Insurance Benefits for Retirees). In 1996, the FASB reserve was \$226,000.

<sup>r</sup> Revised

Sources: Motor Vehicle Accident Indemnification Corporation

The following table distributes, by type of case, the 3,949 claims newly reported during 1997. The uninsured New York automobile driver represents 52.65% of the total reported cases compared with 59.61% for the previous year, a decrease of 6.96 percentage points.

Table 52  
NEWLY REPORTED CASES BY TYPE  
Motor Vehicle Accident Indemnification Corporation  
1997

<u>Type of Cases<sup>a</sup></u>	<u>Number of Claimants</u>	<u>Percent of Total</u>
Total qualified, <sup>b</sup> no-fault PIP	3,949	100.00%
Uninsured out-of state automobiles	421	10.66
Uninsured hit-and-run drivers	1,331	33.70
Uninsured New York automobiles	2,079	52.69
Stolen automobiles	28	0.71
Automobiles operated without consent of owners	-0-	-0-
Insured automobiles where the insurance is inapplicable to the accident	44	1.11
Unregistered automobiles	46	1.16

<sup>a</sup> 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.

<sup>b</sup> The Statute of Limitations on qualified cases has now run; consequently, no such cases were reported in 1997. 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 1997 and provides the amount paid. Unidentified hit-and-run drivers, while representing only 37.37% of all cases, accounted for 48.06% 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 53  
SETTLED CASES WITH PAYMENT BY TYPE  
Motor Vehicle Accident Indemnification Corporation  
1997  
(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	3,602	100.00%	\$22,896	100.00%
Uninsured out-of-state autos	211	5.86	1,456	6.36
Unidentified hit/run drivers	1,346	37.37	11,003	48.06
Uninsured New York automobiles	1,942	53.91	9,678	42.27
Stolen automobiles	14	0.39	150	0.65
Automobiles operated without consent of the owner	1	0.03	10	0.04
Insured automobiles where the insurance is inapplicable to the accident	41	1.14	199	0.87
Unregistered automobiles	47	1.30	400	1.75

\* Includes PIP partial payments. Excludes subrogation received on cases previously settled and allocated loss adjustment expenses.

Source: Motor Vehicle Accident Indemnification Corporation

#### **IV. LEGISLATION ENACTED, REGULATIONS PROMULGATED, CIRCULAR LETTERS ISSUED AND IMPORTANT DEVELOPMENTS IN MAJOR LITIGATION AND REGULATORY LICENSE HEARINGS AND STIPULATIONS EXECUTED - 1997**

##### **A. INSURANCE LEGISLATION ENACTED**

**(Legislation is presented in numeric order based on 1997 Chapter Law)**

This portion of the report covers bills amending the Insurance Law that were enacted at the 1997 Regular Session. Where a bill amends laws other than the Insurance Law, only provisions of interest are noted. *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.* A more detailed Legislative Summary, in two parts, is available through the Department's Research Bureau. Part I covers new statutes amending the Insurance Law. (Many of these new statutes contain provisions amending other laws as well.) Part II details new statutes amending laws other than the Insurance Law that are of general interest to the Insurance community.

**1. Chapter 3 of the Laws of 1997 amends the Insurance Law and the Banking Law as follows:**

- Adds a new Section 14-g to the Banking Law to authorize the Banking Board to permit state-chartered banks and trust companies to exercise any power, engage in any activity and enter into any transaction in which a national bank, acting directly or indirectly, may lawfully exercise or into which it may lawfully engage or enter (Wild Card Authority).
- Amends Section 44 of the Banking Law to confer upon the Banking Department authority to assess penalties for misconduct that is similar to that possessed by federal banking regulators under federal banking law. In addition, clarifies that out-of-state banks that establish New York branches are also subject to the penalty provisions of the statute.
- Amends Sections 2123 and 2502 of the Insurance Law to reiterate the provisions added in new Section 14-g of the Banking Law.  
**(A Governor's Program Bill)**

**2. Chapters 20 and 21 of the Laws of 1997 amend the Insurance Law and the Public Health Law as follows:**

- Amends Sections 3216, 3221 and 4303 of the Insurance Law to require every policy of insurance issued by an insurer or contract issued by a health maintenance organization that provides coverage for inpatient hospital care to provide hospital coverage for such period as is determined by the attending physician in consultation with the patient to be medically appropriate for an insured undergoing a mastectomy, lymph node dissection or lumpectomy for the treatment of breast cancer. Also requires such policy to include coverage for a second medical opinion for the treatment of cancer, a recurrence of cancer or a recommendation of a course of treatment for cancer. Further, requires coverage for breast reconstruction following surgery.
- Amends the Public Health Law to require that general hospitals offer inpatient care for mastectomy surgery, lymph node dissection or a lumpectomy for a period as determined by the attending physician in consultation with the patient to be medically appropriate. Further, requires the Commissioner of Health to include an explanation of the provisions of the statute in the standard written summary on breast cancer.

3. **Chapter 42 of the Laws of 1997** amends the Insurance Law, the Administrative Code of the City of New York and the Tax Law as follows:

- Amends Section 1117 of the Insurance Law, relating to long-term care insurance, to clarify that a corporation authorized under Article 43 of the Insurance Law may issue certain contracts in connection with plans providing benefits for long-term care. Also amends Section 1117 to modify standards for a long-term care insurance contract to qualify for favorable state tax treatment.
- Amends the Tax Law and Section 11-1712 of the Administrative Code of the City of New York to provide a first-dollar tax modification for premiums paid on qualifying long-term care insurance policies up to certain limits as specified in federal law.

4. **Chapters 44 and 78 of the Laws of 1997** amend the Insurance Law as follows:

- Amends Section 2346 and adds a new Section 2346-a to require the Superintendent to provide for an "actuarially appropriate reduction" in the rates of homeowners and commercial risk insurance premiums applicable to real property fitted or retrofitted with hurricane resistant laminated glass windows or doors. Also requires the Superintendent to establish, by regulation, standards for such windows and doors, including the safe and secure installation thereof.

5. **Chapter 66 of the Laws of 1997** amends the Insurance Law and Chapter 42 of the Laws of 1996 as follows:

- Amends Sections 5411 and 5412 of the Insurance Law to extend the authority of the New York Property Insurance Underwriting Association until April 30, 1998. Requires a report by the Temporary Panel on Homeowner Insurance Coverage by February 1, 1998.

6. **Chapter 68 of the Laws of 1997** amends the Insurance Law as follows:

- Amends Section 4216(b)(3)(J) to increase the maximum limit on group life insurance coverage for a real estate mortgage secured loan from \$110,000 to \$220,000.

7. **Chapters 159 and 160 of the Laws of 1997** amend the Insurance Law as follows:

- Amends Section 7403 to extend for one year, to July 1, 1998, the authorization of the Superintendent of Insurance to borrow from the Property/Casualty Insurance Security Fund, under certain conditions and subject to court approval, up to \$40 million or 20% of an insurer's net direct premium writings, for the purpose of rehabilitation a of domestic property/casualty insurer.
- Also amends Section 7403 to postpone until July 1, 1998 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 reduce the amount of assets in the Fund below \$195 million.

8. **Chapters 161 and 261 of the Laws of 1997** amend the Insurance Law and Chapter 266 of the Laws of 1986 as follows:

- Amends Section 5502(c) of the Insurance Law to extend the Medical Malpractice Insurance Association (MMIA) to June 30, 1998. Amends Section 18 of Chapter 266 of the Laws of 1996 to extend the excess medical malpractice program through July 1, 1998.

- Requires the Superintendent to direct MMIA to return premium to the Hospital Excess Liability Pool in an amount equal to the estimated cost of the program for the 1997-1998 policy year upon a finding that such funds are not required to satisfy the standards that premiums shall be fixed at the lowest possible rates consistent with the maintenance of solvency and of reasonable reserves and surplus.
- Imposes a temporary franchise tax on certain insurers (which is waived in the event that the return of MMIA premium takes place), outlines procedures for payment and collection of the tax, venues for legal challenges and repayment of amounts exceeding that required for the excess program.
- Requires the Superintendent to report to the Governor and Legislature by December 1, 1997 regarding: the status of the market for primary and excess medical malpractice insurance; operation and financing of the excess program; any recommendations for improvement of the markets; and the future need for MMIA to provide a market for medical malpractice insurance.

**9. Chapter 177 of the Laws of 1997 amends the Insurance Law as follows:**

- Repeals Sections 3216(i) (16), 3221(k)(7) and 4303(u) and amends Sections 3216, 3221 and 4303 respectively to require that every policy that provides coverage for prescription drugs shall include coverage for the cost of enteral formulas for home use for which a physician or other licensed health care provider legally authorized to prescribe has issued a written order.

**10. Chapter 225 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Sections 2117 and 2118 of the Insurance Law to provide that an excess line broker may, under specified circumstances, exercise binding authority on behalf of an insurer not licensed or authorized to do business in this State and sets forth various requirements for brokers to follow in executing their expanded authority.

**11. Chapter 239 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Section 2105 of the Insurance Law to specify that an excess line broker may procure personal accident insurance and accident disability insurance in which the insured is a nonresident of this State; the nature of the risk to be insured is related to the operation of motor vehicles at high speeds for the enjoyment of spectators; is unusual and difficult to place; and where such broker, after diligent effort, could not procure substantially similar coverage from an insurer authorized to do business in this State.

**12. Chapter 287 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Section 3220(a)(6) in relation to group life insurance to require that a group life certificate holder who loses coverage as a result of becoming totally and permanently disabled has the option to convert the certificate without providing evidence of insurability to any individual policy, *including any term insurance policy*, offered by that insurer to the class to which he/she belongs.

**13. Chapter 294 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Section 1113(a) by adding a new paragraph 27 to the list of permissible kinds of insurance in New York to define prize indemnification insurance as insurance against financial loss by reason of payment of any sum or item awarded to a participant in any lawful contest or sports-related event. Amends Section 2105 to add prize indemnification insurance to the list of kinds of insurance that may be procured by an excess line broker.
- Amends Section 4101 to add prize indemnification insurance to the list of nonbasic kinds of insurance. Amends Sections 4103 and 4107 to add financial requirements (paid-in capital and paid-in surplus) that must be complied with in order for a stock or mutual property/casualty insurance company to be licensed to write this new kind of insurance.

**14. Chapter 387 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Section 1116 to permit insurers to issue, until April 1, 1998, contracts in connection with experimental plans providing for benefits for legal services. In addition, the statute permits the duration of such contracts to extend until April 1, 2003.

**15. Chapter 389 of the Laws of 1997 amends the Insurance Law, the Tax Law, the Administrative Code of the City of New York, the Alcoholic Beverage Control Law, the Arts and Cultural Affairs Law, the Banking Law, the Environmental Conservation Law, the Estates, Powers and Trusts Law, The Labor Law, the Mental Hygiene Law, the Public Authorities Law, the Public Health Law, the Public Service Law, the Real Property Tax Law, the Social Services Law, the State Finance Law, the Surrogate's Court Procedure Act and makes amendments to the Laws of 1996, 1992, 1991, 1990 and 1973 as follows:**

- The Insurance Law is amended by adding a new Article 70 to authorize captive insurance companies. Section 7001 states the purpose and applicability to facilitate the formation and operation of captive insurance companies within the State of New York. Section 7002 sets forth definitions. Section 7003 provides for licensing, powers, filing and fees.
- A captive insurance company shall not be authorized to provide, on a primary basis, workers' compensation and employers' liability insurance or any other kind of insurance, including motor vehicle liability insurance, that is required under the laws of this State or any political subdivision of this State, as a demonstration of financial responsibility for obtaining a license or permit to undertake specific activities. Before receiving a license to do a captive insurance business, a captive insurance company shall file an application for license with the Superintendent for review and approval.
- Section 7004 establishes required capital and surplus as regards policyholders. Section 7005 outlines organizational and corporate procedures. Section 7006 mandates an annual report. Section 7007 allows for examinations. Section 7008 details violations for which suspension or revocation of licenses may result. Section 7009 regulates investments. Section 7010 allows for reinsurance. Section 7011 provides an exemption from compulsory associations. Section 7012 mandates that captive insurance companies pay franchise taxes. Section 1301 is amended to allow credit for reinsurance placed in a captive.



- The Tax Law is amended to allow a tax credit for insurance companies that invest in certified venture capital companies, which are essentially funding vehicles to finance small New York State businesses. The venture capital company must register with the State and make investments in qualified businesses in order for the insurance companies to take the credits.

**16. Chapter 400 of the Laws of 1997** amends the Insurance Law as follows:

- Amends Section 6804(a) to authorize an increase in the premium amounts for bail bonds.

**17. Chapter 426 of the Laws of 1997** amends the Insurance Law and the Public Health Law as follows:

- Amends Insurance Law Sections 3216, 3221 and 4303 to require policies and contracts that provide coverage for physician services in a physician's office, major medical coverage or similar comprehensive-type coverage to include coverage for chiropractic care, as defined in the Education Law. Provides, however, that chiropractic care and services may be subject to reasonable deductible, co-payment, co-insurance amounts, fee or benefit limits and utilization-review requirements. These limits may not be more restrictive than requirements applicable under the same policy to care provided by other health professionals for the same or similar conditions.
- Policies, other than managed care products may until December 31, 1999 impose utilization-review requirements after 15 chiropractic visits have been provided in a calendar year.
- Adds a new Section 211 to the Insurance Law to require the Superintendent of Insurance to order a study of utilization trends and experience and the rate and premium impact of this legislation on health insurance consumers and report by September 1, 1999 to the Governor, the Temporary President of the Senate and the Speaker of the Assembly.
- Amends Section 4406 of the Public Health Law to add a reference to mandated benefits required by Article 43 of the Insurance Law.

**18. Chapter 533 of the Laws of 1997** amends the Insurance Law as follows:

- Amends Section 1701 to expand the authority of Article 43 corporations to invest in subsidiaries to include businesses providing administration or sales of employer provided or arranged employee health and welfare benefits. Amends Section 1705 to permit Article 43 corporations to invest as much in subsidiaries as domestic life insurers are permitted to invest in subsidiaries. Amends Section 4310 to authorize such corporations to invest in a fashion similar to other nonlife insurers and permits them to invest limited amounts in a parent corporation and in affiliated companies.

**19. Chapter 547 of the Laws of 1997** amends the Insurance Law as follows:

- Amends Sections 2601 and 3420 to require an insurer to disclose the motor vehicle liability policy limits of its policyholder to any claimant that is covered by supplementary uninsured motorists (SUM) coverage and establishes that failure to provide such information within 45 days of the request shall constitute an unfair claim practice. The failure to comply would also toll the period of time for a claimant to make a SUM claim.

**20. Chapter 551 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Section 1113(a)(17) to add a new subparagraph (E) to include within the definition of credit insurance the indemnification of professional sports participants or teams, entertainers and the entities with which they are under contract to perform, and business executives and the companies with which they have employment contracts, where contracts between such persons and teams or entities cannot be fulfilled due to a sports participant's, entertainer's, or business executive's death, personal injury by accident, sickness, or ailment, or bodily injury that causes disability, where the indemnification is for the amount of financial loss that is sustained by the insured party or parties due to the inability to fulfill the contract.

**21. Chapter 568 of the Laws of 1997 amends the Insurance Law as follows:**

- Amends Section 3420(f)(2) to increase from \$100,000/\$300,000 to \$250,000/\$500,000 the maximum amount of supplementary uninsured motorist (SUM) coverage that insurers must provide as an option under a motor vehicle liability insurance policy unless the insurer offers to provide such coverage at limits up to \$500,000 in a personal umbrella liability policy. Also requires that insurers provide policyholders with a simplified notice, approved by the Superintendent of Insurance, about this optional coverage.

**22. Chapter 614 of the Laws of 1997 amends the Insurance Law as follows:**

- Adds a new Article 79 entitled "Service Contracts" to permit the issuance and sale of service contracts, by qualified providers, covering the repair, replacement or maintenance of property. The article does not apply to express or implied warranties; maintenance agreements; and warranties, service contracts or maintenance agreements offered by public utilities on their transmission devices to the extent they are regulated by the Public Service Commission.
- Section 7901 sets forth that the scope and purposes of the Article. Section 7902 establishes definitions for the article. Section 7903 establishes requirements for doing a service contract business. The marketing or sale of service contracts by any provider, administrator or other person, shall be exempt from all other provisions of the Insurance Law. Service contracts shall not be issued, sold or offered for sale in this State unless the provider provides to the service contract holder a receipt for, or other written evidence of, the purchase of the service contract and a copy of the terms and conditions of the service contract.
- In order to assure the faithful performance of a provider's obligations to its contract holders, each provider shall either insure the performance of all its obligations under all service contracts pursuant to a service contract reimbursement insurance policy issued by an insurer authorized to issue service contract reimbursement insurance in this State; maintain a funded reserve account for its obligations under its service contracts issued and outstanding in this State and place in trust with the Superintendent a financial security deposit, having a value of not less than 5% of the gross consideration received upon the sale of all service contracts issued and then in force, but not less than \$ 50,000; or maintain a net worth of stockholders' equity of at least \$100 million.
- Section 7904 sets forth required disclosures for service contract reimbursement insurance policies insuring service contracts issued, sold or offered for sale in this State. Section 7905 sets forth required disclosures for service contracts. Section 7906 details prohibited acts. Section 7907 provides for the registration of providers. Section 7908 establishes recordkeeping requirements.

- Section 7909 provides that an insurer that issues a service contract reimbursement insurance policy shall not terminate the policy except in accordance with Section 3426 of the Insurance Law and upon notice to the Superintendent. The termination of a service contract reimbursement insurance policy shall not reduce the issuer's responsibility for service contracts issued in this State by providers prior to the date of the termination.
- Amends Section 1113(a) to add a new paragraph 28 defining a new kind of insurance entitled "service contract reimbursement insurance." Also amends Sections 1113(a)(14) and (16)(E) to make conforming amendments in the definition of property damage liability insurance and fidelity and surety insurance.
- Amends Section 4101 to add service contract reimbursement insurance to the list of nonbasic kinds of insurance. Amends Section 4102(b)(1) to provide that a property/casualty insurance company organized and licensed to write basic kinds of insurance may be licensed to write service contract reimbursement insurance as a nonbasic kind. Amends Section 4103(a)(1) and Section 4107(b), respectively, to set forth requirements for paid-in capital, paid-in surplus, initial surplus and minimum surplus to be maintained for service contract reimbursement insurance.
- Amends Section 1101(b) to provide that the marketing, sale, offer for sale, issuance, making, proposing to make or administration of a service contract pursuant to Article 79 of the Insurance Law shall not constitute doing an insurance business in this State and to exclude such activities from constituting doing business in the State within the meaning of Section 302 of the Civil Practice Law and Rules.
- Amends Section 2101 to provide that any service contract provider or any administrator or person designated by a service contract provider who in this State markets, sells, offers for sale, issues, makes, proposes to make or administers service contracts pursuant to Article 79 shall not be included in the definition of "insurance agent or broker."
- Amends Section 2302 to exclude service contract reimbursement insurance from the applicability of the rating provisions of Article 23. Amends Section 3102 to provide that the requirements for plain language insurance policies shall not apply to service contracts issued pursuant to Article 79.
- Amends Section 7602(c) to exclude providers of service contracts pursuant to Article 79 from coverage of insurers under the Property/Casualty Insurance Security Fund.

**23. Chapter 616 of the Laws of 1997 amends the Insurance Law as follows:**

- Repeals Section 4228 regarding expense limitations for compensation of life insurance agents and replaces the provisions with a new Section 4228 containing revised requirements relating to expense limitations.
- Amends Section 3209 to enable the Superintendent to adopt regulations providing for the enhanced provision of preliminary information and use of illustrations for individual and group life insurance and annuity contracts.
- Amends Section 4226(a) to provide that the Superintendent shall adopt a regulation governing standards of disclosure and notification by life insurance companies to customers when replacing existing policies or contracts.

- Amends Section 3201(b) to provide for an alternative to the current policy form filing procedure, giving insurers the option to file an expedited policy form approval application with the Superintendent.
- Amends Section 2123 of the Insurance Law to provide that any replacement life insurance policies or annuity contracts shall conform to standards promulgated by regulation by the Superintendent of Insurance. Also sets forth new requirements for such regulation including notification and disclosure procedures, and a 60-day period during which the insured may reinstate the replaced policy.
- Amends Section 4238 to provide that no domestic, foreign or alien life insurance company shall be permitted to do business in this State if it hereafter issues, within or outside this State, any group annuity contract which on its issuance does not appear to be self-supporting on reasonable assumptions as to interest, mortality and expense.
- Amends Section 308 to provide that the Superintendent shall, on or before December 1, 1998, report to the Governor, Speaker of the Assembly and the Majority Leader of the Senate on (i) the advisability of the adoption of a law designed to protect consumers from unfair or deceptive marketing practices with respect to the purchase or replacement of any individual life insurance policy, annuity contract or funding agreement and (ii) the advisability of adoption of a law eliminating or maintaining the extraterritorial impact of Section 4228 on agent compensation agreements.

**24. Chapters 637 and 666 of the Laws of 1997 amend the Insurance Law as follows:**

- Adds a new Section 3224-a to set standards for the prompt, fair and equitable settlement of claims for health care and payments for health care services. Requires insurers and health maintenance organizations to pay claims and bills within 45-days of receipt, except in cases where the obligation to make payment is not reasonably clear, or where there is a reasonable basis supported by evidence that the claim or bill has been submitted fraudulently.
- Requires that in cases where the obligation to make payment is not clear, the insurer or health maintenance organization must pay any undisputed portion of such a claim within the 45-day timeframe and notify the insured or provider within 30 days that there is no obligation to pay, stating the specific reasons therefore, or to request additional information necessary to determine liability. The insurer or health maintenance organization must dispose of the claim within 45 days of receipt of such information.
- Specifies that each claim or bill processed in violation of the new Section 3224-a constitutes a separate violation. Any late payment of a claim or bill must include interest at the greater of 12% per year or the corporate tax rate determined by the Commissioner of Taxation and Finance. No interest is due when the amount of such interest would be less than \$2.
- Amends Section 308 to specify that the Superintendent of Insurance may address inquiries to health maintenance organizations and their officers in relation to their transactions or conditions or any matter connected therewith. Section 308 also permits the Superintendent to levy a civil penalty against an insurer or health maintenance organization for failing to provide a good faith response to an inquiry made by the Superintendent. Such a penalty may not exceed \$500 for each day beyond the date specified by the Superintendent for response, which may be no less than 15 business days. The total penalty may not exceed \$7,500.

- Amends Section 1109 of the Insurance Law to subject health maintenance organizations to the amended Section 308 and new Section 3224-a of the Insurance Law. Amends Section 2402 to include a violation of Section 3224-a of the Insurance Law within the definition of a "defined violation."

- Amends Section 2404 to authorize the Superintendent to impose a civil penalty against any person who does not provide a good faith response to a request for information from the Superintendent as part of an examination or investigation conducted by the Superintendent to determine whether any person has violated or is violating any provision of Article 24 of the Insurance Law. Such penalty may be up to \$500 per day for each day beyond the date specified by the Superintendent for response, which may be no less than 15 business days. The total penalty may not exceed \$10,000. Section 2404 is also amended to authorize the Superintendent to levy an additional penalty of up to \$50,000 against any person who violates the provisions of Section 2404 five times within a five-year period. Subsequent penalties of up to \$50,000 may be imposed for every five subsequent violations incurred within a five-year period. Any person licensed as an agent or broker may surrender such license in lieu of any monetary penalty imposed by the Superintendent for violation of Section 2404.

- Amends Section 2406 to authorize the Superintendent to levy a civil penalty of up to \$500 per day, up to a total of \$5,000, for each day beyond the date that a claim is to be processed in accordance with the new Section 3224-a of the Insurance Law. Provides that nothing in the new section impairs any right of the State to adjust the timing of its payments for medical assistance pursuant to Medicaid or for the Child Health Insurance Plan benefits pursuant to the Public Health Law.

- Requires that in any action brought under Section 3224-a or Article 24 of the Insurance Law regarding payments for medical assistance pursuant to Medicaid, Child Health Insurance Plan benefits, benefits under the Voucher Insurance Program pursuant to Section 1121 of the Insurance Law, and benefits under the New York State Small Business Health Insurance Partnership Program, it shall be a mitigating factor that an insurer or health maintenance organization is owed any premium amounts, premium adjustments, stop-loss recoveries or other payments from the State or one of its fiscal intermediaries under any such program.

**25. Chapter 659 of the Laws of 1997** amends the Insurance Law, the Administrative Code of the City of New York, the Executive Law, the General Municipal Law, the Public Health Law, the Social Services Law, the Tax Law and makes an amendment to the Laws of 1994 as follows:

- Amends the Insurance Law, the Public Health Law, the General Municipal Law, the Tax Law, the Administrative Code of the City of New York, the Social Services Law, and the Executive Law to authorize continuing care retirement communities, establish managed long-term care plans, make the Partnership for Long Term Care Insurance Program permanent, authorize accelerated payment of death benefits based on the need for long-term care, and require studies of assisted living and mental health services for people in adult care facilities.

- Amends Article 46 of the Public Health Law (PHL) to permit a new type of retirement community with a less than lifetime nursing facility benefit to be made available to New Yorkers. A continuing care retirement community (CCRC) would provide a comprehensive, cohesive living arrangement for the elderly, provide independent living units through equity and nonequity models, board, a range of health care and social services, including home care, nursing care and at least 60 days of on-site or affiliated nursing facility care, and provides access to health services, prescription drugs and rehabilitation services.

- Renames the Life Care Council as the Continuing Care Retirement Community Council and adds two additional public members. Clarifies that the Superintendent of Insurance must approve any separate charges (equity purchase amounts) for the housing component of the CCRC contract and that certain rate reductions are not subject to specific approval under certain circumstances. Also, approval of the Attorney General is required for the condominium, cooperative or other equity aspects of CCRCs.
- Amends PHL Section 4606 to require a notice to CCRC residents who are also enrolled in an HMO that they may have to be admitted to a nursing facility other than the CCRC's in order to receive Medicare coverage for their stay.
- Requires triennial rather than annual actuarial reviews of a community's financial situation. Amends Section 612(c) of the Tax Law and Section 11-1712 of the Administrative Code of the City of New York to make the portion of CCRC fees attributable to nursing facility care deductible for state and local income tax purposes beginning in 1998.
- Limits the total number of managed long-term care plans to 24; permits no more than five to be sponsored by HMOs, pre-paid health service plans or integrated delivery systems; and permits no more than eight to be operated on a partially capitated basis at any one time. All approved managed long-term care demonstrations must obtain a certificate of authority as a managed long-term care plan within certain timeframes.

Establishes the requirements for the setting of premiums for medical assistance payment to managed long-term care plans by the Commissioner of Health in consultation with the Superintendent. Requires the Commissioner of Health and the Superintendent to submit a report to the Governor and the Legislature on the results of the managed long-term care plans approved under this Section.

- Amends the Social Services Law to clarify that capitated long-term care services may be part of a managed care program offering comprehensive health services only. Also amends the Social Services Law to authorize Medicaid payment for care and services provided by a managed long-term care plan. Further amends the Social Services Law to clarify the level of the local share of premiums to be paid to a managed long-term care plan on behalf of Medicaid recipients.
- Requires the Commissioner of Health, in consultation with providers or their representatives and organizations that advocate on behalf of the population intended to be served by assisted living programs, to conduct a study of utilization and future development of assisted living. The study is to be completed by May 1, 1998.
- Requires the Office of Mental Health, in consultation with the Commissioner of Health, to study the delivery of mental health services to mentally ill persons residing in adult-care facilities. The study is to be completed by June 1, 1998.

**(A Governor's Program Bill)**

26. Chapter 661 of the Laws of 1997 amends the Insurance Law and the Public Health Law as follows:

- Implements in state law the requirements of the federal Health Insurance Portability and Accountability Act of 1996 with respect to access, availability, portability and renewability of health insurance issued in the group and individual markets by insurers including health maintenance organizations.

**(A Governor's Program Bill)**

27. **Chapter 678 of the Laws of 1997** amends the Insurance Law and the Vehicle and Traffic Law as follows:

- Amends Section 405(d) of the Insurance Law to require the Insurance Department, in preparing its annual insurance fraud report, to include an assessment of law enforcement and insurance company activities to detect and curtail the incidence of uninsured operation of a motor vehicle.
- Amends Section 313 of the Vehicle and Traffic Law to require all automobile insurers to file a notice of issuance with the Commissioner of the Department of Motor Vehicles upon the issuance of an automobile insurance policy within 30 days. Section 313(4) of the Vehicle and Traffic Law is also amended to direct the Commissioner of Motor Vehicles to establish a pilot program to create and maintain an up-to-date insured vehicle identification database.
- Amends Section 317 of the Vehicle and Traffic Law to fund the pilot database system through increased penalties imposed on uninsured drivers, monies obtained from grants to the Commissioner from the Motor Vehicle Theft and Insurance Fraud Prevention Fund, and pro rata assessments upon insurers subject to the provisions of Section 317. Amends Section 318-(1-a) (b) of the Vehicle and Traffic Law to increase from \$6 to \$8 per day the fine on drivers operating a motor vehicle without insurance.
- Establishes a temporary panel, with the Superintendent of Insurance and the Commissioner of Motor Vehicles as co-chairs, to explore the feasibility of establishing an instant on-line registry that can accurately identify uninsured vehicles, so that law enforcement officials can remove uninsured vehicles from the State's roads. The panel shall develop a plan on the feasibility and cost-effectiveness of establishing an instant on-line registry for insurers writing policies on livery vehicles.

## **B. REGULATIONS PROMULGATED OR REPEALED**

The following is a summary of Insurance Department Regulations or repealed in 1997. *These brief descriptions of the Regulations are intended only to provide general information 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.*

*First Amendment to Regulation 11 (11 NYCRR 92): Valuation of Policies and Annuities (Promulgated 5/2/97; Effective 5/21/97)*

The purpose of the First Amendment to Regulation 11 is to amend statutory authority to be consistent with the 1984 recodification and other recent statutory changes, and to remove the reference to "Cooperative Life & Accident Company" because Article 9B was repealed in 1980.

*First Amendment to Regulation 27-B (11 NYCRR 186): Insurance Covering Debtors or Personal Property Purchased on Installment or Deferred Payment Plans (Promulgated 3/20/97; Effective 4/9/97)*

The First Amendment to Regulation 27-B sets forth minimum requirements for disclosure, policy provisions, policy cancellations, form and rate filing, reporting of experience statistics and adjustment of claims for policies issued in New York State covering debtors and/or creditors or personal property purchased on installment or deferred payment plans.

*Second Amendment to Regulation 35-D (11 NYCRR 60-2): Supplementary Uninsured Motorists Insurance (Promulgated 1/23/97 as an emergency measure; Effective 2/3/97; Promulgated 1/30/97; Effective 2/26/97)*

Regulation 35-D establishes a prescribed form for use in providing supplementary uninsured motorists (SUM) insurance coverage. The Regulation was amended to indicate that the SUM limit of liability for each accident is also subject to the per-person limit of liability and to reflect the recently enacted increase in the required minimum limits of liability of motor vehicle liability insurance.

The Second Amendment was promulgated as an emergency measure as a result of a June 1996 decision of the New York Court of Appeals (*Mostow v. State Farm Insurance*). This Amendment requires motor vehicle liability insurers to amend the language of their policy forms to make clear that SUM per-accident coverage limits are subject to a per-person limit of recovery as well.

*First Amendment to Regulation 38 (11 NYCRR 201); Third Amendment to Regulation 41 (11 NYCRR 27); Seventh Amendment to Regulation 64 (11 NYCRR 216); Second Amendment to Regulation 71 (11 NYCRR 241); Twenty-Fifth Amendment to Regulation 83 (11 NYCRR 68); Fifth Amendment to Regulation 90 (11 NYCRR 218); Sixth Amendment to Regulation 96 (11 NYCRR 62-4.2); Third Amendment to Regulation 101 (11 NYCRR 70); First Amendment to Regulation 116 (11 NYCRR 242); Second Amendment to Regulation 131 (11 NYCRR 162): (Promulgated 10/31/97 as an emergency measure; Effective 11/6/97)*

The New York State Insurance Department recently relocated its New York City Office from 160 West Broadway, New York, NY 10013 to 25 Beaver Street, New York, NY 10004. The Buffalo Office also relocated from 220 Delaware Avenue, Suite 229 to the Walter Mahoney Office Building, 65 Court Street, Buffalo, NY 14202.

Insurers are required by law to submit certain reports, notices and other documents to the Department. In addition, insurers are required to include advice to insureds and claimants of their right to contact the Department if they are dissatisfied with the manner in which a claim is processed. Therefore, these Amendments were promulgated to advise insurers and the public of the Department's new addresses.

*First Amendment to Regulation 52-A (11 NYCRR 80-2): Minimum Standards for Producer-Controlled Insurers and Controlling Producers; Disclosure requirements for Certain Other Producers (Promulgated 7/2/97; Effective 8/1/97)*

This Amendment exempts controlled nondomestic insurers whose states of domicile have a substantially similar law from the filing requirements of Regulation 52-A.

*First Amendment to Regulation 53 (11 NYCRR 81): Subsidiaries of Insurance Companies Subject to the Provisions of Section 1403(c) of the Insurance Law (Promulgated 7/2/97; Effective 8/1/97)*

The First Amendment to Regulation 53 emphasizes the rule's applicability to a domestic insurance company.

*Regulation 61 (11 NYCRR 63): Reserve Requirements for Financial Guaranty Insurance In Force Prior to the Effective Date of Article 69 of the Insurance Law (Promulgated 3/5/97; Effective 4/2/97)*

The original Regulation 61, promulgated on February 15, 1980 and subsequently amended on an emergency basis on April 22, 1986 (Amendment made permanent 6/19/96), was repealed effective April 2, 1997. This new Regulation 61, promulgated March 5, 1997, became effective April 2, 1997.



The original Regulation 61 provided standards for financial guaranty insurance of municipal bonds including reserve requirements for such guaranties. Effective May 14, 1989, a new Article 69 was added to the Insurance Law, defining and authorizing the sale of certain types of financial guaranties. However, Sections 6903(a)(2) and 6907(b) provide that certain reserve requirements that were applicable for municipal bond guaranties prior to the effective date of Article 69 will continue to apply to all financial guaranties in force prior to the dates set forth in the respective sections.

The specific reserve requirements that have to be met are different depending on whether or not the insurer is currently organized and licensed as a financial guaranty insurance corporation pursuant to Article 69.

This new Regulation 61 sets forth the reserve requirements for financial guaranty insurance in force prior to the effective date of Article 69 of the Insurance Law.

*Sixth Amendment to Regulation 64 (11 NYCRR 216): Unfair Claims Settlement Practices and Claim Cost Control Measures (Promulgated 3/31/97; Effective 4/23/97)*

This Amendment sets forth standards and duties of insurers and insureds in the investigation and settlement of claims in order to assure that insurance claims are handled fairly and properly, and to minimize the incidence of fraudulent claims.

*First Amendment to Regulation 67 (11 NYCRR 135): Reporting of Reserve Liabilities by Public Retirement Systems (Promulgated 1/13/97; Effective 2/5/97)*

The Sixth Amendment to Regulation 67 repeals obsolete or invalid provisions and makes technical changes to update the statutory references.

*Third Amendment to Regulation 79 (11 NYCRR 67): Mandatory Underwriting Inspection Requirements for Private Passenger Automobiles (Promulgated 1/9/97; Effective 2/5/97)*

This Amendment relieves insurers of the requirement to inspect private passenger automobiles where circumstances obviate the need.

*Twenty-Fourth 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 3/31/97; Effective 4/23/97)*

The Workers' Compensation Board has established a new fee schedule effective for medical, chiropractic and psychological services rendered on and after October 1, 1996. In order to comply with Section 5108 of the Insurance Law, the Superintendent has promulgated the Twenty-Fourth Amendment to Regulation 83 adopting the new schedule for use in processing no-fault insurance claims.

*Third Amendment to Regulation 100 (11 NYCRR 169): Noncommercial Motor Vehicle Insurance Merit Rating (Promulgated 6/4/97; Effective 7/9/97)*

This Amendment establishes the standards and limitations that will ensure that noncommercial motor vehicle insurance merit rating plans are responsible, understandable and objective and are not unfairly discriminatory, inequitable, violative of public policy or otherwise contrary to the best interest of the people of New York State.

*Twenty-First Amendment to Regulation 101 (11 NYCRR 70): Medical Malpractice Insurance: Required Notices and Rate Modifications (Promulgated 3/6/97 as an emergency measure; Effective 3/10/97; Promulgated 6/2/97 as an emergency measure; Effective 6/6/97; Promulgated 7/10/97; Effective 7/30/97)*

The Twenty-First Amendment to Regulation 101 establishes physicians and surgeons medical malpractice rates and surcharges for the policy year July 1, 1996 to June 30, 1997, as well as rules to collect and allocate surcharges to recover deficits based on past experience.

*Twenty-Second Amendment to Regulation 101 (11 NYCRR 70): Medical Malpractice Insurance: Required Notices and Rate Modifications (Promulgated 8/13/97 as an emergency measure; Effective 8/22/97; Promulgated 11/10/97 as an emergency measure; Effective 11/1/97)*

This Amendment establishes physicians and surgeons medical malpractice insurance rates for the policy year July 1, 1997 through June 30, 1998 as well as rules to collect and allocate surcharges to recover deficits based on past experience.

*Eighth Amendment to Regulation 107 (11 NYCRR 71): Legal Defense Costs in Liability Policies (Promulgated 7/2/97; Effective 8/1/97)*

The Eighth Amendment to Regulation 107 provides a list of coverages and risks that may be written on a defense-costs-within-limits-of-liability basis as well as disclosure requirements, minimum limits of liability and minimum standards for approval of policies written on a defense-costs-within-limits basis.

*Fourth Amendment to Regulation 121 (11 NYCRR 73): Claims-Made Policies; Scope of Application; Minimum Standards (Promulgated 7/2/97; Effective 8/1/97)*

The Fourth Amendment to Regulation 121 establishes the coverages of risks that may be written on a claims-made basis and the minimum standards required for approval of claims-made policy forms.

*Regulation 153 (11 NYCRR 163): Flexible Rating for Nonbusiness Automobile Insurance Policies (Promulgated 7/24/97; Effective 8/20/97)*

Chapter 113 of the Laws of 1995 was enacted to enhance competition in the nonbusiness motor vehicle market. This Chapter replaced the prior approval system, in effect since 1974 for nonbusiness motor vehicle insurance rates, with a flexible rating system. Regulation 153 establishes standards for such a flexible rating system for nonbusiness automobile insurance policies.

*Regulation 154 (11 NYCRR 19): Homeowners Insurance; Applications for Withdrawal From Marketplace (Promulgated 3/14/97 as an emergency measure; Effective 3/19/97; Promulgated 6/3/97 as an emergency measure; Effective 6/10/97; Promulgated 7/2/97; Effective 7/30/97)*

In April 1996, legislation was passed requiring insurers to submit for the Superintendent's approval a plan of orderly withdrawal if they intended to materially reduce their volume of homeowners insurance policies.

In accordance with the legislation, the Department promulgated Regulation 154 to establish standards for the definition of "material reduction of volume of policies" and to establish standards by which an insurer's application for such material reduction will be approved.

**C. CIRCULAR LETTERS ISSUED\***

<b>NO.</b>	<b>DATE</b>	<b>ADDRESSED TO</b>	<b>SUBJECT</b>
2	1/23/97	All Authorized Property/Casualty Insurers	Reporting of Bodily Injury, Wrongful Death and Death Benefit Claims to a Central Reporting Organization Pursuant to Section 340 of the Insurance Law
3	2/10/97	All Insurers	Fraud Reporting and Cooperation with the Insurance Frauds Bureau
4	2/24/97	All Licensed Life, Accident and Health, Property/Casualty, Financial Guaranty, Mortgage Guaranty, and Co-operative Property/Casualty Insurance Companies; Reciprocal Insurers, the Medical Malpractice Insurance Association; the State Insurance Fund; Fraternal Benefit Societies; and Accredited Reinsurers	Electronic Filing in Lieu of Hard Copy Filing - 1997 Annual Statement
Supp #7 CL #3 (1986)	4/1/97	All Licensed Property/Casualty Insurance Companies and Insurance Producer Organizations	1997 Insurance Availability Survey
5	4/4/97	All Insurers and Fraternal Benefit Societies licensed to Write Life Insurance and Accident and Health Insurance In New York State, Including Article 43 Corporations	Oral Fluid Testing for the Human Immunodeficiency Virus
7	3/25/97	All Insurers Including Article 43 Corporations Licensed to Write Accident and Health Insurance In New York State, Except Health Maintenance Organizations	The Managed Care Reform Act (Chapter 705 of the Laws of 1996)
8	3/28/97	All Companies Licensed to Write Liability Insurance	Policies Covering Injury to Economic Interest
9	4/4/97	All Insurers Licensed to Write Accident and Health Insurance in New York State (Insurance Law Section 1113(a)(3))	Provider Excess Insurance

NO.	DATE	ADDRESSED TO	SUBJECT
10	4/30/97	All Authorized Private Passenger Insurers in New York State	Required Informational Statement on the Consequence of Driving While Under the Influence of Alcohol or Drugs
11	6/24/97	All Licensed Life Insurers, Fraternal Benefit Societies, Charitable and Segregated Gift Annuity Societies, Employee Welfare Funds Retirement Systems, Viatical Settlement Companies, Governmental Supplemental Annuity Funds, Savings Bank Life Insurance Departments, Accredited Life Reinsurers, Property/Casualty Insurers, Co-operative Property/Casualty Insurers, Financial Guaranty Insurers, Mortgage Guaranty Insurers, Reciprocal Insurers, Accident and Health Insurers, Article 43 Corporations, Public Health Law Article 44 Health Maintenance Organizations, Title Insurers, the State Insurance Fund, the Medical Malpractice Insurance Association and Accredited Property/Casualty Reinsurers; All Hereinafter Referred to as "Licensees"	Impact of Year 2000 on the Insurance Industry
12	7/9/97	All Motor Vehicle Self-Insurers and Insurers Authorized to Write Motor Vehicle Insurance	Reduction in No-Fault Loss of Earnings Benefits for Qualified Wage Continuation Plans
13	9/4/97	All Authorized Life Insurance Companies, Accredited Life Reinsurers, Fraternal Benefit Societies and Charitable Annuity Societies	Maximum Reserve Valuation and Maximum Life Policy Nonforfeiture Interest Rates
14	8/1/97	All Insurers Authorized to Write Life Insurance, Annuities or Accident and Health Insurance in New York State, Including Article 43 Corporations and Health Maintenance Organizations	Procedural Changes in the Approval Process for Life Insurance, Annuity, and Accident and Health Insurance Policy Forms and Rates

NO.	DATE	ADDRESSED TO	SUBJECT
15	1/27/98	All New York State Licensed Producers, Property/Casualty Insurers, and City, State and Municipal Agencies and Other Public Authorities and Corporations	The Use of Certificates of Insurance as Evidence of Insurance Coverages
16	11/3/97	All Insurers Licensed to Write Motor Vehicle Physical Damage Insurance in New York State	Paint and Material Costs Reimbursement
17	12/15/97	All Insurers Licensed to Write Motor Vehicle Liability Insurance; All Rate Service Organizations and Producer Organizations	Supplementary Uninsured/Underinsured Motorists (SUM) Insurance Coverage
18	12/16/97	All Licensed Property/Casualty Insurers Authorized to Write Workers' Compensation Insurance in New York State	Workers' Compensation Policies Credits for Managed Care Programs (PPOs/MCOs)

\* Circulars Letters No. 1 and 6 were not issued in 1997.

#### **D. IMPORTANT DEVELOPMENTS OF 1997 IN MAJOR LITIGATION INVOLVING THE INSURANCE DEPARTMENT**

*The New York Automobile Insurance Plan v. Edward J. Muhl, as Superintendent of Insurance of the State of New York Insurance Department, New York Court of Appeals*

Petitioner in this action is the New York Automobile Insurance Plan, an unincorporated entity, formed pursuant to §5301 of the Insurance Law and participated in by all insurers licensed to write motor vehicle insurance in New York. The Plan apportions among such insurers applicants for automobile liability insurance who are entitled to but are unable to procure such insurance through ordinary means. Pursuant to §5301(b) amendments to the Plan rules may be made either by the committee designated to administer the Plan, subject to the Superintendent's approval, or at the Superintendent's direction.

In 1992, the Superintendent approved an amendment to Plan Rule 14.E.2, the purpose of which is to provide a mechanism whereby an assigned risk insurer could deduct an insured's previously owed balance from the insured's deposit on a new or renewal policy. The rule was not intended to apply in situations where premiums for the policy were advanced under a premium finance agreement. The Insurance Department has consistently held that, where a policy is subject to a premium finance agreement, an insurer cannot offset earned premium from a previous policy issued to the same insured.

In early 1996, the Department received a complaint from a premium finance agency that offsets for previously owed premium were being taken against unearned premium due the premium finance agency on a current policy. In August 1996, in order to clarify Plan Rule 14.E.2(i), the Superintendent issued a directive that added a provision to that rule specifically excluding the rule's applicability to those insurance premiums that are financed by insurance premium finance companies. Petitioner contended that this directive was arbitrary and capricious, as inconsistent with prior rulings and the Insurance Law, and brought this Article 78 proceeding seeking to have the directive stayed and vacated.

In a judgment entered January 14, 1997, Justice Gans denied the New York Automobile Insurance Plan's application, made pursuant to CPLR Article 78, challenging the Superintendent's directive amending Rule 14.E.2(i). The Court held that the amendment was necessary because the rule, as originally enacted, was susceptible to interpretation inconsistent with Insurance Law §3428(d) and Banking Law §576, both of which govern the return of unearned premium to premium finance companies. The Justice concluded that because certain insurers were attempting to interpret the rule to allow set-offs prohibited by the Law, the directive was properly issued by the Superintendent and was neither arbitrary, capricious nor an abuse of discretion.

In June 1997, the Supreme Court, Appellate Division, First Department unanimously affirmed the order of the Supreme Court of New York County. An application to the Appellate Division for leave to appeal was denied by order of the First Department in October 1997. In November 1997, the petitioner moved before the Court of Appeals for leave to appeal. That motion was denied on January 20, 1998.

*Preferred Physician Mutual Risk Retention Group v. Pataki, United States District Court, Southern District of New York*

Plaintiffs in this action are risk retention groups organized under the Laws of the State of Missouri that are authorized to carry on the business of medical malpractice insurance in New York pursuant to the federal Risk Retention Act of 1986 (LRRRA). Plaintiffs commenced this action in 1994 alleging that New York's legislation concerning excess medical malpractice insurance coverage (the excess liability law) is pre-empted by the LRRRA and violates the Commerce Clause of the United States Constitution.

Specifically, plaintiffs argued that the excess liability law, which provides an excess layer of insurance to physicians and dentists with admitting privileges whose primary coverage is through a New York-licensed insurer, violates the LRRRA in that it regulates and discriminates against risk retention groups because their insureds, not being covered by a New York-licensed insurer, are not eligible for this excess layer of insurance. The State argued that the excess liability law is not pre-empted by the LRRRA, imposes no regulatory requirements on the operation of risk retention groups, and does not discriminate against risk retention groups or their members within the meaning of the LRRRA.

In October 1994, the District Court granted plaintiffs' motion for summary judgment and 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. An order of permanent injunction was issued in November 1994 which implemented the October order by directing the State to make excess coverage available to eligible physicians and dentists who are covered for primary insurance through a risk retention group registered in New York. The State appealed from this permanent injunction, as well as from the decision granting the plaintiffs summary judgment.

In May 1996, the United States Court of Appeals for the Second Circuit vacated the judgment of the District Court and remanded the case to the District Court for further factual findings with respect to whether, via the excess liability law, the State is either indirectly regulating risk retention groups or unfairly discriminating against them. This case is currently before the District Court which has directed that discovery in this matter conclude by September 1998.

*New York Bankers Association, Inc., et al. v. Neil D. Levin, in his capacity as the Superintendent of Insurance of the State of New York Insurance Department, United States District Court, Western District of New York*

Plaintiffs in this action are the trade association for the commercial banking industry in New York, a nationally chartered bank organized and existing under the National Bank Act, 12 U.S.C. §21, et seq., and a wholly-owned operating subsidiary of the nationally chartered bank which is in the business of acting as a general agent for the sale of insurance. In September 1997, plaintiffs brought this action for declaratory and injunctive relief. The complaint alleges that Insurance Law §2501 significantly restricts and interferes with national banks' federally granted power to sell property and casualty insurance, in violation of 12 U.S.C. §92, as interpreted in *Barnett Bank of Marion County, N.A. v. Nelson*, 116 S. CT. 1103 (1996).

Section 2501 of the Insurance Law prohibits any licensed insurance agent or broker that is owned or controlled, directly or indirectly, by a bank from negotiating any policy of insurance covering real or personal property which is the subject matter of, or security for, a loan or extension of credit made by the bank or by any other bank which is owned or controlled, directly or indirectly, by such bank. Plaintiffs argue that, under the Supremacy Clause of the United States Constitution, Insurance Law §2501 is pre-empted to the extent that it restricts national banks' full exercise of their federally granted power. In December 1997, the plaintiffs moved for summary judgment pursuant to Rule 56 of the federal Rules of Civil Procedure.

In December 1997, a motion was made by the New York Association of Life Underwriters, Inc., the Professional Insurance Agents of New York, Inc., and the Independent Insurance Agents Association of New York, Inc. to intervene as defendants in this matter.

In January 1998, the State and the intervenor defendants moved to stay all proceedings related to plaintiffs' motion for summary judgment pending discovery. The defendants argued that they needed the opportunity to conduct discovery before they could respond to and rebut the factual assertions in the plaintiffs' motion for summary judgment.

*Vogt, et al. v. Empire Blue Cross and Blue Shield, The Insurance Department of the State of New York and Edward J. Muhl, Superintendent of Insurance of the State of New York; Appellate Division, First Department*

The plaintiffs in this action are members of a class comprised of all former members of the Board of Directors of Empire Blue Cross and Blue Shield who served as members of the Board for such length of time, approved by Empire, as qualifies them for free lifetime health insurance for themselves, dependents, and surviving spouses.

This action was brought in response to Empire's March 1996 notification to the plaintiffs that, as a result of a Stipulation which it entered into with the Department during the course of the statutory examination, it would stop providing free health insurance to retired directors and their eligible dependents as of June 1996. Plaintiffs sought a declaratory judgment as to the respective rights and obligations of the parties with regard to the free lifetime health insurance coverage and temporary, preliminary and permanent injunctive relief to prevent the cancellation or termination of the insurance coverage. Plaintiffs alleged that this free lifetime health insurance coverage was offered as an inducement to serve as members of the Board of Directors without compensation and had irrevocably vested as a valuable property right which could not be denied or discontinued. Preliminary injunctive relief was granted.

In July 1996, the State opposed the preliminary injunction and moved to have the court dismiss the complaint for failure to state a cause of action, asserting that Empire's agreement to provide free lifetime health insurance was violative of the New York State Insurance Law §4312(b) and thus was void.

In October 1996, Justice Ramos granted the State's motion to dismiss and denied the plaintiffs' motion for an injunction reasoning that the lifetime insurance benefits constituted an emolument and as such violated §4312(b) which provides that a nonprofit insurance company may not enter into an agreement with a director whereby that director receives any salary, compensation or emolument that extends beyond three years from the date of the agreement.

In November 1997, the Appellate Division, First Department affirmed the lower court's decision, holding that Empire's corporate resolutions granting the free lifetime health insurance were violative of the Insurance Law and therefore were illegal and unenforceable.

*New York State Conference of Blue Cross Blue Shield Plans v. Muhl, as Superintendent, I, Appellate Division, Third Department*

*New York State Conference of Blue Cross Blue Shield Plans v. Muhl, as Superintendent, II, Supreme Court, Albany County*

Petitioners in both Article 78 proceedings are an association of Blue Cross and Blue Shield Plans (the Blues) throughout New York State and its constituent members, an association of HMOs and its constituent members, and Group Health Incorporated.

Pursuant to §18 of Chapter 266 of the Laws of 1986, the Superintendent of Insurance, in conjunction with the Commissioner of Health, is required to purchase a policy of excess malpractice liability insurance for qualified physicians and dentists who have privileges at general hospitals. The rates for such coverage, as is the case with all medical malpractice policies, are established by the Superintendent of Insurance in accordance with §40 of Chapter 266 of the Laws of 1986.

Petitioners brought the first proceeding in 1995 to challenge the Superintendent's promulgation of the Twentieth Amendment to Regulation 101 (11 NYCRR 70) which set rates for the 1995-1996 policy year. They sought to annul the rates and to obtain a refund of what they alleged was excessive surplus resulting from the rates established by the Superintendent for policy years prior to 1995-1996.



Respondent argued that the Superintendent exercised his judgment to derive a moderate, stable rate which, in light of all the circumstances, was reasonable and met the legislative mandate under which it was established.

On July 24, 1997, the court issued a decision in which it found that reserves had been accumulated by insurers issuing excess insurance policies. It concluded that, after applying appropriate conservative actuarial methodologies, these reserves would never be exhausted by payment of excess claims and expenses. Consequently, the court held that the determination by the Superintendent, in establishing the 1995-1996 rate, was arbitrary and capricious and affected by an error of law. The court declared the determination null and void and of no force and effect. It ordered the premiums paid in accordance with the Regulation returned to the payors. The case is being appealed to the Appellate Division, Third Department

In the second proceeding, petitioners alleged that the rate set for the 1996-1997 calendar year was excessive and unreasonable and requested a judgment granting certain relief, including a declaration that 11 NYCRR 70.19(d), which contains the rates, is null and void and an injunction preventing the Superintendent from implementing the Regulation, imposing, collecting or enforcing the 1996-1997 premium rates.

Relying on its reasoning in the earlier case, the court concluded that the determination made by the Superintendent in establishing the 1996-1997 rate was arbitrary and capricious and declared the determination null and void and of no force and effect. The Department will also appeal the court's decision in this case.

#### **E. REGULATORY LICENSE HEARINGS AND STIPULATIONS EXECUTED IN 1997**

After hearings in the Insurance Department, 88 licensees suffered revocations, 5 persons had their license applications denied, 1 had its license application approved, 24 persons had charges against them dismissed and 95 persons were fined a total of approximately \$596,000.

Five licensees agreed to surrender their licenses and 235 persons agreed to pay fines totaling approximately \$3,305,000.

## **V. 1998 LEGISLATIVE RECOMMENDATIONS**

*These are the legislative recommendations available at press time. Additional recommendations may be submitted throughout the year.*

### **A. GOVERNOR'S PROGRAM BILLS FOR 1998**

#### **1. New York Property Insurance Underwriting Association: Program Bill No. 168R**

To extend Sections 5411 and 5412(g) of the Insurance Law to April 30, 1999, thereby permitting the New York Property Insurance Underwriting Association to operate for an additional year.

To extend for one year (to April 30, 1999) certain provisions that were included in Chapter 42 of the Laws of 1996 and that currently have an April 30, 1998 expiration date (Section 2351 and Section 3425(n) and (o)).

To require the Superintendent of Insurance to establish by regulation disclosure requirements concerning the operation of any deductible in a homeowner's insurance or dwelling fire personal lines policy that applies as the result of a windstorm.

To increase the number of members of the temporary panel of homeowners coverage and to require an evaluation of the feasibility of establishing a state-wide catastrophe insurance fund.  
*Senate Bill 6945-A (Sen. Velella); Assembly Bill 10723 (Rules at request of Mr. Grannis)*

#### **2. Domestic Life Insurers: Ownership of Banks and Investment in Subsidiaries: Program Bill No. 173**

To amend Article 17 of the Insurance Law to delete the provision that prohibits domestic life insurers from owning banks and banking-related entities.

To increase the quantitative limitations on the amounts a domestic life insurer may invest in subsidiaries.  
*Senate Bill 7409 (Sen. Velella)*

#### **3. Mutual Holding Companies: Program Bill No. 71 (Carried Over from 1997)**

To amend Insurance Law Sections 3216, 3221, 4303, 4904, and 4904-a to authorize a domestic mutual life insurer to reorganize into a domestic stock life insurer through the formation of a new mutual holding company that owns, directly or through one or more stock holding companies, the reorganized mutual life insurer.

To amend Section 4207 regarding distributions of dividends to shareholders of stock life insurance companies.

To shorten the period of actuarial projections required in a plan of reorganization under Section 7312.  
*Senate Bill 5628 (Sen. Velella); Assembly Bill 7057-A (Mr. Grannis)*

**4. Risk Based Capital for P/C Insurers; Authorization for P/C Insurers to Issue Capital Notes; "Commercially Domiciled" P/C Insurers: Program Bill No. 21 (Carried Over from 1997)**

To expand the use of risk-based capital (RBC) standards, currently applicable to life and accident and health insurers, to property/casualty insurers; to provide a more flexible and realistic statutory capital level that changes in relation to the size of the insurer and the level of risk inherent in an insurer's operations; to identify inadequately capitalized insurance companies that write property/casualty business; and to provide the Superintendent of Insurance with appropriate remedies as a property/casualty insurance company's financial condition deteriorates and its capital falls below thresholds established by the RBC formula.

To create a new Section 1325 of the Insurance Law to authorize domestic property/casualty insurance companies to issue capital notes with the approval of the Superintendent of Insurance within certain statutory limits.

*Senate Bill 4417-C (Sen. Velella, et al.); Assembly Bill 7777-A (Mr. Grannis)*

**5. Annuity and Life Insurance Liberalizations: Program Bill No. 42 (Carried Over from 1997)**

To amend Section 4221(n-2) of the Insurance Law so as to permit insurers to issue individual corporate-owned or bank-owned life insurance policies that provide for cash surrender benefits determined using market-value adjustment formulae that permit only downward adjustments to such benefits or using other such formulae that are acceptable to the Superintendent.

To amend Section 4231(g)(1) of the Insurance Law so as to permit insurers to return to their policyholders excess expense charges on variable annuity and life insurance products without requiring the contract or policy to be participating.

To amend Section 4238 to include as new permissible group annuity cases those groups recognized by Section 4216(b)(12), (13) and (14) for group life insurance and Section 4235(c)(1)(K), (L) and (M) for group accident and health insurance and to amend Section 1101(b)(2)(B) to prevent unlicensed insurers from taking advantage of the new permissible groups.

*Senate Bill 5401 (Sen. Velella)*

**6. Experimental or Investigational Treatments: Program Bill No. 63 (Carried Over From 1997)**

To amend the Public Health Law and Insurance Law Sections 3216, 3221, 4303, 4904, and 4904-a to enable health care consumers to obtain an independent external review of determinations by HMOs and insurers concerning coverage of experimental or investigational treatments and to establish standards for the certification of independent external review organizations.

*Senate Bill 5489 (Sens. Stafford, Bruno, Velella, Hannon)*

**B. INSURANCE DEPARTMENT BILLS FOR 1998**

**1. ELANY**

To continue the Excess Line Association of New York (ELANY) to July 1, 2001 and to amend provisions regarding its qualified immunity in order to conform with amendments made by Chapter 225 of the Laws of 1997.

*Senate Bill 6705 (Sen. Velella)*

## **2. Credit Card, Checking Account Group Policies**

To make permanent the effective date provisions of Chapter 19 of the Laws of 1994 relating to credit cards, debit cards, and checking account group policies.

*Senate Bill 6890 (Sen. Velella)*

## **3. Licensing Procedures**

To update various licensing procedures, by amending the current requirement regarding a fee for an insurance consultant license examination; clarifying continuing education requirements for relicensed persons; establishing requirements of an affidavit and a fee for replacement of continuing education approval documents and viatical settlement licenses; and providing for renewal of the special license under Article 63 of the Insurance Law every two years instead of every year.

*Senate Bill 6735 (Sens. Balboni, Velella, Fuschillo)*

## **4. Annual Statement Material**

To amend the Insurance Law, in relation to amending certain requirements for life insurers filing annual statement forms; to revise information required to be reported regarding salaries; to revise requirements for selling expenses resulting from changes to Section 4228 enacted in Chapter 616 of the Laws of 1997; and to revise information regarding dividends, previously included in the statement required by the National Association of Insurance Commissioners.

*Senate Bill 6625 (Sen. Skelos)*

## **5. Employment Contracts**

To amend Section 4230 of the Insurance Law to eliminate the prohibition on employment contracts between a domestic life insurance company and its officers/salaried employees which currently cannot exceed 36 months in duration.

*Senate Bill 6560 (Sen. Velella)*

# **C. 1997 INSURANCE DEPARTMENT BILLS CARRIED OVER TO 1998**

The following are brief summaries of bills that were originally submitted to the 1997 Legislative Session and were carried over to 1998. For more details concerning these bills, please see the *Annual Report of the Superintendent of Insurance to the Legislature* for calendar year 1996, pages 144-150.

## **1. Liquidation Proceeding Reforms**

To streamline the activities of the Liquidation Bureau and expedite its operations, by accomplishing the following objectives:

- to rectify inequities in current law regarding reinsurers and the creditors of an insolvent ceding insurer, and to enable the Superintendent of Insurance, as the receiver of an insurer placed into receivership pursuant to Article 74 of the Insurance Law, to fulfill the fiduciary duty to investigate fraud or other misconduct;

- to facilitate the closing of insolvent property/casualty companies in liquidation by establishing classes of claims in insurance liquidation proceedings and to provide for a priority for claim distributions among the classes;
- to facilitate the closing of insolvent companies in liquidation by eliminating consideration of claims under \$200 in liquidation proceedings unless such claims are covered by a security fund, since the costs incurred to examine and adjudicate *de minimis* claims far exceed the ultimate distribution to most claimants;
- to afford policyholders notice by publication of the cancellation of their insurance policies within 30 days of entry of an order of liquidation of an insolvent insurer, thereby enabling policyholders to obtain replacement coverage; and to fix, upon entry of the liquidation order, the rights and liabilities of the insurer, its creditors, policyholders, shareholders, members and any other persons interested in the estate;
- to expedite payments to New York residents who have made claims covered by the security funds and to eliminate unnecessary delay and onerous administrative expenses relating to allowance of claims.
- to grant the Superintendent of Insurance, as receiver, greater discretion in the investment of assets of companies in liquidation, rehabilitation, conservation or ancillary receivership in order to garner greater investment income for companies subject to Article 74, fulfilling the fiduciary duty of maximizing the assets of such companies;
- to maintain the solvency of the Workers' Compensation Security Fund, and similar funds in other states, which pay workers' compensation claims covered by policies issued by insolvent insurers in liquidation in New York, by permitting the Workers' Compensation Security Fund and similar funds to participate in "early access" distributions made available to the Property/Casualty Insurance Security Fund, Public Motor Vehicle Liability Security Fund and their equivalents in other states;
- to extend, to July 1, 2000, the provisions in Section 7403 of the Insurance Law authorizing the Superintendent of Insurance (with court approval) to borrow from the Property/Casualty Insurance Security Fund, for the purpose of rehabilitation of a domestic property/casualty insurer, an amount up to \$40 million or 20% of the insurer's net direct premium writings. Also to delay, until July 1, 2000, the effectiveness of the provision in Section 7403; and
- to permit the Superintendent of Insurance, as liquidator, to deliver immediately to the State Comptroller all unclaimed assets following the termination of an insurance company's liquidation proceeding.

*Senate Bill 4229 (Sen. Velella); Assembly Bill 7737 (Rules at request of Mr. Grannis)*

## **2. Anti-Fraud Provisions**

To create a class E felony for unlicensed activity by certain previously licensed individuals and entities that are no longer licensed at the time of the violation;

To subject unlicensed activity to civil penalties after notice and hearing before the Insurance Department;

To modify certain reporting requirements concerning insurance fraud;

To create a civil cause of action in favor of the Attorney General or the Insurance Department on behalf of insurers that have been defrauded; and create a "*qui tam*" action for the insurers that have been defrauded;

To provide for automatic revocation of licenses under Article 21 of the Insurance Law for conviction of the licensee for felony larceny or felony insurance fraud;

To require a periodic certification of continued eligibility by benefit recipients for workers' compensation or disability benefits; and

To require that life insurance policy applications include a permanent record of identification of the insured.

*Senate Bill 4158 (Sens. Velella, Hannon, et al.); Assembly Bill 7738 (Rules at request of Mr. Grannis)*

### **3. Repeal Section 4227 Re: Limitations on New Business of Life Insurers**

To repeal Section 4227 relating to limitations of new business of life insurance companies.  
*Senate Bill 3883 (Sen. Velella); Assembly Bill 7739 (Rules at request of Mr. Grannis)*

### **4. Technical Corrections Bill**

To make technical corrections in a number of sections of the Insurance Law.

To amend Section 2335 of the Insurance law in order to correct technical ambiguities in the surcharge provisions relating to motor vehicle liability insurance rates.

*Senate Bill 4012-A (Sen. Alesi); Assembly Bill 7740-A (Rules at request of Mr. Grannis)*

### **5. Repeal Section 334 Re: Annual Commercial P/C Report**

To repeal Section 334 of the Insurance Law in order to eliminate the requirement for the Annual Commercial Property/Casualty Report.

*Senate Bill 4055 (Sen. Salant); Assembly Bill 7745 (Rules at request of Mr. Grannis)*

### **6. Aviation Insurance**

To amend Section 3426(l)(2) of the Insurance Law to specify that aviation policies are exempt from the cancellation and nonrenewal provisions of the statute.

*Senate Bill 4181 (Sen. Salant); Assembly Bill 7741 (Rules at request of Mr. Grannis)*

### **7. Group Insurance for Motor Clubs**

To permit the continued provision of certain types of group property/casualty insurance for members of motor clubs, by enacting statutory authority for the purchase of insurance coverage that provides specified benefits on a group policy basis to club members.

*Senate Bill 4272 (Sen. Larkin); Assembly Bill 7742 (Rules at request of Mr. Grannis)*

### **8. Aircraft as Admitted Asset**

To delete an existing requirement in Section 1301(a)(19) of the Insurance Law that the Superintendent of Insurance promulgate a regulation concerning aircraft as an admitted asset of insurers.

*Senate Bill 5167 (Rules); Assembly Bill 7743 (Rules at request of Mr. Grannis)*

### **9. Obsolete Provisions Re: Lloyds New York; Update Provisions Re: Financial Guaranty**

To amend Section 1104(c) of the Insurance Law ("Revocation or suspension of license; restriction of license authority or limitation on premium written") to: (i) make it applicable to financial guaranty insurance companies; and (ii) delete its applicability to Lloyds underwriters;

To amend Section 6116 of the Insurance Law to delete subsections (a), (b) and (d), which grandfathered any Lloyds underwriters authorized prior to January 1, 1940 to do an insurance business in New York and which provides that the section shall not apply to the operations of the New York Insurance Exchange;

To delete numerous references in the Insurance Law to "Lloyds underwriters" to reflect the fact that the only Lloyds underwriter grandfathered under Section 6116 has since converted to a property/casualty insurance company and that the formation of other Lloyds underwriters is prohibited, making these references obsolete.

*Senate Bill 4062 (Sen. Velella); Assembly Bill 7744 (Rules at request of Mr. Grannis)*

IV. REGULATORY ACTIVITIES  
A. OPERATING STATISTICS

TABLE 54  
SUMMARY OF STATISTICAL TABLES AS OF DECEMBER 31, 1996 -- PRIOR TO AUDIT  
(dollar amounts in millions)

Company Type(1)	As of December 31				For the Year			
	Number of Insurers(2)	Admitted Assets	Liabilities	Surplus & Capital Funds	Total Business (net of reinsurance)		New York State Business (Direct)	
					Premiums Written(3)	Losses Paid(4)	Premiums Written(5)	Losses Paid(6)
--- All NYS-Licensed Companies(7) ---								
Total	1,050	\$2,014,953	\$1,730,552	\$284,401	\$394,581	\$317,772	\$63,205	\$49,289
Property and Casualty	737	629,931	429,337	200,595	196,873	125,638	21,913	13,443
Life(8)	139	1,302,200	1,234,505	67,695	182,535 b	170,896 c	23,942	21,127
Accident and Health	17	5,524	3,291	2,232	3,558 b	2,386 c	658	371
Fraternal	51	47,762	43,655	4,107	5,140	3,501	112 d	70
Health Service and Medical and Dental Indemnity(9)	17	3,751	2,855	896	6,476 f	5,745 g	6,476 f	5,745
Health Maintenance Organizations(9)	37	2,356	1,674	682	9,569 h	8,566 i	9,376 h	8,376
Title	20	2,043	1,335	708	2,471 j	152	344	11
Mortgage Guaranty	21	8,911	6,354	2,557	2,159	846	134	7
Financial Guaranty	11	12,475	7,546	4,929	963	42	250	6
--- New York State Domiciled Companies ---								
Total	391	570,944	518,574	52,370	99,950	85,130	34,508	30,79
Property and Casualty	211	77,197	56,368	20,829	19,140	11,150	6,418	3,79
Stock	138	56,758	39,450	17,308	15,515	8,738	3,260	1,70
Mutual	19	18,527	15,466	3,061	3,006	2,082	2,313	1,66
Advance Premium Co-op.	20	829	546	283	401	225	579	31
Reciprocal	4	921	840	81	160	74	191	7
Assessment Co-op.(10)	30	162	66	96	58	31	75	4
Life(8)	88	477,618	451,722	25,896	63,109 b	59,276 c	11,343	12,55
Accident and Health	11	471	198	273	671 b	342 c	506	25
Fraternal	8	98	89	10	9	8	6 d	
Health Service and Medical and Dental Indemnity(9)	17	3,751	2,855	896	6,476 f	5,745 g	6,476 f	5,74
Health Maintenance Organizations(9)	37	2,356	1,674	682	9,569 h	8,566 i	9,376 h	8,37
Title	11	240	124	116	258 j	15	185	
Mortgage Guaranty	2	230	80	150	31	1	0	
Financial Guaranty	6	8,983	5,464	3,518	687	27	198	5
--- Other States' Domiciled Companies ---								
Total	641	1,432,620	1,203,506	229,113	307,344	231,326	28,444	18,35
Property and Casualty	509	543,971	366,795	177,177	175,543	113,424	15,244	9,50
Stock	457	403,704	284,319	119,386	125,608	78,919	12,105	7,53
Mutual	48	129,810	77,684	52,126	46,037	32,049	3,015	1,91
Reciprocal	4	10,457	4,792	5,665	3,898	2,456	124	6
Life(8)	51	824,582	782,783	41,799	119,426 b	111,619 c	12,599	8,57
Accident and Health	6	5,053	3,093	1,960	2,887 b	2,044 c	152	11
Fraternal	42	45,038	41,270	3,767	4,871	3,242	104 d	6
Title	9	1,803	1,210	592	2,213 j	138	159 j	
Mortgage Guaranty	19	8,681	6,274	2,407	2,128	845	134	7
Financial Guaranty	5	3,492	2,081	1,411	276	14	52	
--- Alien Domiciled Companies ---								
Total	18	11,389	8,470	2,919	2,448	1,313	254	14
Property and Casualty	17	8,763	6,174	2,589	2,188	1,063	252	14
Fraternal	1	2,626	2,296	330	260	250	2 d	

NOTE: Detail may not add to totals due to rounding.  
See notes next page.



### *Notes to Table 54*

- a Prior to audit.
  - b Gross Premium (less reinsurance) plus considerations for supplementary contracts.
  - c Includes all benefits except dividends to policyholders. Excludes changes in reserves.
  - d Payments Received from Members.
  - e Insurance Benefits Paid to Members.
  - f Premium earned.
  - g Claims Incurred.
  - h Includes revenue from premiums, Medicare, and Medicaid. Excludes fee-for-service and miscellaneous revenues.
  - i Medical and hospital expenses.
  - j Title Premium only, excl. fees.
- 
- 1 Excludes 13 pension funds and 8 variable supplements funds.  
Also excludes 106 Charitable Annuity Societies.
  - 2 Insurers licensed in New York State as of 12/31/96, some of which did no business in 1996.
  - 3 "Net Premium Written" except where noted.
  - 4 "Net Losses Paid" except where noted.
  - 5 "Direct Premium Written" except where noted.
  - 6 "Direct Losses Paid" except where noted.
  - 7 Includes all domiciles.
  - 8 Includes the A&H premiums of life insurance companies . Also includes transactions of savings bank life insurance departments, which are counted as one insurer.
  - 9 Five health service corporations contain health maintenance organizations as a line of business. These do not segregate balance sheet data (assets, liabilities and surplus) of their HMOs. Such data are therefore included in the health service category. Premium and loss data for the line-of-business HMOs were removed from health service totals and are included in the HMO category.
  - 10 Includes nine assessment cooperatives that do not file electronic statements.

## 2. Results of Examinations for Licenses

**Table 55**  
**RESULTS OF EXAMINATIONS FOR LICENSES**  
**Adjusters, Agents, Brokers and Consultants**  
**1996 and 1997**

<u>Type of Examination</u>	<u>1997</u>		<u>1996</u>	
	<u>Number Taking Examination</u>	<u>Percent Passing</u>	<u>Number Taking Examination</u>	<u>Percent Passing</u>
Total	34,990	55%	34,823	57%
Public Adjusters.....	76	33	100	39
Independent Adjusters - Total.....	1,312	70	2,628	81
Accident & Health.....	26	58	26	43
Automobile.....	202	61	327	61
Aviation.....	1	100	2	100
Casualty.....	288	62	472	77
Fidelity and Surety.....	9	44	2	100
Fire.....	111	39	129	48
General (All Lines).....	230	53	318	55
Health Service Charges.....	7	57	2	100
Inland Marine.....	3	33	10	40
Limited Auto (Damage or Theft Appraisals only).....	435	90	1,340	98
Agents - Total.....	30,974	54	29,012	54
Accident & Health.....	13,708	52	12,528	53
Life and SBLI.....	15,688	56	15,165	54
Mortgage Guaranty.....	1	100	5	60
General Agent (P&C).....	1,557	58	1,281	66
Bail Bond.....	20	40	33	64
Credit.....	0	0	0	0
Brokers.....	2,628	58	3,082	61
Consultants - Total.....	0	0	1	100
General.....	0	0	0	0
Life.....	0	0	1	100

**Table 56**  
**LICENSES ISSUED DURING YEAR**  
**1996 and 1997**

	<u><b>1997</b></u>	<u><b>1996</b></u>
Total.....	102,995	79,901
Adjusters <sup>a</sup>		
Independent.....	2,984	2,992
Public.....	305	255
Agents <sup>b</sup>		
Life and Accident & Health.....	89,554	15,424
Savings Bank Life Certificate Holders.....	2,887	517
Property and Casualty.....	3,315	20,652
Rental Vehicle.....	9	51
Mortgage Guaranty Insurance.....	1	3
Bail Bond.....	5	29
Limited Lines.....	0	50
Brokers <sup>c</sup>		
Regular.....	3,352	38,746
Excess Line (Regular).....	79	512
Excess Line (Limited).....	2	16
Viatical Settlement.....	7	12
Consultants <sup>d</sup>		
Life.....	206	20
General.....	37	364
Reinsurance Intermediaries <sup>e</sup> .....	252	258

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- <sup>a</sup>Adjuster licenses issued pursuant to Section 2108 are renewable biennially as of January 1 of odd numbered years.
- <sup>b</sup>Life/Accident & Health Agent licenses issued pursuant to Section 2103(a) are renewable biennially as of July 1 of odd numbered years.
  - Savings Bank Life Certificates issued pursuant to Section 2203 are renewable biennially as of July 1 of odd numbered years.
  - Property and Casualty Agent licenses issued pursuant to Section 2103(b) are renewable biennially as of July 1 of even numbered years.
  - Rental Vehicle Agent licenses issued pursuant to Section 2131 are renewable biennially as of July 1 of even numbered years.
  - Mortgage Guaranty Agent licenses issued pursuant to Section 6535 are perpetual.
  - Bail Bond Agent licenses issued pursuant to Section 6802 are renewable biennially as of January 1 of odd numbered years.
- <sup>c</sup>Broker licenses issued pursuant to Section 2104 and Excess Line Broker licenses issued pursuant to Section 2105 are renewable biennially as of November 1 of even numbered years.
  - Limited Excess Line Brokers are licensed to deal only with purchasing groups as defined in Regulation 134.
  - Viatical Settlement Broker licenses issued pursuant to Section 7802 are renewable annually as of December 1. Regulation 148, effective July 27, 1994, provides that those who filed applications for these licenses by October 4, 1994 may act as Viatical Settlement Brokers until the licenses are issued or denied.
- <sup>d</sup>Consultant licenses issued pursuant to Section 2107 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.
- <sup>e</sup>Reinsurance Intermediary licenses issued pursuant to Section 2106 are renewable biennially as of September 1 of even numbered years.

### 3. Changes in Authorized Insurers During 1997

#### a. Life Insurance Companies

##### Domestic Company Incorporated

USAA Life Insurance Company of New York, County of Orange, State of New York.....	Oct. 1
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##### Domestic Companies Licensed

First Golden American Life Insurance Company of New York, New York, NY.....	Jan. 2
Trans-General Life Insurance Company of New York, New York, NY.....	Mar. 26
First Great-West Life & Annuity Insurance Company, Albany, NY.....	May 28
USAA Life Insurance Company of New York, Highland Falls, NY.....	Nov. 14

##### Foreign Companies Licensed

American Modern Life Insurance Company, Amelia, OH.....	Aug. 1
American Maturity Life Insurance Company, Simsbury, CT.....	Nov. 17

##### Restated Charters Filed

Equitable Life Assurance Society of the United States, New York, NY.....	Jan. 1
North American Company for Life and Health Insurance of New York, Garden City, NY.....	Feb. 4
Phoenix Home Life Mutual Insurance Company, East Greenbush, NY.....	July 1
Washington National Life Insurance Company of New York, Binghamton, NY.....	Sept. 19
American Travellers Insurance Company of New York, Valhalla, NY.....	Sept. 30
Transamerica Life Insurance Company of New York, Purchase, NY.....	Oct. 10
First Great-West Life & Annuity Insurance Company, Albany, NY.....	Dec. 19
Washington National Life Insurance Company of New York, Binghamton, NY.....	Dec. 31

### Amendments to Charter Filed

First Unum Life Insurance Company, Tarrytown, NY.....	Feb. 12
Utica National Life Insurance company, New Hartford, NY.....	Apr. 14
The Manhattan Life Insurance Company, New York, NY.....	Apr. 30
First Transamerica Life Insurance Company, Purchase, NY.....	May 1
First ING Life Insurance Company of New York, New York, NY.....	May 2
Swiss Re Life Company America, New York, NY.....	June 19
Mutual of America Life Insurance Company, New York, NY.....	June 26
First Security Benefit Life Insurance and Annuity Company of New York, White Plains, NY.....	July 1
Farm Family Life Insurance Company, Glenmont, NY.....	Sept. 10
National Benefit Life Insurance Company, New York, NY.....	Sept. 18
First Citicorp Life Insurance Company, New York, NY.....	Sept. 19
First Jackson National Life Insurance Company, Bronxville, NY.....	Sept. 26
First North American Life Assurance Company, Rye, NY.....	Oct. 1
The Manufacturers Life Insurance Company of New York, Rye, NY.....	Nov. 24
Canada Life Insurance Company of New York, Harrison, NY.....	Dec. 22

### Changes in Capital

Utica National Life Insurance Company, New Hartford, NY (from \$2,000,000 to \$4,000,000).....	Apr. 14
Manhattan Life Insurance Company, New York, NY (from \$10,000,000 to \$9,189,466).....	Apr. 30
First ING Life Insurance Company of New York, New York, NY ( from \$1,100,000 to \$2,500,000).....	May 2
Washington National Life Insurance Company of New York, Binghamton, NY (from \$1,500,000 to \$2,000,000).....	Sept. 19
American Travellers Life Insurance Company of New York, Orangeburg, NY (from \$300,000 to \$2,000,000).....	Sept. 30
First Great-West Life & Annuity Insurance Company, Harrison, NY (from \$2,000,000 to \$10,000,000).....	Dec. 19

### **Name Changes**

"SMA Life Assurance Company" to "Allmerica Financial Life Insurance & Annuity Company," Dover, DE.....	Mar. 10
"American Combined Life Insurance Company" to "Resources Life Insurance Company," Rolling Meadows, IL.....	Apr. 11
"First Transamerica Life Insurance Company" to "Transamerica Life Insurance Company of New York," Purchase, NY.....	May 1
"Swiss Re Life Company America" to "Swiss Re Life & Health America, Inc.," New York, NY.....	June 19
"First Jackson National Life Insurance Company" to "Jackson National Life Insurance Company of New York," Bronxville, NY.....	Sept. 26
"American Travellers Insurance Company of New York" to "Conseco Life Insurance Company of New York," Orangeburg, NY.....	Sept. 30
"First North American Life Assurance Company" to "The Manufacturers Life Insurance Company of New York," Rye, NY.....	Oct. 1
"Washington National Life Insurance Company of New York" to "Columbian Family Life Insurance Company," Binghamton, NY.....	Dec. 31

### **Merger Agreements Filed**

Equitable Variable Life Insurance Company, New York, NY into The Equitable Life Assurance Society of the United States New York, NY.....	Jan. 1
John Alden Life Insurance Company of New York, of Montebello, NY into First SunAmerica Life Insurance Company of New York, New York, NY.....	Oct. 31

### **Withdrawn**

USAA Life Insurance Company, San Antonio, TX.....	Dec. 31
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### **Redomestication Filed**

American Combined Life Insurance Company, Lincoln, NE Nebraska to Illinois.....	Mar. 20
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**b. Accident and Health Insurance Companies**

**Domestic Companies Incorporated**

Vytra Health Insurance Company, County of Suffolk, NY.....	Mar. 11
American Independent Network Insurance Company of New York, Orange County, NY.....	Apr. 9
AmeriHealth Insurance Plans, Inc. Westchester County, NY.....	Sept. 23

**Domestic Company Licensed**

Dental Benefit Providers Insurance Corporation, Albany, NY.....	Jan. 1
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**Merger Agreement Filed**

Ameritas Bankers Assurance Company, of Suffern, NY into First Ameritas Life Insurance Corp. of New York, Suffern, NY.....	Jan. 1
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**Amendments to Charter Filed**

First Rehabilitation Insurance Company of America, Great Neck, NY.....	Jan. 1
Dental Benefit Providers Insurance Corporation, Albany, NY.....	Apr. 17

**Change in Capital**

First Rehabilitation Insurance Company of America Great Neck, NY (from \$104,929 to \$2,000,000).....	Jan. 1
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**Conversion Filed**

First Rehabilitation Insurance Company of America from an accident and health insurance company to a life insurance company.....	Jan. 1
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**Name Changes**

"First Rehabilitation Insurance Company of America" to "First Rehabilitation Life Insurance Company of America," Great Neck, NY.....	Jan. 1
"Dental Benefit Providers Insurance Corporation" to "Dental Insurance Company of America," Albany, NY.....	Apr. 17



**c. Not-For-Profit Health Service Corporations**

**Domestic Company Licensed**

CDPHP Universal Benefits, Inc., Albany, NY.....	Aug. 14
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**Restated Charter Filed**

Delta Dental of New York, Inc., New York, NY.....	Feb. 11
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**d. Savings Banks (Life Insurance Departments)**

**Name Changes**

"Rochester Community Savings Bank" to "Charter One Bank, F.S.B.," Rochester, NY.....	Sept. 18
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"The Poughkeepsie Savings Bank" to "Bank of the Hudson," Poughkeepsie, NY.....	Oct. 14
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**Merger Filed**

The East New York Savings Bank into Manufacturers and Traders Trust Company.....	Nov. 26
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**Converted to a Federal Charter**

Rochester Community Savings Bank, Rochester, NY.....	Sept. 18
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**e. Property and Casualty Insurance Companies**

**Domestic Companies Incorporated**

Covenant Insurance Company of New York, County of Albany, NY.....	Mar. 6
American Independent Network Insurance Company of New York, County of Orange, NY.....	Apr. 9
Autoglass Insurance Company, Chemung County, NY.....	May 1
1st Madison Insurance Company, County of New York, NY.....	June 16
Geisinger Insurance Company of New York, County of Chemung, NY.....	Sept. 9
FF Merger Insurance Company, Albany County, NY.....	Oct. 23

### Domestic Companies Licensed

American Agents Insurance Company, Williston Park, NY .....	Mar. 21
Adirondack Insurance Company, Purchase, NY.....	May 9
Financial Structures Insurance Company, New York, NY.....	Sept. 18
1st Madison Insurance Company, New York, NY.....	Dec. 2
Stonebridge Insurance Company, Melville, NY.....	Dec. 12

### Foreign Companies Licensed

Seaco Insurance Company, Framingham, MA.....	Jan. 7
Trumbull Insurance Company, Hartford, CT.....	Jan. 23
Atlantic States Insurance Company, Marietta, PA.....	Jan. 27
First General Insurance Company, Warwick RI.....	Feb. 11
Frontier Pacific Insurance Company, LaJolla, CA.....	Mar. 3
Green Mountain Insurance Company, Inc., Berlin, VT.....	Mar. 4
Midwest Employers Casualty Company, Cincinnati, OH.....	Apr. 11
Allmerica Financial Alliance Insurance Company, Bedford, NH .....	Apr. 16
Valiant Insurance Company, Des Moines, IA.....	Apr. 25
Agri General Insurance Company, West Des Moines, IA.....	May 9
Employee Benefits Insurance Company, Farmington, CT.....	July 23
Design Professionals Insurance Company, Farmington, CT.....	July 23
Berkley Regional Insurance Company, Maryland Heights, MO.....	July 24
Reliance Surety Company, Wilmington, DE.....	July 31
New South Insurance Company, Winston-Salem, NC.....	Oct. 15
Diamond State Insurance Company, Bala Cynwyd, PA.....	Nov. 20
White Mountains Insurance Company, Manchester, NH.....	Dec. 12
Reliance Direct Insurance Company Philadelphia, PA.....	Dec. 17
QBE Insurance Corporation, Wilmington, DE.....	Dec. 26
Core Insurance Company, Colchester, VT.....	Dec. 30

# Amendments to Charter Filed

Executive Insurance Company, New York, NY.....	Jan. 10
U.S. Capital Insurance Company, White Plains, NY.....	Jan. 10
Citadel Insurance Company, Lake Success, NY.....	Jan. 21
Abeille General Insurance Company, Inc., New York, NY.....	Feb. 1
American Agents Insurance Company, Nassau County, NY.....	Feb. 12
International Credit of North America Reinsurance Inc., Centerport, NY.....	Feb. 28
Unione Italiana Reinsurance Company of America, Inc., New York, NY.....	Mar. 21
Farm Family Casualty Insurance Company, Bethlehem, NY.....	Mar. 25
Paramount Insurance Company, New York, NY.....	Mar. 25
American Alternative Insurance Corporation, New York, NY.....	Apr. 1
U.S. Capital Insurance Company, White Plains, NY.....	Apr. 3
Insurance Company of Greater New York, New York, NY.....	May 2
Exchange Insurance Company, Buffalo, NY.....	May 7
Realm National Insurance Company, New York, NY.....	June 9
Exchange Insurance Company, Buffalo, NY.....	June 19
Graphic Arts Insurance Company, New Hartford, NY.....	June 24
Transtate Insurance Company, Flushing, NY.....	July 1
United Concordia Insurance Company of New York, Lake Success, NY.....	July 10
General Security Property and Casualty Company, New York, NY.....	July 21
Reliance Insurance Company of New York, Fairport, NY.....	July 30
United Pacific Insurance Company of New York, Fairport, NY.....	July 31
Fire Districts of New York Mutual Insurance Company, Inc. Spring Valley, NY.....	Aug. 25
Great Lakes American Reinsurance Company, New York, NY.....	Aug. 25
United Farm Family Insurance Company, Albany, NY.....	Sept. 10
Adirondack Insurance Company, White Plains, NY.....	Sept. 17
Tower Insurance Company of New York, New York, NY.....	Sept. 17
Unione Italiana Reinsurance Company of America, Inc., New York, NY.....	Oct. 1

Resolute Reinsurance Company, New York, NY.....	Oct. 7
Colonia Insurance Company, New York, NY.....	Nov. 19
Frontier Insurance Company, Rock Hill, NY.....	Dec. 1
NIC Insurance Company, New York, NY.....	Dec. 18

### Restated Charters Filed

Samsung Fire & Marine Insurance Co., Ltd. (U.S. Branch - New York, NY).....	Jan. 21
Nippon Fire & Marine Insurance Co., Ltd., (U.S. Branch -New York, NY).....	July 28
Christiania General Insurance Corporation of New York, New York, NY.....	Aug. 12

### Name Changes

"Associated Mutual Insurance Company" to "Associated Mutual Insurance Cooperative," Woodridge, NY.....	Jan. 1
"Citadel Insurance Company," to "United Concordia Insurance Company of New York," Lake Success, NY.....	Jan. 21
"Aetna Casualty Company" to "Aetna Insurance Company of Connecticut," Hartford, CT.....	Jan. 30
"Abeille General Insurance Company, Inc.," to "AIG National Insurance Company, Inc.," New York, NY.....	Feb. 1
"The Travco Insurance Company" to "Travco Insurance Company," Indianapolis, IN.....	Mar. 3
"John Hancock Indemnity Company" to "Direct Response Insurance Company" to "Response Insurance Company," Wilmington, DE.....	Mar. 10
"Mead Reinsurance Corporation" to "Midstates Reinsurance Corporation," Chicago, IL.....	Apr. 15
"Exchange Insurance Company" to "Selective Insurance Company of New York," Buffalo, NY.....	June 19
"Graphic Arts Insurance Company" to "Utica National Assurance Company," New Hartford, NY.....	June 24
"Aetna Casualty Company of Connecticut" to "Travelers Casualty Company of Connecticut," Hartford, CT.....	July 1
"Aetna Casualty and Surety Company" to "Travelers Casualty and Surety Company," Hartford, CT.....	July 1

"Aetna Casualty and Surety Company of America" to "Travelers Casualty and Surety Company of America," Hartford, CT.....	July 1
"Aetna Casualty & Surety Company of Illinois" to "Travelers Casualty and Surety Company of Illinois," Lisle, IL.....	July 1
"Aetna Commercial Insurance Company" to "Travelers Commercial Insurance Company," Hartford, CT.....	July 1
"Aetna Insurance Company" to "Travelers Property Casualty Insurance Company," Hartford, CT .....	July 1
"Christiania General Insurance Corporation of New York" to "Commercial Compensation Insurance Company," New York, NY.....	Aug. 12
"Great Lakes American Reinsurance Company" to "Folksamerica General Insurance Company," New York, NY.....	Aug. 25
"Adirondack Insurance Company" to "Response Indemnity Company," White Plains, NY.....	Sept. 17
"Anthem Casualty Insurance Company" to "Shelby Casualty Insurance Company," Indianapolis, IN.....	Oct. 14
"American Loyalty Insurance Company" to "SAFECO Insurance Company of Pennsylvania," Philadelphia PA.....	Oct. 16
"Colonia Insurance Company" to "AXA Global Risks US Insurance Company," New York, NY.....	Nov. 19
"Zurich Reinsurance Centre, Inc." to "Zurich Reinsurance (North America), Inc.," Stamford, CT.....	Nov. 21
"Security Reinsurance Company" to "Orion Insurance Company," Farmington, CT.....	Dec. 2
"Sirius Reinsurance Corporation" to "Sirius America Insurance Company," Dover, DE.....	Dec. 15
"National Chiropractic Mutual Insurance Company" to "NCMIC Insurance Company," West Des Moines, IA.....	Dec. 16
"Financial Security Assurance International, Inc." to "ManagedComp National Insurance Company," Indianapolis, IN.....	Dec. 19

## Changes in Capital

Executive Insurance Company, New York, NY (from \$600,000 to \$700,000).....	Jan. 10
U.S. Capital Insurance Company, White Plains, NY (from \$4,200,000 to \$1,000,000).....	Jan. 10
American Agents Insurance Company, Nassau County, NY (from \$1,750,000. to \$700,000).....	Feb. 12
International Credit of North America Reinsurance Inc., Centerport, NY (from \$3,000,000 to \$1,000,000).....	Feb. 28
Paramount Insurance Company, New York, NY (from \$3,000,000 to \$4,200,000).....	Mar. 25
American Alternative Insurance Corporation, New York, NY (from \$80,120,000 to \$5,120,750).....	Apr. 1
Insurance Company of Greater New York, New York, NY (from \$2,375,000 to \$5,000,000).....	May 2
Exchange Insurance Company, Buffalo, NY (from \$4,137,938 to \$3,975,880).....	May 7
Realm National Insurance Company, New York, NY (from \$2,500,000 to \$5,000,000).....	June 9
Graphic Arts Insurance Company, New Hartford, NY (from \$1,000,000 to \$3,000,000).....	June 24
Transtate Insurance Company, Flushing, NY (from \$4,000,000 to \$12,000,000).....	July 1
General Security Property and Casualty Company, New York, NY (from \$2,500,00 to \$5,000,000).....	July 21
Reliance Insurance Company of New York, Fairport, NY (from \$1,000,000 to \$2,350,000).....	July 30
Reliance National Insurance Company of New York, Fairport, NY (from \$1,000,000 to \$2,350,000).....	July 30
United Pacific Insurance Company of New York, Fairport, NY (from \$1,000,000 to \$2,350,000).....	July 31
Folksamerica General Insurance Company, New York, NY (from \$12,000,000 to \$6,000,000).....	Aug. 25
Tower Insurance Company of New York, New York, NY (from \$1,000,000 to \$4,000,000).....	Sept. 17
United Farm Family Insurance Company, Albany, NY (from \$1,000,000 to \$1,900,000).....	Nov. 4

NIC Insurance Company, New York, NY (from \$2,500,000 to \$5,000,000).....	Dec. 18
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**Conversion Filed**

Associated Mutual Insurance Company, Woodridge, NY Converted from a mutual property/casualty company to an assessment co-operative property/casualty company then to an advance premium co-operative property/casualty company.....	Jan. 1
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**Redomestications Filed**

Century Indemnity Company, Bloomfield, CT Connecticut to Pennsylvania.....	Jan. 6
Deerbrook Insurance Company, Wilmington, DE Delaware to Illinois.....	Mar. 4
Amwest Surety Insurance Corporation, Woodland Hills, CA California to Nebraska.....	Mar. 26
MIC General Insurance Corporation Indianapolis, IN Indiana to Michigan.....	Apr. 8
Cigna Insurance Company. Los Angeles, CA California to Pennsylvania.....	Apr. 17
Colonial Penn Madison Insurance Company, Milwaukee, WI Wisconsin to Pennsylvania.....	May 1
Vanguard Insurance Company, Dallas, TX Texas to Wisconsin.....	May 13
American Liberty Insurance Company Birmingham, AL Alabama to Iowa.....	Sept. 19

**Conversion**

United Concordia Insurance Company of New York, Lake Success, NY Converted from a domestic property/casualty to a domestic accident and health insurance company.....	July 10
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**Domestication Agreement Approved**

Munich Reinsurance Company (U.S. Branch) into American Re-Insurance Company, Dover, DE.....	July 3
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### Merger Agreements Filed

Munich American Reinsurance Company, of New York, NY into American Re-Insurance Company, Dover, DE.....	June 30
Canadian Union Insurance Company of America, of Woodbury, NY into Sorema North America Reinsurance Company, New York, NY.....	Aug. 15
Centre Reinsurance Company of New York, of New York, NY into Zurich Reinsurance Centre, Inc., Stamford, CT.....	Aug. 27
The Mercantile and General Reinsurance Company of America, New York, NY into The Toa-Re Insurance Company of America, Dover, DE.....	Dec. 30

### In Rehabilitation

Home Mutual Insurance Company of Binghamton, New York, Binghamton, NY.....	Aug. 5
New York Merchant Bakers Insurance Company, Binghamton, NY.....	Aug. 5
U.S. Capital Insurance Company, Farmingville, NY.....	Aug. 5

### f. Co-operative Property and Casualty Insurance Companies

#### Amendments to Charter Filed

Dryden Mutual Insurance Company Dryden, NY .....	July 8
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#### Merger Agreement Filed

Chenango Mutual Insurance Company, a Cooperative, Norwich, NY Merged into North Country Insurance Company, Watertown, NY .....	Jan. 1
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#### Amended License

Colonial Cooperative Insurance Company, Kingston, NY To remove the restrictions of Article 6604(a) of the New York Insurance Law for this Advance Premium Co-operative Property/Casualty Company.....	Dec. 9
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### g. Title Insurance Companies

#### Foreign Company Licensed

United General Title Insurance Company, Baton Rouge, LA.....	Feb. 5
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### **Amendment to Charter Filed**

Nations Title Insurance of New York Inc. White Plains, NY.....	Sept. 11
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### **Restated Charter Filed**

Fidelity National Title Insurance Company of New York, New York, NY.....	Apr. 4
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### **Merger Agreements Filed**

Fidelity National Title Insurance Company of Pennsylvania, Reading, PA into Fidelity National Title Insurance Company of New York, New York, NY.....	Apr. 4
Ticor Title Guarantee Company, New York, NY into Ticor Title Insurance Company, Rosemead, CA.....	Dec. 31

## **h. Financial Guaranty Companies**

### **Change of Name**

"Ambac Indemnity Corporation" to "Ambac Assurance Corporation," Madison, WI.....	July 21
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## **i. Captive Insurers**

### **Companies Licensed**

First Mutual Transportation Assurance Company New York, NY.....	Dec. 5
CM Insurance Company, Inc., New York, NY.....	Dec. 31

## **j. Charitable Annuity Societies**

### **Permits Issued**

Catholic Medical Mission Board, Inc., New York, NY.....	Feb. 5
Lincoln Center for the Performing Arts, Inc., New York, NY.....	Feb. 11
Pace University, New York, NY.....	Mar. 6
Women's American ORT, Inc., New York, NY.....	Mar. 14
Greater New York Councils, Inc., Boy Scouts of America, New York, NY.....	Apr. 30
The Julliard School, New York, NY.....	July 1

Laubach Literacy International, Syracuse, NY.....	July 11
Catholic Charities, Diocese of Brooklyn, Brooklyn, NY.....	Aug. 25
National Audubon Society, Inc., New York, NY.....	Sept. 8
Roswell Park Alliance Foundation, Buffalo, NY.....	Sept. 24
Humane Society of the United States, Washington, DC.....	Nov. 7
The Episcopal Church Foundation, New York, NY.....	Dec. 31

### **Name Change**

"Crouse Irving Memorial Foundation, Inc.," to "Crouse Health Foundation, Inc.," Syracuse, NY.....	Jan. 31
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### **k. Accredited Reinsurers**

#### **Recognized**

AXA Reassurance S.A., Paris, France.....	Feb. 28
Yosemite Insurance Company, San Francisco, CA.....	Mar. 3
Commercial Risk Re-Insurance Company, South Burlington, VT.....	July 9
Houston Casualty Company, Houston, TX.....	July 31
Kanawah Insurance Company, Lancaster, SC.....	Oct. 24
AIG Global Trade & Political Risk Insurance Company, Parsippany, NJ .....	Dec. 24

#### **Withdrawn**

Atlantic States Insurance Company, Marietta, PA.....	Jan. 27
American Equity Investment Life Insurance Company, West Des Moines, IA.....	June 30
New South Insurance Company, Winston-Salem, NC.....	Oct. 15
QBE Insurance Corporation, Wilmington, DE.....	Dec. 26

## Name Changes

"Melbourne Reinsurance Corporation" to "QBE Insurance Corporation," Wilmington, DE.....	Feb. 10
"Classic Insurance Company" to "Progressive Classic Insurance Company," Madison, WI.....	May 2
"United Services Life Insurance Company" to "Reliastar United Services Life Insurance Company," Washington, DC.....	May 9
"CNA International Reinsurance Company Limited" to "CNA Reinsurance Company, Limited," London, England.....	June 12
"Zurich Re (U.K.) Limited" to "Zurich Reinsurance (London) Limited," London, England.....	Sept. 4
"The Mercantile and General Reinsurance Company PLC" to "Swiss Re Life & Health Limited (US Branch)," London, England.....	Dec. 4

## Redomestication Filed

Fidelity Life Insurance Company, Des Moines, IA Iowa to Pennsylvania.....	May 21
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## Merger Agreements Filed

Ford Life Insurance Company, Dearborn, MI Merged into company not licensed or accredited in New York State.....	Apr. 21
Commercial Life Insurance Company, of Piscataway, NJ into UNUM Life Insurance Company of America, Portland, ME.....	May 19

## I. Viatical Settlement Companies

### Companies Licensed

Life Benefactors, L.P., San Diego, CA.....	June 10
Accelerated Benefits Capital LLC, Oak Park, MI.....	Aug. 15
Kelco, Inc., Lexington, KY.....	Sept. 25

### Withdrawn

Life Entitlements Corporation, New , NY.....	Nov. 30
Lifetime Options, Inc., Chevy Chase, MD.....	Nov. 30

**m. Health Maintenance Organizations**

**Company Licensed**

AmeriHealth Health Plan, Inc. White Plains, NY.....	Dec. 31
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**Changes of Name**

"MDLI Healthcare, Inc." to "MDNY Healthcare, Inc," Melville, NY.....	Jan. 14
"Chubbhealth, Inc." to "Healthsources of New York/New Jersey," New York, NY.....	May 7
"Metrahealth Care Plan of New York, Inc." to "United Healthcare of New York, Inc.," New York, NY.....	May 7
"Metrahealth Care Plan of Upstate New York, Inc." to United Healthcare of Upstate New York, Inc.," New York, NY.....	May 7

**n. Rating Organizations**

**Restated Charters Filed**

Associated Co-operative Inland Marine Conference, Albany, NY.....	Jan. 1
Underwriters Rating Board, Albany, NY.....	Jan. 1

#### 4. Examination Reports Filed During 1997

##### Domestic Life Insurance Companies

Name of Company	Made as of	Date Filed
American International Life Assurance Company of New York	12/31/95	10/ 3/97
American Mayflower Life Insurance Company	12/31/95	3/31/97
Bankers Life Insurance Company of New York	12/31/94	4/30/97
CIM Insurance Corporation	12/31/95	10/31/97
CU Life Insurance Company of New York	12/31/95	9/10/97
Empire Fidelity Investments Life Insurance Co.	12/31/95	7/29/97
Equitable Life Assurance Society of the United States	12/31/95	12/ 1/97
Equitable Variable Life Insurance Company	12/31/95	12/ 1/97
Farmers an Traders Life Insurance Company	12/31/95	10/31/97
First Cova Life Insurance Company	12/31/95	7/31/97
First Golden American Life Insurance Company of New York	a	1/ 6/97
First ING Life Insurance Company of New York	12/31/95	10/ 8/97
First North American Life Assurance Company	12/31/94	6/ 9/97
First Reliance Standard Life Insurance Company	12/31/94	2/24/97
First Transamerica Life Insurance Company	12/31/95	1/ 6/97
GE Capital Life Assurance Company of New York	12/31/95	9/ 5/97
Gerber Life Insurance Company	12/31/95	4/30/97
Guilderland Reinsurance Company	12/31/94	10/22/97
Intramerica Life Insurance Company	12/31/95	1/29/97
Lincoln Life and Annuity Company of New York	a	1/29/97
Lincoln Security Life Insurance Company	12/31/95	4/18/97
Motors Insurance Corporation	12/31/95	10/31/97
National Integrity Life Insurance Company	12/31/95	6/12/97
North American Company for Life and Health Insurance of New York	12/31/95	7/31/97
Preferred Life Insurance Company of New York	12/31/95	11/18/97

Name of Company	Made as of	Date Filed
Public Service Mutual Insurance Company	12/31/94	3/18/97
Security Mutual Life Insurance Company of New York	12/31/95	10/20/97
Sentry Life Insurance Company of New York	12/31/94	6/16/97
Standard Security Life Insurance Company of New York	12/31/94	1/21/97
TIAA Life Insurance Company	a	1/29/97
Trans-General Life Insurance Company of New York	a	6/18/97

#### **Foreign Life Insurance (Market Conduct Examinations)**

Guardian Insurance & Annuity Company, Inc.	12/31/94	2/19/97
J.C. Penney Life Insurance Company	12/31/95	5/12/97

#### **Foreign Life Insurance Companies (Report on Agency Operations)**

New England Mutual Life Insurance Company	6/14/95	8/22/97
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#### **Domestic Accident and Health Insurance Company**

Name of Company	Made as of	Date Filed
Dental Benefits Providers Insurance Corporation	a	4/ 8/97

#### **Fraternal Benefit Society**

Polish Union of America	12/31/95	7/ 8/97
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#### **Savings Banks (Life Insurance Department)**

Albank, FSB	12/31/95	8/18/97
The Emigrant Savings Bank	12/31/94	1/31/97
The Long Island Savings Bank	12/31/96	9/15/97
Pioneer Savings Bank	12/31/95	4/ 2/97
Troy Savings Bank	12/31/90	10/23/97

#### **Domestic Property and Casualty Insurance Companies**

American Agents Insurance Company	a	3/11/97
Abeille General Insurance Company	12/31/94	7/28/97
Adirondack Insurance Company	a	4/18/97
AIU Insurance Company	12/31/91	7/29/97
Albany Insurance Company	12/31/91	12/30/97
American Alternative Insurance Corporation	12/29/95	1/ 9/97
American Colonial Insurance Company	12/31/94	1/29/97
American General Life Insurance Company of New York	12/31/94	11/21/97

Name of Company	Made as of	Date Filed
American Home Assurance Company	12/31/91	7/29/97
Caledonian Insurance Company of America	b	4/30/97
CIM Insurance Corporation	12/31/95	10/31/97
Commerce and Industry Insurance Company	12/31/91	7/29/97
Constellation Reinsurance Company	12/31/93	6/17/97
Eveready Insurance Company	12/31/95	7/30/97
Financial Structures Insurance Company	a	9/12/97
First Community Insurance Company	b	5/23/97
1st Madison Insurance Company	a	12/ 1/97
Folksamerica Reinsurance Company	12/31/96	10/ 6/97
General Security Indemnity Company	12/31/94	6/ 6/97
Gotham Insurance Company	12/31/95	7/17/97
Great Lakes America Reinsurance Company	12/31/96	12/22/97
Hansa Reinsurance Company of America	12/31/95	5/22/97
Hereford Insurance Company	12/31/95	8/15/97
Gotham Insurance Company	12/31/95	7/17/97
Lloyds New York Insurance Company	12/31/95	7/ 7/97
Medco Containment Insurance Company of New York	12/31/95	8/26/97
New York Casualty Insurance Company	12/31/94	5/ 7/97
New York Marine and General Insurance Company	12/31/95	6/24/97
Nichido Fire & Marine Insurance Company, Ltd.	12/31/94	7/28/97
The Nissan Fire & Marine Insurance Company, Limited	12/31/95	5/23/97
Pioneer Mutual Insurance Company	12/31/96	12/ 8/97
Public Service Mutual Insurance company	12/31/94	3/18/97
Reliance National Insurance Company of New York	12/31/95	5/12/97
Samsung Fire & Marine Insurance Co., Ltd.	12/31/95	11/20/97
SCOR Reinsurance Company	12/31/94	9/22/97
Simcoe and Erie General Insurance Company	12/31/95	9/11/97
Stonebridge Insurance Company	a	12/10/97
Surety Reinsurance Company	12/31/96	12/10/97
Transtate Insurance Company	12/31/93	3/17/97
Trygg-Hansa Insurance Company, Ltd.	12/31/95	5/12/97
Union & Phenix Espanol Insurance Company	12/3/194	7/28/97
United Farm Family Insurance Company	12/31/95	6/ 4/97
United Pacific Insurance Company of New York	12/31/95	5/12/97

<b>Name of Company</b>	<b>Made as of</b>	<b>Date Filed</b>
United States Fire Insurance Company	12/31/93	1/28/97
Unity Fire and General Insurance Company	12/31/94	6/ 9/97
Westchester Fire Insurance Company	12/31/93	2/21/97

#### **Domestic Financial Guaranty Insurance Companies**

Asset Guaranty Insurance Company	12/31/94	1/13/97
Enhance Reinsurance Company	12/31/94	1/13/97
Financial Guaranty Insurance Company	12/31/95	6/18/97

#### **Assessment Co-operative Fire Insurance Companies**

The Alliance Mutual Insurance Company	12/31/95	5/29/97
Cambridge Co-operative Fire Insurance Company	12/31/95	4/28/97
Callicoon Co-operative Insurance Company	12/31/95	4/10/97
Eastern Mutual Insurance Company	12/31/95	8/27/97
Erie and Niagara Insurance Association	12/31/94	1/23/97
Livingston Mutual Insurance Company	12/31/96	9/15/97
Madison Mutual Insurance Company	12/31/96	9/30/97
Mid-Hudson Cooperative Insurance Company	12/31/95	5/13/97
Pittstown Cooperative Fire Insurance Company	12/31/95	12/16/97

#### **Advance Premium Co-operative Fire Insurance Companies**

Cherry Valley Cooperative Insurance Company	12/31/94	1/ 9/97
Finger Lakes Fire and Casualty Company	12/31/95	2/28/97
Fulmont Mutual Insurance Company	12/31/95	2/13/97
Otsego County Patrons Cooperative Fire Relief Association	12/31/95	1/ 7/97
Security Mutual Insurance Company	12/31/95	7/15/97
United Frontier Mutual Insurance Company	12/31/95	1/ 6/97
Utica Fire Insurance Company	12/31/94	4/10/97

#### **Domestic Title Insurance Companies**

Ticor Title Guarantee company	12/31/94	6/17/97
Transamerica Title Insurance Company of New York	12/31/95	1/13/97



### Charitable Annuity Societies

Name of Company	Made as of	Date Filed
Africa Inland Mission International, Inc.	12/31/96	12/ 3/97
Board of National Missions of the Presbyterian Church U.S.A.	12/31/95	1/ 9/97
Brooklyn College Foundation, Inc.	12/31/97	12/31/97
Commission on Ecumenical Missions and Relations of the Presbyterian Church	12/31/95	1/ 9/97
University of Rochester	12/31/95	11/20/95

### Health Maintenance Organizations

Aetna Health Plans of New York, Inc.	12/31/94	2/25/97
Chubbhealth, Inc.	a	8/ 5/97
Healthsource HMO of New York, Inc.	12/31/95	11/ 5/97
Managed Health Inc.	12/31/93	7/14/97
Magna Health of New York, Inc.	a	4/29/97
MVP Health Plan, Inc.	12/31/95	11/ 4/97
Prudential Health Care Plan of New York, Inc.	12/31/95	6/ 3/97
Wellcare of New York, Inc.	12/31/95	3/ 6/97

### Non-Profit Corporations

Name of Company	Made as of	Date Filed
Blue Cross and Blue Shield of Central New York, Inc.	12/31/93	1/16/97
CDPHP Universal Benefits, Inc.	a	11/ 7/97
Capital Area Community Health Plan, Inc.	12/31/93	9/23/97
Preferred Assurance Company, Inc.	12/31/94	4/16/97
Oxford Health Insurance Inc. and Oxford Health Plans (NY), Inc.	11/ 1/97	12/30/97

### Retirement System

New York City Employees' Retirement System	6/30/94	3/ 7/97
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### Miscellaneous Organizations

<u>Name of Company</u>	<u>Made as of</u>	<u>Date Filed</u>
Fund for Reopened Cases	12/31/95	9/12/97
Water Quality Insurance Syndicate	11/30/95	12/ 2/97

### Rate Service Organization

Title Insurance Rate Service Association	6/30/96	3/24/97
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- a On Organization
- b Increase in Capital

## **5. Rehabilitation, Liquidation, Ancillary Receivership and Conservation Proceedings**

The insurance entities under the liquidation Bureau's jurisdiction during 1997 were as follows:

### **Rehabilitations**

Commenced: Home Mutual Insurance Company of Binghamton, New York  
New York Merchant Bakers Insurance Company  
Transtate Insurance Company  
U.S. Capital Insurance Company

Continued: Executive Life Insurance Company of New York

### **Liquidations**

Commenced: Pan Atlantic Investors, Ltd.  
U. S. Capital Insurance Company:

Continued: American Consumer Insurance Company  
American Fidelity Fire Insurance Company  
Citizens Casualty Company of New York  
Consolidated Mutual Insurance Company  
Cosmopolitan Mutual Insurance Company  
Dominion Insurance Company of America  
Galaxy Insurance Company  
Heartland Group, Inc. (New York Insurance Exchange Syndicate)  
Horizon Insurance Company  
Ideal Mutual Insurance Company  
Interamerica Reinsurance Company  
KCC New York Syndicate Corporation (New York Insurance Exchange Syndicate)  
Long Island Insurance Company  
Midland Insurance Company  
Midland Property and Casualty Insurance Company  
Nassau Insurance Company  
Nem Re Insurance Corporation  
New York Insurance Exchange, Inc.  
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  
Union Indemnity Insurance Company of New York  
United Community Insurance Company  
Whiting National Insurance Company

Completed: Bakers Mutual Insurance Company of New York  
Carriers Casualty Company  
Southern Tier Dental Services Corporation  
U.S. Risk Inc. (New York Insurance Exchange Syndicate)

**Ancillary Receiverships** – In the case of a New York-licensed foreign (*i.e.*, not domiciled in New York) insurer that becomes insolvent, the Superintendent of Insurance must apply to the court to establish an Ancillary Receivership to enable the New York Department (and the Superintendent as Ancillary Receiver) to trigger the New York Security Fund to pay Security Fund-covered claims.

Continued: Abington Mutual Insurance Company  
American Druggists' Insurance Company  
American Mutual Insurance Company of Boston  
American Mutual Liability Insurance Company  
Employers Casualty Company  
Great Atlantic Insurance Company  
Great Global Assurance Company  
Imperial Insurance Company  
Integrity 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  
Transit Casualty Company  
Warwick Insurance Company  
Western Employers Insurance Company  
Yorktown Indemnity Company

Completed: Columbus Insurance Company  
Covenant Mutual Insurance Company

**Conservations** – All foreign or alien (*i.e.*, not domiciled in New York) insurers not licensed in New York but doing business on an excess and surplus lines basis must establish a Trust Fund in New York. If such an insurer becomes insolvent, the Insurance Department must apply to the court in order for the Insurance Department (and the Superintendent as Conservator) to conserve the assets of that Trust Fund for the benefit of all U.S. policyholders.

Commenced: Anglo American Insurance Company, Ltd.

Continued: Bermuda Fire and Marine Insurance Company  
Latino Americana De Reaseguros  
Municipal General Insurance, Ltd.  
National Colonial Insurance Company  
Njord Insurance Company, Ltd.  
Northumberland General Insurance Company – 41 Trust  
Pacific and General Insurance Company  
Pine Top Insurance Company, Ltd.  
Scan Re Insurance Company, Ltd.  
Trinity Insurance Company, Ltd.

Completed: Andrew Weir Insurance Company, Ltd.  
Bryanston Insurance Company, Ltd.  
Colonial Assurance Company, Ltd.  
Mentor Insurance Company (UK), Ltd.  
River Plate Reinsurance Company

a. Insurance Companies

During 1997, six insurance companies proceedings commenced while 57 proceedings continued and 11 proceedings were completed and closed. The 63 active insurance company proceedings were classified as follows:

- 4 - Rehabilitation
- 28 - Liquidation
- 20 - Ancillary Receivership
- 11 - Conservation

As of December 31, 1997, assets, liabilities and current insolvency of the 63 active insurance company proceedings, taken as a group, were as follows:

Total Assets	\$3,187,848,735
Total Liabilities	\$7,929,680,402
Current Insolvency	\$4,741,831,667

During 1997, cash payments from the New York State security funds on allowed claims of claimants totaled \$40,052,686 for claims, \$0 for return premiums, and \$27,692,275 for expenses. Payments by other states' guaranty funds are excluded from these numbers.

During 1997, cash distributions to the New York State security funds from domestic estates totaled \$64,974,130. Distributions to the New York State security funds from other states' guaranty funds totaled \$25,429,749, for a combined total \$90,403,879.

b. Fraternal Benefit Societies in Liquidation

As of December 31, 1997, there were 235 liquidation proceedings that had not yet been closed by filing of Final Accounts with the Supreme Court. Their status was as follows:

- 7 - Evaluation of claims by Liquidation Bureau not completed.
- 17 - Evaluation of claims by Liquidation Bureau completed. Liquidator's Report, Audit and Petition in preparation.
- 170 - Liquidation completed except for preparation and filing of Final Audit and Accounting.
- 41 - Final Audit and Accounting filed.

As of December 31, 1997 the remaining assets in the 235 liquidation proceedings totaled \$1,887,427. During 1997, surplus assets of \$394,031 were paid to former members of fraternal benefit societies.

c. Welfare and Pension Funds in Liquidation

As of December 31, 1997, 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 - Evaluation of claims by Liquidation  
Bureau completed. Liquidator's  
Report, Audit and Petition in preparation.
- 1 - Liquidation completed except for preparation  
and filing of Final Audit and Accounting.

As of December 31, 1997, the remaining assets of the six liquidation proceedings totaled \$324,106. During 1997, no claim or surplus assets were paid to former members of welfare funds.

For more detail, see the full report, Liquidation Bureau Proceedings as of 12/31/97. Copies may be obtained through the Research Bureau at the Department's New York City Office. For earlier developments on rehabilitation, liquidation, ancillary receivership and conversation proceedings, see the Annual Report of the Superintendent of Insurance to the New York Legislature for prior years.

## 6. Insurance Department Receipts and Disbursements

**Table 57**  
**DEPARTMENT RECEIPTS**  
**Fiscal Year Ended March 31, 1997**

<u>Taxes Collected Under the New York State Insurance Law:</u>	
Taxes collected by reason of retaliation under Section 1112	\$13,543,198.03
Excess Line - Section 2118	13,175,699.30
Organization Tax - Section 180, Tax Law	<u>15,390.55</u>
Total taxes collected	<u>\$26,734,287.88*</u>
 <u>Fees Collected Under Section 1112 of the New York State Insurance Law:</u>	
Filing Annual Statements and Certificates of Authority to Companies	\$169,058.89
Agents' Certificates of Authority	665,192.97
Admission Fees	<u>70,524.75</u>
Total	<u>\$904,776.61</u>
 <u>Licensing and Accreditation Fees:</u>	
Agents' Licenses - Section 2103	\$3,016,436.76
Adjusters' Licenses - Section 2108	389,850.00
Brokers' Licenses - Section 2104 and 2105	2,152,981.32
Bail Bond Agents' Licenses - Section 6802	3,150.00
Insurance Consultants' Licenses - Section 2107	50,400.00
Reinsurance Intermediary Licenses - Section 2106	93,700.00
Special Risk Licenses - Section 6302	160,000.00
Accredited Reinsurers - Section 107(a)2	143,000.00
Limited License	3,205.00
Duplicate License Fees	14,326.00
Viatical Licenses	32,500.00
Continuing Education Provider Fee	128,340.00
Exam Fees	150.00
Savings Bank Licenses	42,920.00
No-Fault Managed Care Organization Certification Fee	<u>15,000.00</u>
Total	<u>\$6,245,959.08</u>
 <u>Assessments and Reimbursement of Department Expenses:</u>	
Section 313 - Company Examinations	\$10,171,507.65
Section 332 - Assessment	76,517,382.00
Section 9104/9105 - Tax Distribution	136,888.72
Administrative Expense Security Funds	61,907.00
Reimbursement of Expenses - Other Bureaus	<u>74,190.98</u>
Total	<u>\$86,961,876.35</u>
 <u>Workers' Compensation Special Assessment</u>	 <u>\$97,492,023.71</u>

# Insurance Department Receipts and Disbursements

**Table 57 (cont.)**  
**DEPARTMENT RECEIPTS**  
**Fiscal Year Ended March 31, 1997**

<u>Other Fees and Receipts:</u>	
Regulation 68 - Health Services Arbitration Expenses	\$85,100.00
Regulation 68 - Processing Fee	1,200.00
Section 9107 - Certification & Filing Fees	140,550.95
Section 9108 - Fire Insurance Fee	8,910,563.45
Section 205 - Publications	52.50
Section 1212 - Summons and Complaints	162,950.50
Fines and Penalties	8,464,735.14
Arbitration Fees	1,056,680.00
FOIL Requests	77,945.68
Miscellaneous	6,411.74
Regulation 134	5,000.00
Motor Vehicle Law Enforcement Fee	12,565,755.63
Continuing Education Filing Fees	419,056.00
Total	<u>\$31,896,001.59</u>
Total Departmental Receipts	<u>\$250,234,925.22</u>

\*This amount is in addition to the \$671,500,000 collected by the Department of Taxation and Finance under Article 33 of the Tax Law.

**Table 58**  
**INSURANCE TAX RECEIPTS\***  
**(In millions)**

<u>Fiscal Year</u>	<u>Net</u>
1992-93	\$563.5
1993-94	619.4
1994-95	487.0
1995-96	502.5
1996-97	671.5

\*Collected by the Department of Taxation and Finance under Article 33 of the Tax Law.  
Source: State of New York, Annual Budget Message, 1997-98

**Table 59**  
**DEPARTMENT DISBURSEMENTS**  
**Fiscal Year Ended March 31, 1997**  
**Paid in the First Instance From Appropriations**

Chapter 050 - 1995-96	\$3,565,943.56
Chapter 050 - 1996-97	\$72,597,835.00
<u>Personal Service</u>	
Employee salaries	\$42,607,841.51
<u>Maintenance and Operation</u>	
General office supplies	\$732,970.63
Traveling expense	2,006,657.43
Rental equipment	60,438.25
Repair and maintenance of equipment	125,660.73
Real estate rental	5,563,867.67
Postage and shipping	573,456.67
Printing	259,538.22
Telephone and telegraph	534,124.13
Miscellaneous contractual services	2,334,911.71
OGS E.D.P. rental	20,401.07
Equipment	4,551,710.54
Employee fringe benefits	<u>16,802,200.00</u>
Total maintenance and operation	\$33,565,937.05
 Total disbursements from first instance appropriations for fiscal year ended 3/31/97	   <u>\$76,173,778.56</u>
 Total Department receipts for fiscal year ended 3/31/97	  \$250,234,925.22
 Excess of Department receipts over Department disbursements	  \$174,061,146.66

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## 7. Security Funds Income and Disbursements

**Table 60**  
**PROPERTY/CASUALTY INSURANCE SECURITY FUND<sup>a</sup>**  
**Income and Disbursements**  
**April 1, 1997**

	<b>To and including <u>3/31/96</u></b>	<b>4/1/96 to <u>3/31/97</u></b>	<b>As of <u>4/1/97</u></b>
Paid into the Fund	\$ 540,255,300.59	\$ 47,702.18	\$ 540,303,002.77
Interest income - net	403,140,288.15	6,011,218.35	409,151,506.50
Recoveries from companies in liquidation	273,356,594.96	22,279,800.73	295,636,395.69
	<u>69,521,673.00</u>	<u>25,958,580.00</u>	<u>95,480,253.00</u>
General Fund Reimbursement			
Total	\$ 1,286,273,856.70	\$ 54,297,301.26	\$ 1,340,571,157.96
Less disbursements:			
Administrative expenses	\$ 887,325.06	\$ 74,115.66	\$ 961,440.72
Awards and expenses of companies in liquidation	1,005,766,063.12	60,451,127.22	1,066,217,190.34
Refunds and credits to companies	44,440,739.54	-0-	44,440,739.54
Transfers to other funds <sup>b</sup>	<u>136,562,280.96</u>	<u>-0-</u>	<u>136,562,280.96</u>
Total	\$ <u>1,187,656,408.68</u>	\$ <u>60,525,242.88</u>	\$ <u>1,248,181,651.56</u>
Total of Fund	\$ <u>98,617,448.02</u>	\$ <u>(6,227,941.62)</u>	\$ <u>92,389,506.40</u>
Cash in bank and U.S. securities (at par)	\$ <u>98,617,448.02</u>		\$ <u>92,389,506.40</u>
Total of Fund	\$ <u>98,617,448.02</u>		\$ <u>92,389,506.40</u>

<sup>a</sup> Monies collected under Sections 7602 and 7603 of the Insurance Law

<sup>b</sup> State Purpose Fund - \$47,562,280.96 + \$87,000,000 per Chapter 55 of the Laws of 1982 and \$2,000,000 transferred to the Public Motor Vehicle Liability Security Fund.

**Table 61**  
**PUBLIC MOTOR VEHICLE LIABILITY SECURITY FUND\***  
**Income and Disbursements**  
**April 1, 1997**

	<b>To and including <u>3/31/96</u></b>	<b>4/1/96 to <u>3/31/97</u></b>	<b>As of <u>4/1/97</u></b>
Paid into the Fund	\$ 60,819,063.56	\$ 4,564,062.38	\$ 65,383,125.94
Interest income - net	23,428,042.71	1,486,040.65	24,914,083.36
Recoveries from companies in liquidation	23,751,757.51	1,357,754.45	25,109,511.96
Transfers	<u>2,000,000.00</u>	<u>-0-</u>	<u>2,000,000.00</u>
Total	\$ 109,998,863.78	\$ 7,407,857.48	\$ 117,406,721.26
Less disbursements:			
Administrative expenses	\$ 389,507.56	\$ 26,541.52	\$ 416,049.08
Awards and expenses of companies in liquidation	75,113,659.04	6,288,870.65	81,402,529.69
Refunds to companies	<u>13,471,307.02</u>	<u>-0-</u>	<u>13,471,307.02</u>
Total	\$ <u>88,974,473.62</u>	\$ <u>6,315,412.17</u>	\$ <u>95,289,885.79</u>
Total of Fund	\$ <u>21,024,390.16</u>	\$ <u>1,092,445.31</u>	\$ <u>22,116,835.47</u>
Cash in bank and U.S. securities (at par)	\$ <u>21,024,390.16</u>		\$ <u>22,116,835.47</u>
Total of Fund	\$ <u>21,024,390.16</u>		\$ <u>22,116,835.47</u>

\* 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 62**  
**WORKERS' COMPENSATION SECURITY FUND\***  
**Income and Disbursements**  
**April 1, 1997**

	<b>To and including <u>3/31/96</u></b>	<b>4/1/96 to <u>3/31/97</u></b>	<b>As of <u>4/1/97</u></b>
Paid into the Fund	\$ 127,603,843.79	\$ -0-	\$ 127,603,843.79
Interest income - net	112,614,804.64	1,933,665.13	114,548,469.77
Recoveries from companies in liquidation	<u>58,538,933.65</u>	<u>8,671,075.60</u>	<u>67,210,009.25</u>
<b>Total</b>	<b>\$ 298,757,582.08</b>	<b>\$ 10,604,740.73</b>	<b>\$ 309,362,322.81</b>
Less disbursements:			
Administrative expenses	\$ 713,950.02	\$ 32,972.24	\$ 746,922.26
Awards and expenses of companies in liquidation	175,746,566.92	10,680,197.55	186,426,764.47
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>
<b>Total</b>	<b>\$ <u>270,841,350.26</u></b>	<b>\$ <u>10,713,169.79</u></b>	<b>\$ <u>281,554,520.05</u></b>
<b>Total of Fund</b>	<b>\$ <u>27,916,231.82</u></b>	<b>\$ <u>(108,429.06)</u></b>	<b>\$ <u>27,807,802.76</u></b>
Cash in bank and U.S. securities (at par)	\$ <u>27,916,231.82</u>		\$ <u>27,807,802.76</u>
<b>Total of Fund</b>	<b>\$ <u>27,916,231.82</u></b>		<b>\$ <u>27,807,802.76</u></b>

\* 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.

**B. Department Staffing**

**Table 63**  
**NEW YORK STATE INSURANCE DEPARTMENT**  
**Number of Filled Positions by Bureau**  
**(as of 4/98)**

	<u>Examiners</u>	<u>Attorneys</u>	<u>Actuaries</u>	<u>Other Professionals</u>	<u>Investigators</u>	<u>Support Staff</u>	<u>Total</u>
<b>Bureau</b>							
<b>New York City Office:</b>							
Executive				6		5	11
Life	95		11	4		11	121
Health	36		6	1		4	47
Administration				7		13	20
Consumer Services	24			1		21	46
Frauds	4				11	8	23
OGC		16		2		10	28
Public Affairs/Research				5		3	8
Property	182		21			37	240
Systems	5			20		6	31
<b>NYC Total</b>	<b>346</b>	<b>16</b>	<b>38</b>	<b>46</b>	<b>11</b>	<b>118</b>	<b>565</b>
<b>Albany Office:</b>							
Executive				2		2	4
Life		7	18			6	25
Health	3	12	7	1		10	23
Administration (includes Licensing)	6			15		59	80
Consumer Services	31					15	46
Frauds	1				2	2	5
OGC		2				2	4
Property	12					1	13
Systems	4			19		16	39
<b>Albany Total</b>	<b>57</b>	<b>21</b>	<b>25</b>	<b>37</b>	<b>2</b>	<b>111</b>	<b>252</b>
<b>Other</b>							
<b>Buffalo Office:</b>							
Consumer Services	3					1	4
Frauds					3		3
<b>Mineola Office:</b>							
Consumer Services	2					1	3
Frauds					10		10
<b>Oneonta Office:</b>						1	1
<b>Rochester Office:</b>						1	1
<b>Syracuse Office:</b>						1	1
<b>Other Total</b>	<b>5</b>				<b>16</b>	<b>2</b>	<b>23</b>
<b>Department Total</b>	<b>408</b>	<b>37</b>	<b>63</b>	<b>83</b>	<b>29</b>	<b>231</b>	<b>851</b>

**C. NEW YORK STATE INSURANCE DEPARTMENT  
Publications\*  
1997**

**Consumer Guides, Annual Reports, Directories, Newsletters, etc.**

- Annual Health Insurer Complaint Ranking  
(includes Commercial Health Insurers, Health Maintenance Organizations and Nonprofit Indemnity Health Insurers)
- Annual Ranking of Automobile Insurance Complaints
- Annual Report to the Legislature
- Statistical Tables from Annual Statements
  - Volume 1, Property/Casualty, Financial Guaranty, Mortgage Guaranty and Assessment Cooperative Companies
  - Volume 2, Life and A & H Companies, and Fraternal Benefit Societies
  - Volume 3, Title Companies, HMOs, Nonprofit Health Insurers and Viatical Settlement Companies
- *The Bulletin* (Department newsletter)
- Directory of Regulated Insurance Companies
- Consumers Shopping Guide to Automobile Insurance  
(upstate and downstate editions)
- Consumers Shopping Guide for Homeowners and Tenants Insurance  
(upstate and downstate editions)
- Consumers Shopping Guide for Life Insurance
- Policyholder Protection Provided by the Life Insurance Company Guaranty Corporation of New York
- Consumer's Guide for Standard Individual HMO and Point of Service Coverage
- Insurance Policies Covering Long Term Care Services in New York State
- Coastal Homes and Insurance: A Guide for New York Homeowners
- Discounts & Credits Available for Public Automobiles
- The New York Public Automobile Pool Safety Group Dividend Program for Public Livery Owner-Driver Risks
- Experience Rating Plan for Public Automobiles
- Premium Surcharge for Taxi & Limousine Risks
- Annual Commercial Property/Casualty Report
- Annual Frauds Bureau Report
- Insurance Fraud Reporter (Frauds newsletter)
- Freedom of Information Law, List of Department Records

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\* 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).

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