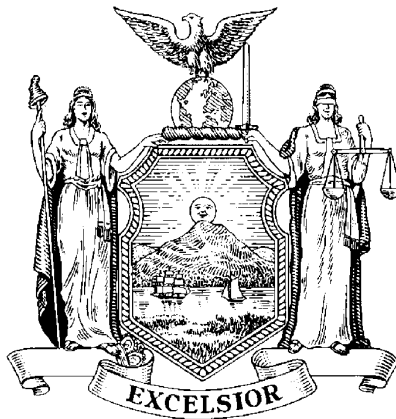


*Annual Report
of the
Superintendent of Insurance
to the
New York Legislature*

Calendar Year 1999



Governor George E. Pataki

Superintendent of Insurance Neil D. Levin

www.ins.state.ny.us

The One Hundred Forty-First
Annual Report
of the
Superintendent of Insurance

*A Report to the New York State Legislature for the
Year Ending December 31, 1999*

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.

Selected portions of this report are available on the Department's website at www.ins.state.ny.us.

This report is printed on recycled paper.



TABLE OF CONTENTS

	Page
I. MAJOR DEVELOPMENTS	1
A. S. 900	1
B. Y2K	1
C. Health Insurance	2
1. Prompt Pay Fines.....	2
2. External Review.....	2
3. HCRA 2000.....	2
4. HMO Rates	2
5. Health Insurer Report Card.....	3
6. Voucher Insurance Program.....	3
7. Empire Restructuring.....	3
8. HMO Medicare Contracts.....	3
D. Property/Casualty Insurance	4
1. Automobile Insurance Rates Decline.....	4
2. Assigned Risk Population Posts Record Decline.....	4
3. Temporary Homeowners' Panel.....	4
4. Workers' Compensation Rates.....	4
5. Excess Line Rates.....	5
6. Market Conduct Investigations.....	5
7. New York Public Automobile Investigations.....	5
8. Medical Malpractice Rates.....	5
9. MMIA Changes.....	6
10. No-Fault Arbitration.....	6
11. Higher SUM Limits to be Offered.....	6
12. Windstorm Deductible Disclosure Statement.....	6
13. No-Fault Regulatory Changes.....	6
E. Life Insurance	7
1. Demutualizations.....	7
2. Prudential Fined.....	7
3. New Liquidity Information Standards.....	7
F. Consumer Services	7
G. Frauds	8
1. Arrests Up.....	8
2. No-Fault Unit Established.....	8
3. Fraud Prevention Plans.....	8
H. Liquidation Bureau	8
I. Capital Markets Bureau Formed	8
J. Internet Developments	9
1. Department Web Site.....	9
2. Insurer Web Site Monitoring.....	9
3. Annual Statement Instructions & Forms.....	9
K. Holocaust	9
II. REVIEW OF NEW YORK STATE INSURANCE BUSINESS	11
A. Life Bureau	11
1. Licensed Life Companies.....	11
2. Domestic Life Companies.....	11
3. Organizations Under Financial Condition Life Bureau Supervision.....	11
4. Demutualization.....	11
5. Prudential.....	11

6.	Savings Bank Life Insurance.....	16
7.	Licensed Fraternal Benefit Societies.....	17
8.	Private Retirement Systems.....	17
9.	Public Retirement Systems.....	17
10.	Segregated Gift Annuity Funds for Charitable Organizations.....	18
11.	Employee Welfare Funds.....	19
12.	Viatical Settlement Companies.....	19
13.	Examinations of Insurers Conducted in 1999.....	20
14.	Auditing of Financial Statements.....	20
15.	Real Estate Review.....	21
16.	Actuarial Submissions and Reviews.....	21
17.	Financial Indicators.....	22
18.	National Association of Insurance Commissioners (NAIC).....	22
B.	Property Bureau.....	23
1.	Entities Supervised by Financial Regulation Division.....	23
2.	Property and Casualty Business.....	24
3.	Financial Guaranty Insurance.....	30
4.	Mortgage Guaranty Insurance.....	33
5.	Title Insurance.....	35
6.	Advance Premium and Assessment Co-operatives.....	36
7.	Special Risk Insurers (Free Trade Zone).....	37
8.	Risk Retention Groups.....	37
9.	Examinations of Insurers	38
10.	Lloyd's of London.....	38
11.	Captive Insurance Companies.....	38
12.	Certified Capital Companies.....	39
13.	Filings Involving Rate Changes, Policy Forms, etc.	40
14.	New York Property Insurance Underwriting Association	45
15.	Anti-Arson Application.....	46
16.	Insurance Availability Issues	47
17.	Medical Malpractice Insurance.....	48
18.	Automobile Insurance.....	51
19.	Homeowners Insurance.....	55
20.	Market Conduct Activities.....	58
21.	Excess Line Insurance.....	60
22.	Reports and Publications.....	63
23.	Regulations & Circular Letters	64
24.	Individual Policyholder Complaints and Inquiries.....	67
25.	Property/Casualty Insurance Security Fund (PCISF).....	67
26.	Casualty Actuarial Unit.....	68
	a. Private Passenger Automobile Insurance Rate Changes.....	68
	b. New York Automobile Insurance Plan.....	71
	c. Workers' Compensation Insurance.....	78
C.	Health Bureau.....	83
1.	Entities Under Health Bureau Supervision.....	83
2.	Accident and Health Insurance.....	83
3.	Article 43 and Article 44 Corporations.....	84
4.	Review of Accident and Health Policy Forms.....	89
5.	Review of Rate Filings by the A&H Rating Section.....	90
6.	Pre-Filings, Inquiries and Complaints.....	90
7.	Empire Restructuring.....	90
8.	File and Use Rate Adjustments.....	90
9.	Prompt Pay.....	91

10. Health Care Reform Act of 2000.....	91
11. External Appeal Law.....	93
12. Voucher Insurance Program.....	94
13. Child Health Plus.....	94
14. Medicare+Choice Terminations.....	94
15. New York Health Purchasing Alliance.....	94
16. Continuing Care Retirement Communities.....	94
17. Managed Long-Term Care Demonstration Programs.....	95
18. Medicare Supplement Insurance.....	95
D. Consumer Services Bureau.....	96
1. Prompt Payment Statute.....	97
2. External Review.....	97
3. Disaster Preparedness/Emergency Management.....	97
4. Other Bureau Activities.....	98
E. Insurance Frauds Bureau.....	101
F. Liquidation Bureau.....	114
G. Systems Bureau.....	115
H. Capital Markets Bureau.....	121
I. Motor Vehicle Accident Indemnification Corporation.....	122
III. INSURANCE LEGISLATION ENACTED.....	127
IV. REGULATIONS PROMULGATED OR REPEALED.....	133
V. CIRCULAR LETTERS ISSUED.....	137
VI. MAJOR LITIGATION.....	144
VII. 2000 LEGISLATIVE RECOMMENDATIONS.....	146
A. Governor’s Program Bills.....	146
B. Insurance Department Bills.....	156
VIII. REGULATORY ACTIVITIES.....	163
A. Operating Statistics.....	163
1. Results of Examinations for Licenses.....	163
2. Licenses Issued During Year.....	164
3. Changes in Authorized Insurers.....	166
4. Examination Reports Filed.....	183
5. Rehabilitations, Liquidations, etc.....	190
6. Insurance Department Receipts and Disbursements.....	193
7. Security Funds Income and Disbursements.....	196
B. DEPARTMENT STAFFING.....	199
C. PUBLICATIONS.....	200

TABLES

Table Number/Title	Page
Life Bureau	
1. Admitted Assets, Life Companies, Selected Years, 1988-98.....	12
2. Balance Sheet, Selected Years, 1993-98.....	13
3. Total Life Insurance in Force, Selected Years, 1988-98.....	13
4. Sources of Income, Life Companies, Selected Years, 1993-98.....	14
5. Operating Results, Selected Years, 1993-98.....	15
6. Life Insurance in Force in NYS, Selected Years, 1988-98.....	15
7. Domestic Life Companies, Selected Years, 1988-1998.....	16
8. Savings Bank Life Insurance, Selected Years, 1989-99.....	16
9. Private Pension Funds, Selected Years, 1988-1998.....	17
10. Public Retirement Systems/Pension Funds, Selected Years, 1988-1998.....	18
11. Segregated Gift Annuities, Selected Years, 1988-1998.....	19
12. Examinations Conducted by Life Bureau, 1999.....	20
Property Bureau	
13. Net Premiums/Surplus to Policyholders, P&C Insurers, 1993-98.....	24
14. Underwriting Results, P&C Insurers, 1995-98.....	25
15. Investment Income/Capital Gains, P&C Insurers, 1995-98.....	26
16. Aggregate Underwriting/Investment Exhibit, P&C Insurers, 1997-98.....	27
17. Selected Annual Statement Data, P&C Insurers, 1995-98.....	28
18. Net Premiums/Surplus to Policyholders, Financial Guaranty, 1995-98.....	30
19. Underwriting Results, Financial Guaranty, 1996-98.....	31
20. Investment Income/Capital Gains, Financial Guaranty, 1995-98.....	31
21. Aggregate Underwriting/Investment Exhibit, Financial Guaranty, 1995-98.....	32
22. Selected Annual Statement Data, Financial Guaranty, 1995-98.....	33
23. Net Premiums/Surplus to Policyholders, Mortgage Guaranty, 1995-98.....	33
24. Aggregate Underwriting/Investment, Mortgage Guaranty, 1995-98.....	34
25. Selected Annual Statement Data, Mortgage Guaranty, 1995-98.....	35
26. Selected Annual Statement Data, Domestic Title Insurers, 1995-98.....	35
27. Selected Ann. Statement Data-Advance Premium & Assess. Co-ops, 1995-98.....	36
28. Examinations Conducted by Property Bureau, 1999.....	38
29. Number of Filings, by Type, 1999.....	40
30. Effects of Rate/Loss Cost Changes, Rate Service Organizations, 1999.....	41
31. Disposition/No-Fault Arbitration Cases, 1997-99.....	54
32. Sources of Applications for No-Fault Arbitration, 1997-99.....	55
33. Excess Line Premiums Written, 1996-99.....	61
34. Private Passenger Auto Rate Changes, 1999.....	69
35. Percentage of PP Autos Insured through Automobile Insurance Plan, 1992-98.....	72
36. PP Earned Car Years by Voluntary, Assigned Risk Markets 1997-98.....	74
37. Policies Written in the New York Automobile Insurance Plan, 1997-98.....	76
38. Liability & Collision ECY in Voluntary & Assigned Risk Markets, 1989-98.....	76
39. Distribution of PP Automobile by Discount or Surcharge Category, 1996-98.....	77
40. Workers' Compensation Dividend Plans Approved in 1999.....	79
41. Workers' Compensation Rate History, 1980-99.....	80
42. Workers' Compensation Approved Rate Deviations as of 3/1/00.....	81
Health Bureau	
43. Selected Annual Statement Data, 1996-98.....	83
44. Subscriber Rate Changes, Subject to Prior Approval, 1999.....	84
45. Health Service Corporations, Selected Data, 1996-98	87

46. Medical & Dental Expense Indemnity Corps., Selected Data, 1996-98.....	88
47. Line of Business HMOs, Selected Data, 1996-98.....	88
48. HMOs/Not Line of Business, Selected Data, 1996-98.....	89
49. A&H Policy Forms Processed, 1999.....	89
Consumers Services	
50. Consumer Services Bureau Cases Involving Loss Settlements Closed in 1999.....	99
51. Consumer Services Bureau Cases Not Involving Loss Settlements,1999	100
Frauds Bureau	
52. Civil Enforcement Program Activity, 1995-99.....	107
53. Special Investigations Units, 1999.....	109
Motor Vehicle Accident Indemnification Corporation	
54. Source of Funds, 1996-99.....	123
55. Transactions,1997-99.....	124
56. Newly Reported Cases by Type, 1999.....	125
57. Settled Cases With Payment by Type, 1999.....	126
Regulatory Activities	
58. Results of Examinations for Licenses, 1998-99.....	163
59. Licenses Issued During Year, 1998-99.....	164
60. Departmental Receipts for Fiscal Year Ended March 31, 1999.....	193
61. Insurance Tax Receipts, Fiscal Years 1994-95-1998-99.....	194
62. Disbursements for Fiscal Year Ended March 31, 1999.....	195
63. P/C Insurance Security Fund, Income and Disbursements, April 1, 1999.....	196
64. PMV Liability Security Fund, Income and Disbursements, April 1, 1999.....	197
65. Workers' Comp. Security Fund, Income and Disbursements, April 1, 1999.....	198
66. NYS Insurance Department, Department Staffing by Bureau as of 3/00.....	199

GRAPHS

A. NYPIUA - Policies Issued, 1970-99.....	45
B. Total Complaints & Investigations Closed, Consumer Services Bureau, 1999.....	96
C. Frauds Bureau Arrests, 1992-99.....	104

I. Major Developments

A. S. 900

By the mid-1990s, it had become increasingly clear that laws preventing banks, insurance and securities firms from operating under common ownership needed a major structural overhaul. Integrated financial services firms from around the world were transforming the global marketplace, while their U.S. counterparts struggled to keep pace. New laws were necessary to ensure that U.S. insurers could continue to offer the types of products and services consumers were demanding.

Recognizing this, the Federal Reserve Board approved in 1998 a \$70 billion mega-merger between Citibank and Travelers Insurance under grace period provisions of the federal Bank Holding Company Act. A new entity, Citigroup, was formed as a result of the merger and was permitted to conduct business while Congress worked to finalize appropriate financial modernization legislation.

By late 1999, Congress' labors bore fruit with the passage of the Gramm-Leach-Bliley Act, a.k.a. S. 900. The legislation was signed into law on November 12, 1999 with major provisions taking effect four months later.

S. 900 repeals the 1933 Glass-Steagall Act by removing federal restrictions that had previously prevented affiliations among banks, insurance companies, investment banks and other financial services companies. Under S. 900, banks, insurers, investment banks and other *financial institutions* are permitted to operate as affiliated companies under the umbrella of a "Financial Holding Company" (FHC).

The Federal Reserve is the *umbrella supervisor* of these newly authorized FHCs, while state insurance departments remain the primary *functional regulator* of an FHC's insurance affiliates, *i.e.*, regulating all functions of an insurer's operation. The new law thus maintains functional regulation of the insurance industry, a key concept in preserving the state-by-state system of insurance regulation that has existed in this country for the past 140 years.

B. Y2K

From the start of his administration, Superintendent Levin sent out a clear and consistent message to insurers: *make sure your computer systems remain up and running in the Year 2000*. During that time, the Department completed numerous on-site, targeted Y2K examinations of insurers; mandated written plans and budgets to ensure Y2K compliance; required senior officers to sign ongoing status reports; and established a Y2K section on the Department's Web site.

In addition the Department required all New York insurers to comply with the Department's Y2K disclosure requirements. Companies were required by April 1, 1999 to make information about their Y2K readiness plans available to the public in their Management Discussion and Analysis supplements to their Annual Statements. As a result, consumers were given the opportunity to review and assess their companies' Y2K plans.

The Department's Y2K compliance efforts received special recognition from the United States General Accounting Office (GAO) and Representative John D. Dingell (D-Michigan), a member of the U.S. House of Representatives Committee on Commerce.

C. Health

1. Prompt Pay Fines

Section 3224-a of the Insurance Law (a.k.a. the “prompt pay” law) requires HMOs and insurance companies to pay undisputed claims within 45 days of receiving them. Since the law’s effective date--January 22, 1998--the Insurance Department has fined 27 companies \$345,200 for violations of the law.

2. External Review

New York’s landmark External Appeal law became effective July 1, 1999. This law permits consumers to request an independent review of a health plan’s decision to deny coverage on the grounds that the service is not medically necessary or is experimental or investigational in nature.

The law applies to final adverse determinations issued by insurers and HMOs after July 1, 1999. From July 1, 1999 through December 31, 1999, the Department received 558 applications for external appeals, 321 of which were assigned to external appeal agents. As of December 31, 1999, approximately 50% of insurers’ and HMOs’ final adverse determinations were overturned by external appeal agents. This is an important new right for New York consumers who have been unjustly denied coverage by their health insurers.

3. Health Care Reform Act of 2000

The Department was responsible for drafting and negotiating significant portions of New York’s Health Care Reform Act of 2000 (HCRA), Chapter 1 of the Laws of 1999. HCRA, designed to ensure consumers have continued access to comprehensive health insurance, provides for the establishment of two funds from which HMOs may receive reimbursement for certain claims paid on behalf of members covered under *individual enrollee direct payment contracts*. These funds will help stabilize premium rates for both existing enrollees and currently uninsured individuals seeking to purchase individual health insurance coverage.

The Health Care Reform Act of 2000 also creates a new initiative designed to encourage small employers to offer health insurance coverage to their employees. Under the new law, HMOs must offer a streamlined package of benefits that will make coverage more affordable to both uninsured employers and uninsured employees whose employers do not provide group health insurance. By creating a standardized benefit package that must be offered by all health maintenance organizations, more New Yorkers will access to meaningful health insurance coverage.

4. HMO Rates

Chapter 504 of the Laws of 1995 established a new procedure for individual and small group premium rate changes for nonprofit health insurers and HMOs. The law permits such insurers to implement rate changes of not more than 10% in any 12-month period without the prior approval of the Department. However, such rate changes are required to meet the loss ratios specified in the law to ensure rates are neither inadequate nor excessive. The Department received 73 premium rate change filings under this alternative method during 1999. The Health Bureau also received 18 premium rate increase applications submitted that exceeded the 10% threshold. The rates requested on three of the applications were approved as submitted, while 15 were approved at levels lower than requested.



Prompt Pay, External Review and HCRA 2000 were all key initiatives of New York’s Governor George E. Pataki.

5. Health Insurer Report Card

In September 1999, the Department released the *Consumer Guide to Health Insurance*, New York State's first comprehensive guide to the health insurance companies and HMOs conducting business in this State. The new Guide, produced in conjunction with National Committee for Quality Assurance (NCQA) and Consumers Union, publisher of *Consumer Reports*, provides New York State consumers with access to key facts about choosing and comparing health insurers.

The Guide offers a comprehensive review and a comparison of the major quality-of-care indicators and other performance measures for HMOs, not-for-profit insurers and commercial insurers. Standard indicators include mammography screenings, child immunizations and prenatal care. In addition, consumers can compare plans based on the number of complaints to the Department, grievances filed with insurers and requests for appeals on questions of medical necessity. The guide includes the Department's traditional ranking of health insurers based on the number of consumer complaints closed by the Department in relation to an insurer's premium volume.

6. Voucher Insurance Program

The Voucher Insurance Program became operational in 1999. This demonstration project is designed to test whether access to a personal care physician will lessen inappropriate use of emergency room services, reduce the need for inpatient care and improve overall health of persons covered under the Program. The Program provides premium subsidies to individuals in Rensselaer and Westchester counties to be used toward the purchase of a specific health insurance policy from participating insurers. At the end of 1999, more than 1,000 vouchers were issued, resulting in approximately 800 individuals receiving health insurance coverage in the two pilot counties.

7. Empire Restructuring

On December 29, 1999, the Department issued an Opinion and Decision approving a plan for Empire Blue Cross/Blue Shield to restructure into a for-profit company. The Department held three public hearings across the State in an effort to obtain as much feedback as possible. As part of this restructuring, Empire will create a charitable foundation that will initially own all of the company's stock. The Department has determined that Empire has the authority to restructure under the existing provisions of the Insurance Law, and as of this writing Empire intends to petition New York courts for permission to implement its plan.

8. HMO Medicare Contracts

Each year, HMOs must inform the federal Health Care Financing Administration whether they plan to continue writing Medicare contracts in the upcoming year. In late 1999, several HMOs from across the country announced they would no longer be participating in the Medicare market. During this time, the Department helped senior citizens evaluate and obtain coverage. The Department sent staff to personally visit with seniors, maintained a hotline to respond to questions, and upgraded its Web site to ensure its Medicare HMO information was useful and timely. Coverage was available to seniors through numerous HMOs that continued to offer insurance products in New York State and through insurers offering Medicare supplement policies.

D. Property/Casualty

1. Automobile Insurance Rates Decline

The average change for insurers that received rate changes in 1999 was approximately -0.5%. This represented an unprecedented third consecutive year that overall auto rates had declined in New York. For insurers that received rate changes, liability rates increased +2.8% on average in 1999 while physical damage rates, primarily collision and theft coverages, decreased an average 7.2%. The insurers that received rate changes in 1999 represent 77% of the total market for private passenger automobile insurance. The overall impact on the rate level was an average *decrease* of 0.4%. Allstate Insurance Company, the largest insurer in New York, reduced its rate level by 3.6% in 1999. State Farm Mutual Automobile Insurance Company, the second largest insurer in New York, decreased its rates by an overall 2.0% in 1999.

2. Assigned Risk Population Posts Record Declines

The number of private passenger automobiles insured through the New York Automobile Insurance Plan (a.k.a. the Assigned Risk Plan) dropped precipitously during the 1990s. In 1992, 17.1% of all automobiles were insured through the Plan. This percentage dropped in each of the next six years, reaching 6.8% in 1998. At 6.8%, the percentage of total autos insured through the Plan is at its lowest level in over 40 years

The dramatic declines in the Auto Plan population occurred as a result of several Department initiatives, such as the Territorial Credit Program and the move toward multi-tiering (allowing insurers to write good and bad risks in separate tiers within the same company). Enhanced competition in the marketplace also played a significant role in helping to reduce the number of Assigned Risk policyholders in New York State.

3. Temporary Homeowners' Panel

In accordance with Section 3 of Chapter 44 of the Laws of 1998, a special advisory panel was established to submit a report to the Governor and the Legislature on the problems affecting the availability and affordability of homeowners insurance in New York State. The report, which was submitted February 1, 1999, studied the measures implemented by the Legislature and the Insurance Department in response to problems faced by homeowners residing in coastal areas. In addition, the report outlined actions taken by other states; analyzed various means of providing for catastrophe financing; and reviewed several intermediate and long-term measures to address the problem. A follow-up report was released in May 2000.

4. Workers' Compensation Rates

On October 1, 1999, the annual workers' compensation rate revision became effective producing an average 0% change in premium. Including the change in the New York State Assessment (an assessment for various workers' compensation funds, such as the Second Injury Fund), the overall change was an increase of 3.9%.

Over the past five years, workers' compensation rates have declined significantly as shown in the table below:

Year	Net Change
1995	-5.0%
1996	-18.2%
1997	-8.4%
1998	-6.0%
1999	3.9%

* Net change includes rate level and assessment charge changes.

5. Excess Line Rates

Potential policyholders 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 a New York-licensed excess line broker.

Excess line premiums written in New York State declined from \$457 million in 1998 to \$438 million in 1999, a decrease of about 4%. The decrease in business appears to be the result of lower premiums. The largest dollar decline from the previous year occurred in the errors and omissions line, down \$28 million, a decrease of nearly 15%. The largest percentage decline, 92%, occurred in the fidelity and surety line. Other decreases included inland marine, down by \$4.6 million; fire and allied lines, down by \$3 million; auto liability, down by \$0.8 million; and burglary and theft, down by \$0.8 million.

6. Market Conduct Investigations

There were 41 investigations in progress at the beginning of 1999. Forty market conduct investigations and two rate service organization examinations were initiated during the year and 52 investigations were closed, leaving 29 investigations plus the two rate service organization examinations in progress at year-end. Fifty-one stipulations were entered into during the year. The fines collected as a result of admitted violations exceeded \$1.7 million.

7. New York Public Automobile Investigations

In response to an inordinate number of complaints received regarding the public automobile marketplace (taxicabs and livery vehicles), ten market conduct investigations were performed in 1999 to address allegations that insurers of these coverages were not complying with filed rates, using unapproved rates and rating plans and improper marketing practices.

The investigations in 1998 and 1999 resulted in fines totaling \$453,050 in 1999. Additional investigations are pending. The Department remains concerned about activities in this market and plans to take further action during 2000.

8. Medical Malpractice Rates

Last year marked the third consecutive year that rates remained unchanged in the medical malpractice market. It followed an average -6.2% change for policy year 1996, and 0% 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, and a

stabilizing of the frequency of claims. 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. The rates for first and second excess layers of medical malpractice coverage established for the policy year July 1, 1999 through June 30, 2000 were reduced between 5% and 20% from those established for the previous year. Medical malpractice limits are typically \$1 million per incident/\$3 million per year. Excess layers provide coverage beyond these standard limits.

9. MMIA Changes

Under Part JJ of Chapter 407 of the Laws of 1999 the Superintendent must have approved a plan for the dissolution of the Medical Malpractice Insurance Association (MMIA) by April 30, 2000. All policies of the MMIA must expire or be transferred by June 30, 2000, and the dissolution of MMIA and the cessation of its activities must be fully accomplished by August 31, 2000.

As part of the dissolution process, MMIA was required to solicit proposed plans of dissolution from at least three outside entities and file with the Superintendent, by December 30, 1999, that plan which its Board of Directors believes maximizes the value of MMIA to the State. In addition, MMIA was to file all other proposed plans it had received. MMIA's submission was received on December 30, 1999, and the Department continues to work on the various aspects of the MMIA dissolution.

10. No-Fault Arbitration

Until December 1, 1999 the Insurance Department administered all requests for no-fault arbitrations. Effective December 1, 1999, the 24th Amendment to Insurance Department Regulation 68 transferred this function from the Department to the American Arbitration Association (AAA). This change was needed due to the dramatic increase in the number of arbitration requests filed with the Insurance Department, especially by health care providers.

11. Higher SUM Limits to be Offered

The Third Amendment to Regulation 35-D (Supplementary Uninsured/Underinsured Motorists Insurance) became effective January 27, 1999. The amendment sets forth the higher Supplementary Uninsured/Underinsured Motorists (SUM) Coverage limits that insurers must *offer* their insureds. Chapter 568 of the Laws of 1997 amended Section 3420 of the Insurance Law by raising the maximum SUM limits of liability that must be offered from \$100,000/\$300,000 to \$250,000/\$500,000. In addition, provision was made to allow the new maximum limits of liability to be split between the primary motor vehicle liability policy and a personal umbrella policy.

12. Windstorm Deductible Disclosure Statement

Regulation 159 (Homeowners Insurance Disclosure Information) became effective March 30, 1999. This new regulation, which was required by Section 3445 of the Insurance Law, outlines the specific information that must be contained in a homeowners disclosure statement. Insurers are required to send these statements each year to every policyholder whose homeowners policy contains a windstorm deductible.

13. No-Fault Regulatory Changes

A revised Regulation 68 was promulgated on October 13, 1999 to be effective February 1, 2000. This regulation, which replaced the existing regulation, revised the time frames for submitting no-fault claims; revised the attorney fee schedule to encourage settlement of claims without going to arbitration; provided for examination under oath of claimants; provided for speedier resolution of claims by allowing electronic filing; lowered interest payments on claims from compound to simple interest; and provided that an explanation of benefits form be issued to claimants.

E. Life Insurance

1. Demutualizations

Following a lengthy review process in 1999 and into 2000, the demutualization of Metropolitan Life Insurance Company became effective in April 2000 with the company's initial public offering (IPO) of stock, which raised \$4.4 billion for the company. As a result of the demutualization, Metropolitan Life Insurance Company has become a wholly-owned subsidiary of MetLife, Inc., with approximately nine million shareholders.

The Department also began a formal demutualization review process with Unity Mutual Life Insurance Company in September 1999, and the Department continues to play a major role in the demutualization of two foreign insurers, Prudential Insurance Company of America and the John Hancock Mutual Life Insurance Company.

2. Prudential Fined

In response to widespread allegations of improper sales and marketing activities carried out by Prudential, the New Jersey Insurance Commissioner formed a Multi-State Task Force, of which New York was a member. In 1995 the Task Force conducted a targeted market conduct examination of the company, resulting in various recommendations.

As a follow-up, the New York Insurance Department conducted its own market conduct examination covering the period from January 1, 1996 through December 31, 1997. The examination concentrated on a number of areas including advertising and marketing, complaint handling, and the controls and procedures established in response to the Multi-State report. As a result of violations revealed by the Department's examination, the company was fined \$2.2 million in 1999, and agreed to create a Regulatory Compliance Committee to monitor compliance and report to the Superintendent.

3. New Liquidity Information Standards

The Department issued Circular Letter No. 35 to life insurers in December 1999. Circular Letter No. 35 instructs life insurers to provide information that will allow the Insurance Department to assess each company's potential short-term cash requirements and the liquid assets that are available to service these requirements. In addition, it puts life insurers on notice that the Department is seeking input in the development of enhanced reporting and more effective asset/liability management practices in the life insurance industry.

The Circular Letter was prompted by the liquidity problems experienced by General American Life Insurance Company in 1999 that revealed deficiencies in the financial reports filed by insurers and in the overall management of liquidity risk by that insurer.

F. Consumer Services – Closed Complaints

The Department's Consumer Services Bureau closed about 52,700 cases in 1999. Of these, 34,180 complaints involved loss settlements or policy provisions, of which 25% were automobile complaints, 63% were accident and health complaints, 8% were property and liability complaints and 4% were life and annuity complaints. The Bureau was also instrumental in implementing the new health insurance external review law.

G. Frauds

1. Arrests Up

The Department's Frauds Bureau posted a record 390 arrests in 1999. At 194, the number of criminal convictions was almost double the previous year's total of 101. The Bureau also launched an electronic fraud reporting systems for insurers in 1999. Currently, about 25% of all reports are submitted electronically. The Bureau's goal is to achieve 100% electronic reporting by year-end 2000.

2. No-Fault Unit Established

In 1999, the Frauds Bureau established a No-Fault Unit to focus on the mounting problem of fraudulent medical claims submitted under no-fault automobile insurance coverage. The Bureau has seen reports of suspected fraudulent no-fault insurance claims increase by 218% since 1994. Nearly half of the 19,200 reports of suspected insurance fraud received by the Bureau in 1999 involved no-fault auto insurance.

3. Fraud Prevention Plans

The Bureau met a major challenge in 1999 with the review and approval of all Fraud Prevention Plans of individual insurers— 146 plans covering 420 companies. The Bureau conducted an extensive outreach program for insurers to provide guidance in preparing their plans. Bureau staff met with about 300 representatives from more than 100 insurance companies and fielded thousands of telephone calls requesting information and assistance.

H. Liquidation Bureau

The Department's Liquidation Bureau closed and made a final distribution of assets for 13 estates. In addition to the estate closings, the Bureau also effected the final dissolution and distribution of assets for 28 burial societies and other fraternal benefit organizations.

The Bureau, through court orders, assumed responsibility for the administration of four additional estates in 1999. Including these entities, the Bureau was responsible for the administration of 54 estates at year-end.

Under the Bureau's fiduciary responsibilities to these estates and on behalf of their policyholders, the Bureau paid out \$124.8 million in claims and return premium. Executive Life Insurance Company of New York in Rehabilitation (ELNY) paid out an additional \$138 million in benefits to over 10,000 active policyholders.

I. Capital Markets Bureau Formed

The Capital Markets Bureau was formed in the latter part of 1999 to assist in the financial solvency oversight of insurers doing business in New York. The Bureau's focus will be on the capital markets and risk management activities of insurers. Some of the issues the Bureau will be involved with include investment activities/strategies of insurers; asset/liability management; derivatives; capital needs to support business activities; and securitization of insurance.

J. Internet Developments

1. Department Web Site – www.ins.state.ny.us

The Department's Web site continues to expand, and visits to the site have been growing steadily. In the fourth quarter of 1999, the number of monthly visitors increased from 35,100 to 90,600. During 1999, the site was redesigned to improve its navigability. In early 2000, the Department was one of 15 states to receive an "A" rating for its Web site from The Consumer Federation of America. The following major items were posted to the Web site during 1999:

- Annual Statement instructions & forms
- Insurance Frauds Resource Center
- Health Insurance Resource Center
- Homeowners Resource Center
- Consumers Guide to Automobile Insurance
- Small Business Guide to Health Insurance

In addition, the Department became the first state insurance regulator in the country to integrate video and audio clips on its Web site. Video and audio clips of the Department's financial integration seminar and the Metropolitan Life demutualization hearing were made available on the Web site early in 2000.

2. Insurer Web Site Monitoring

More and more consumers are checking out insurer and agent web sites before buying insurance. As a result, the Department began to monitor insurer Internet Web sites in 1999. In addition, as part of these reviews, the Department has been verifying the accuracy of quotes generated on-line. The Department has further advised the industry that it would be reviewing Web-based activities for use in the market conduct and financial review processes. Industry analysts expect 10% of all personal lines insurance sales to be Web-based by the year 2004. The New York Insurance Department intends to be prepared.

3. Annual Statement Instructions & Forms

Circular Letter No. 15 (1999) changed the process by which companies receive Annual Statement Instructions and Forms from the Department. Insurance companies are now required to download all forms and instructions from our Web site. Although we did provide a basis for mailings to insurers without access to the Internet, we ceased mass mailing of the forms and instructions with the end result being substantial savings (\$50,000) to the Department in printing and mailing costs.

K. Holocaust

The International Commission on Holocaust Era Insurance Claims (ICHEIC), established in October 1998, is charged with establishing a just process that will expeditiously address the unpaid insurance benefits due victims of the Holocaust. Superintendent Levin is one of three state insurance regulators serving on the Commission and is Co-Chair of the Claims Resolution Working Group.

The Commission met in September 1999 and reported that responses to the first 200 fast-track claims were being received from insurers, and that another 350 claims are at an earlier stage in the process and the organization is continuing to forward claims to insurers.

II. Review of New York State Insurance Business

A. LIFE BUREAU

1. Licensed Life Companies

There were 139 life insurance companies licensed to transact business in New York State as of December 31, 1999. The total admitted assets of licensed life insurers amounted to approximately \$1.52 trillion at December 31, 1998, a 10-year gain of 103.2%. Bonds totaled \$627.9 billion; stocks \$53.2 billion; mortgage loans \$133.0 billion; real estate \$20.0 billion; policy loans \$56.4 billion, and short-term holdings \$27.4 billion. Other admitted assets totaled \$603.3 billion.

2. Domestic Life Companies

Domestic life insurance companies had admitted assets of \$549.3 billion on December 31, 1998, an increase of 97.8% since 1988. Insurance in force at December 31, 1998 of \$3.43 trillion represents an increase of 97.8% since December 31, 1988.

3. Organizations Under Life Bureau Supervision

The Life Bureau supervised 463 organizations as of December 31, 1998. These organizations consisted of: 140 licensed life insurance companies--89 domiciled in New York and 51 foreign; 50 fraternal benefit societies--8 domiciled in New York, 41 foreign and one United States Branch of a Canadian Society; 16 life insurance departments of New York mutual savings banks; 12 retirement systems--four private pension funds and eight governmental systems; eight governmental variable supplements funds; 133 segregated gift annuity funds; 25 employee welfare funds; 11 viatical settlement companies and 68 accredited reinsurers.

4. Demutualization

The demutualization of Metropolitan Life Insurance Company became effective on April 7, 2000 with the close of an initial public offering of stock, which raised 4.43 billion dollars for the company. This follows a lengthy review process, which included a public hearing and approval of the plan of demutualization by the company's policyholders as well as the Superintendent of Insurance. As a result of the demutualization, Metropolitan Life Insurance Company has become a wholly-owned subsidiary of MetLife, Inc., with approximately nine million shareholders.

The Life Bureau also began a formal demutualization review process with Unity Mutual Life Insurance Company in September 1999, and the bureau continues to meet with other Insurance Departments concerning the demutualization of two major foreign insurers, Prudential Insurance Company of America and John Hancock Mutual Life Insurance Company.

5. Prudential

In response to widespread allegations of improper sales and marketing activities carried out by Prudential throughout the life insurance industry the New Jersey Insurance Commissioner formed a Multi-State Task Force, of which New York was a member. In 1995 the Task Force conducted a targeted market conduct examination of the company, resulting in various recommendations. As a follow-up the New York Insurance Department conducted its own market conduct examination covering 1/1/96-12/31/97. The examination concentrated on a number of areas including advertising and marketing and complaint handling. As a result of violations revealed by the Department's examination, the company was fined \$2,200,000, and agreed to create a Regulatory Compliance Committee to monitor said compliance and provide semiannual reports to the Superintendent.

Table 1
ADMITTED ASSETS
Life Insurance Companies Licensed in New York State
Selected Years, 1988-1998
(dollar amounts in billions)

Admitted Assets	1998	1997	1993	1988
Total	\$1,521.2	\$1,424.9	\$1,059.0	\$748.8
Percent increase from 1988	103.2%	90.3%	41.4%	---
Type of asset				
Bonds	\$627.9	\$615.1	\$493.1	\$ 320.5
Stocks	53.2	50.6	35.6	25.2
Mortgage Loans	133.0	132.4	155.8	177.7
Real Estate	20.0	25.4	34.5	21.6
Policy loans/liens	56.4	61.7	46.6	38.6
Short-term holdings	27.4	29.5	19.8	15.0
Other	603.3	510.2	273.6	150.2

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, 1993-1998
(in billions)

	1998	1997	1993
Assets	\$1,521.2	\$1,424.9	\$1,059.0
Liabilities	1,443.0	1,350.8	1,005.9
Capital & Surplus	78.2	74.1	53.1

Source: New York State Insurance Department

Table 3
TOTAL LIFE INSURANCE IN FORCE
Life Insurance Companies Licensed in New York State
Selected Years, 1988-1998
(dollar amounts in billions)

Class of Business	1998	1997	1993	1988
Total insurance in force	\$8,098.0	\$7,780.1	\$6,494.6	\$4,551.4
Percent increase from 1988	77.9%	70.9%	42.7%	---
Ordinary	\$4,358.9	\$4,172.3	\$3,228.1	\$2,220.8
Group	3,656.2	3,519.7	3,190.6	2,244.8
Credit	75.4	80.5	67.7	77.3
Industrial	7.4	7.5	8.0	8.5

Source: New York State Insurance Department

Table 4
SOURCES OF INCOME
Life Insurance Companies Licensed in New York State
Selected Years, 1993-1998
(dollar amounts in millions)

Source of Income	1998		1997		1993	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Group life	\$13,425.7	4.8%	\$13,948.1	5.1%	\$11,053.2	4.8%
Group annuities	78,779.1	28.2	68,338.3	25.0	51,860.4	22.6
Group A & H	21,000.1	7.5	24,296.8	8.9	26,775.5	11.7
Ordinary life	40,186.7	14.4	44,005.9	16.1	40,329.6	17.6
Individual annuities	30,189.7	10.8	30,899.9	11.3	23,499.2	10.2
Individual A & H	3,778.7	1.4	3,737.1	1.4	3,045.5	1.3
Credit life	321.5	0.1	363.6	0.1	338.3	0.1
Industrial life	238.3	0.1	236.6	0.1	227.4	0.1
Total Premiums	\$187,919.8	67.3%	\$185,826.3	68.0%	\$157,129.1	68.4%
Supplementary contracts	8,854.4	3.2%	7,803.7	2.9%	5,357.5	2.3%
Net investment income	67,451.3	24.2	66,704.6	24.4	60,534.8	26.4
Other income	14,745.8	5.3	12,740.6	4.7	6,620.3	2.9
TOTAL	\$278,971.3	100.0%	\$273,075.3	100.0%	\$229,641.7	100.0%

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, 1993-1998
(in millions)

	1998	1997	1993
Total premiums	\$187,919.8	\$185,826.4	\$157,129.1
Investment income	67,451.3	66,704.6	60,534.8
Supplementary contracts	8,854.4	7,803.7	5,357.5
Other income	14,745.8	12,740.6	6,620.3
Total income	278,971.3	273,075.3	229,641.7
Net gain from operations	7,365.3	8,266.9	6,032.6
Net income	9,522.5	9,283.0	4,583.5

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, 1988-1998
(dollar amounts in billions)

Insurance In Force	1998	1997	1993	1988
Total	\$1,033.3	\$975.0	\$766.9	\$589.2
Percent increase from 1988	75.4%	65.5%	30.2%	---
Class of business				
Ordinary	\$608.6	\$581.3	\$458.5	\$319.8
Group	417.2	386.9	297.7	251.6
Credit	6.6	5.9	9.7	16.8
Industrial	0.9	0.9	1.0	1.0

Source: New York State Insurance Department

Table 7
DOMESTIC LIFE INSURANCE COMPANIES
Selected Years, 1988-1998
(dollar amounts in billions)

Domestic Life Insurers	1998	1997	1993	1988
Admitted assets	\$549.3	\$514.3	\$385.9	\$277.7
Percent increase from 1988	97.8%	85.2%	39.0%	---
Insurance in force	\$3,429.7	\$3,336.5	\$2,556.7	\$1,734.3
Percent increase from 1988	97.8%	92.4%	47.4%	---

Source: New York State Insurance Department

6. Savings Bank Life Insurance

On December 28, 1999 the SBLI Mutual Life Insurance Company was created. At that time the life insurance business of the 16 issuing savings banks was transferred to the new company. Total ordinary and group life insurance in force at December 31, 1999 amounted to \$19.4 billion. Admitted assets totaled \$1.3 billion.

Table 8
SAVINGS BANK LIFE INSURANCE
New York State
Selected Years, 1989-1999
(dollar amounts in millions)

SBLI	1999	1998	1994	1989
Number of issuing banks	16	21	29	46
Ordinary insurance issued during year:				
Policies	5,250	7,419	13,087	19,809
Amount	\$98.8	\$165.0	\$327.0	\$447.6
Ordinary insurance in force end of year:				
Policies	370,483	384,545	430,243	470,604
Amount	\$5,468.2	\$5,647.7	\$5,930.0	\$5,667.0
Group life insurance in force end of year:				
Amount	\$13,968.8	\$15,064.2	\$16,932.6	\$10,893.7

Source: New York State Insurance Department

7. Licensed Fraternal Benefit Societies

At the close of 1999, there were 51 fraternal benefit societies licensed to conduct insurance business in New York State. Of these, eight were domestic, 42 were foreign and one was an alien society. In the ten-year period ending December 31, 1998 the admitted assets of licensed societies rose \$25.3 billion to a total of \$45.9 billion, an increase of 123%. Insurance in force rose \$72.9 billion to \$209.1 billion, an increase of 53%.

8. Private Retirement Systems

At the close of 1998, four private retirement systems were under the supervision of the Insurance Department.

The four 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 1998, the assets of these four private pension funds totaled approximately \$154.9 billion. The following table shows data for the private pension funds for selected years from 1988 to 1998.

**Table 9
PRIVATE PENSION FUNDS
Regulated by NYS Insurance Department
Selected Years, 1988-1998
(in millions)**

Private Pension Funds	1998	1997	1993	1988
Total admitted assets	\$154,883.5	\$126,667.7	\$63,770.7	\$33,093.2
Payments to annuitants and beneficiaries	\$8,265.1	\$6,391.0	\$2,193.2	\$1,742.0

Source: New York State Insurance Department

9. Public Retirement Systems

The eight actuarially funded public retirement systems under the supervision of the Insurance Department at the close of 1998 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 1998 were approximately \$275 billion. During the period from 1988 to 1998, the assets of these retirement systems increased at the compound rate of 11.5% 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 1998 decreased by 1.6% from its 1988 level, while the number of pensioners increased by 29% in the same period. The substantial increase in pensioners, as compared with a decrease 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, 1998 totaling \$3.2 billion, a 14% 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 1988 to 1998:

Table 10
PUBLIC RETIREMENT SYSTEMS AND PENSION FUNDS
Regulated by NYS Insurance Department
Selected Years, 1988-1998
(in millions)

Public Retirement Systems & Pension Funds	1998	1997	1993	1988
Total admitted assets	\$275,045	\$228,781	\$148,591	\$92,822
Payments to annuitants and beneficiaries	\$10,360	\$9,959	\$7,087	\$4,874

Source: New York State Insurance Department

10. Segregated Gift Annuity Funds for Charitable Organizations

At the end of 1999, 165 charitable annuity societies held permits under Section 1110 of the Insurance Law. 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, 1998, admitted assets of these funds increased by 418% and the annual payments increased by 402%. This reflects the rapid growth in the number of licensed societies during the period under review.

Table 11
SEGREGATED GIFT ANNUITY FUNDS
Selected Years, 1988-1998
(in millions)

Segregated Gift Annuity Funds	1998	1997	1993	1988
Total admitted assets	\$730.7	\$575.4	\$328.5	\$141.0
Annual payments to annuitants	\$61.2	\$44.0	\$24.7	\$12.2

Source: New York State Insurance Department

11. Employee Welfare Funds

Twenty-five employee welfare funds covering 117,986 employees were supervised by the Department at the close of 1998. 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 \$261.8 million in 1998. Benefits paid totaled \$258.5 million and included life insurance; medical, surgical and hospital coverage; major medical coverage; optical, dental and prescription drug plans; disability insurance, and legal services. Administrative expenses totaled \$13.8 million representing 5.2% of contributions and 5.3% of benefits.

12. 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 1998, 11 companies were licensed or authorized to act as viatical settlement companies in New York.

As of December 31, 1998, these companies had combined assets of \$292 million, with the largest company accounting for \$210 million. The assets were primarily in the form of life insurance policies purchased. Costs of purchasing these policies amounted to \$245 million, which comprised about 45.0% of the \$545 million total face value.

13. Examinations of Insurers Conducted in 1999

**Table 12
EXAMINATIONS CONDUCTED
by the Life Bureau
1999**

	Regularly Scheduled			Other	
	Total	Initiated		Special	On Organi- zation
		In 1999	Prior to 1999		
Life insurance companies	34	21	13	0	0
Life insurance depts. of mutual savings banks	4	4	0	0	0
Fraternal benefit societies	1	1	0	0	0
Retirement systems and pension funds	3	0	3	0	0
Segregated gift annuity funds of charitable organizations	19	19	0	0	0
Viatical settlement companies	4	4	0	0	0
Total	65	49	16	0	0

14. Auditing of Financial Statements

a. Audit and Analysis

As of December 31, 1999, 450 companies were licensed to do business in New York State, as detailed below. These companies are required to file their Annual Statements for audit and analysis:

Life - New York	88
Life - Other States	51
Accredited Reinsurers	65
Fraternals - New York	8
Fraternals - Other States	41
Fraternals - Canadian, U.S. Branch	1
Charitable Annuities	165
Retirement Systems	20
Viaticals	11
Total	450

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 1999 were updated to meet current needs and requirements. Copies of the Supplements are now distributed through the Department's Web site to all life companies and Fraternal Benefit Societies licensed to do business in New York State.

c. Public Inspection of Records

The Bureau provides public access to various Insurance Department documents and insurance-related materials by means of a Freedom of Information request. In 1998, 108 Annual Statements, and 6 Quarterly Statements, were reviewed

15. Real Estate Review

During 1999, the Real Estate Unit, submitted five reports relative to the valuation and condition of real estate assets held by companies under examination. Three requests for the acquisition of real estate were reviewed. Two requests in the total amount of \$22,248,000 were recommended for approval. A third request in the amount of \$1,025,000 was recommended for approval at the reduced amount of \$680,000 as a result of the Department's appraisal

In addition, recommendations were made relating to mortgage participation agreements, a sales leaseback transaction, the valuation of capital improvements, the adequacy of real estate and mortgage reserves, the carrying value of foreclosed real estate and the impact of real estate asset value in connection with declaring a dividend.

16. Actuarial Submissions and Reviews

The actuarial staff of the Life Bureau's New York City office review submissions made by licensed life insurance companies and fraternal benefit societies to secure the Insurance Department's approval of separate account plans of operation for individual and group annuity and for variable life insurance products; methods of allocation of investment income by annual statement lines of business and by product lines; synthetic guaranteed investment contracts (GICs); and plans of operation and actuarial projections in connection with the licensing of a company, merger of two or more companies or acquisition of control of one company by another.

The actuarial staff also review filings made by companies under Section 4228 of the Insurance Law, which pertain to compliance with expense limitations, agent compensation plans, agent training allowance plans and expense allowance plans. The staff evaluates the actuarial aspects of life insurer demutualizations and reorganizations of foreign insurers as mutual holding companies. Those have been relatively few in number but extremely time consuming. The staff participates in on-site examinations scheduled by the assigned Corporate Regulatory Unit to ascertain the organizations'

actuarial practices. The actuaries perform the required regulatory functions concerning the various New York State and New York City public employee retirement systems, each of which is governed by different chapters of law (mainly New York State Retirement and Social Security Law and New York City Administrative Code), as explained in more detail in Section 7 of this report.

During 1999, the actuarial staff continued to review filings submitted under the new Section 4228 of the Insurance Law, which became effective January 1, 1998. The new law contains a February 28 filing deadline for the most common type of required submission. The first such deadline occurred on February 29, 1999. As a result, many more Section 4228 filings were received during 1999 than during the previous year. In addition to handling required submissions under Section 4228, the actuarial staff assisted in the process of drafting two regulations relating to Section 4228, and has produced and refined submission forms that can be filed via e-mail.

Separate account submissions continued to comprise the majority of filings reviewed by the actuarial staff, although the number of such submissions decreased by approximately 10% during 1999. Submissions related to mergers, acquisitions and new company formations increased by 22% during 1999. Synthetic GICs once again generated little interest; there were only four synthetic GIC submissions during 1999, the same number as in 1998.

17. Financial Indicators

The Risk-Based Capital (RBC) 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 1999. New York is a member of the Life Risk-Based Capital Working Group and representatives from the 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 1998 Annual Statements filed by licensed insurers did not disclose inadequate capitalization by the reporting companies.

18. National Association of Insurance Commissioners (NAIC)

The New York Insurance Department is a member of a number of NAIC committees and groups. In 1999 the Life Bureau represented the Insurance Department in the work of the International Accounting Standards Working Group and the AVR/IMR Working Group, both as chair. The Bureau has also represented the Department at the Life and Health Actuarial Task Force, Blanks Task Force, Accounting Practices and Procedures Task Force, Valuation of Securities Task Force and Examination Oversight Task Force. The Bureau also participated in the following Working Groups, among others: Financial Analysis Research and Development, Financial Analysis Handbook, Statutory Accounting Principles, Emerging Issues, Invested Assets, Separate Accounts, Life Risk-Based Capital, Securities Valuation Office Oversight, NAIC/AICPA and Audit Software.

A representative of the Life Bureau participated in the NAIC Industry Preparedness Y2K Task Force. In this capacity he drafted periodic Y2K reports for the NAIC as well as the Government Accounting Office.

B. PROPERTY BUREAU

1. Entities Supervised by the Financial Regulation Division of the Property Bureau

The Financial Regulation Division side of the Property Bureau had regulatory authority over 1,600 insurer and noninsurer entities as of December 31, 1999.

The Bureau regulated 926 insurer entities comprised of:

68	<i>Accredited reinsurers*</i>
18	<i>Advance premium co-operatives</i>
28	<i>Assessment co-operatives</i>
13	<i>Associations, pools, and syndicates</i>
2	<i>Captive insurers</i>
12	<i>Financial guaranty insurers</i>
1	<i>Medical Malpractice Insurance Association</i>
7	<i>Medical malpractice insurers</i>
22	<i>Mortgage guaranty insurers</i>
1	<i>New York Property Insurance Underwriting Association (FAIR Plan)</i>
718	<i>Property/casualty insurers</i>
21	<i>Title insurers (including one accredited reinsurers</i>
15	<i>United States branches</i>

In addition, the Bureau oversaw the operation of 47 risk retention groups in 1999 and supervised 269 reinsurance intermediaries, 15 insurer-controlling producers, and 343 managing general agents.

The Property Bureau received 41 applications for licensing and four applications for recognition as an accredited reinsurer during 1999. Thirty-four insurers were newly licensed including 4 domestic stock companies, 1 domestic financial guaranty insurer, 2 foreign mutual insurers, 2 foreign reciprocal insurers and 25 foreign stock insurers. In addition, 1 insurer was accredited. At the close of the year, 5 domestic stock companies, 1 foreign reciprocal insurer, 3 foreign mutual insurer and 26 foreign stock insurers had license applications pending with the Department. In addition, 5 applications for accreditation were still outstanding.

* Lloyd's of London (Lloyd's), included as an accredited reinsurer, is comprised of individual underwriting syndicates, each of which must meet the requirements for recognition as an accredited reinsurer. As of December 31, 1999, the Department recognized 130 active Lloyd's syndicates as accredited reinsurers.

2. Property and Casualty Business

Unless otherwise noted, tables and related data for property and casualty business refer to the nationwide operations of insurers authorized to do business in this State. Data for stock insurers includes United States branches of alien insurers. Data for mutual insurers includes the State Insurance Fund, the Medical Malpractice Insurance Association and reciprocals. Data for financial guaranty insurers, mortgage guaranty insurers, title insurers, co-operative fire insurers are summarized separately.

a. Premium Volume and Surplus to Policyholders

Net premiums written during 1998 by all New York licensed property and casualty insurers aggregated \$198.2 billion, of which 73% represents stock company writings. The following underwriting and investment results deal with the countrywide business of New York-licensed companies:

Table 13
NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS
Property and Casualty Insurers Licensed in New York State
1993-1998
(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
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
1997	623	146,706	168,327	0.9	73	53,644	76,793	0.7
1998	620	144,788	175,313	0.8	76	53,453	85,503	0.6

Source: New York State Insurance Department

b. Underwriting Results

Results for 1998 show a net underwriting loss of \$8.4 billion for stock companies and a net underwriting loss of \$2.5 billion for mutual companies. For 1997, stock companies showed a net underwriting loss of \$3.0 billion, while mutual companies experienced a net gain of \$1.3 billion.

Table 14
UNDERWRITING RESULTS
Property and Casualty Insurers Licensed in New York State
1995-1998
(dollar amounts in millions)

Year		Stock Companies		Mutual Companies	
		Number of Companies	Amount	Number of Companies	Amount
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
1997	Underwriting gains	211	\$ 2,917.0	27	\$ 2,918.9
	Underwriting losses	366	5,957.4	46	1,610.8
	No gain or loss	46	0.0	0	0.0
1998	Underwriting gains	174	\$ 2,852.1	16	\$ 910.0
	Underwriting losses	392	11,216.1	58	3,456.4
	No gain or loss	54	0.0	2	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 1995 to 1998 are as follows:

Table 15
INVESTMENT INCOME AND CAPITAL GAINS
Property and Casualty Insurers Licensed in New York State
1995-1998
(in millions)

Year		Stock Companies	Mutual Companies
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>
1997	Net investment income	\$26,643.8	\$ 8,289.5
	Realized capital gains	5,697.2	1,380.4
	Unrealized capital gains	<u>14,421.8</u>	<u>11,154.5</u>
	Net gain from investments	<u>\$46,762.8</u>	<u>\$20,824.4</u>
1998	Net investment income	\$24,169.0	\$ 7,043.8
	Realized capital gains	10,436.1	3,216.5
	Unrealized capital gains	<u>4,319.4</u>	<u>6,038.3</u>
	Net gain from investments	<u>\$38,924.5</u>	<u>\$16,298.6</u>

Source: New York State Insurance Department

d. Underwriting and Investment Exhibit

During 1998, dividends to stockholders amounted to \$13.0 billion; for the same period, dividends to policyholders aggregated to \$3.6 billion. The aggregate contribution to surplus for 1998 was \$2.4 billion compared with \$5.2 billion for 1997.

Table 16
AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT
Property and Casualty Insurers Licensed in New York State
1997 and 1998
(in millions)

	Stock Companies		Mutual Companies	
	1998	1997	1998	1997
Net gain or loss from:				
Underwriting	\$ -8,364.0	\$ -3,040.4	\$ 2,546.4	\$ 1,308.1
Investments*	34,605.1	32,341.0	10,260.3	9,669.9
Other income	81.5	-197.1	-196.9	-316.4
Net gain or loss	<u>\$ 26,322.6</u>	<u>\$ 29,103.5</u>	<u>\$ 7,517.0</u>	<u>\$ 10,661.6</u>
Less:				
Dividends to policyholders	1,013.3	1,115.5	2,601.2	2,622.6
Federal income taxes incurred	<u>6,160.4</u>	<u>4,937.8</u>	<u>776.9</u>	<u>1,491.1</u>
Net income	<u>\$ 19,149.0</u>	<u>\$ 23,050.2</u>	<u>\$ 4,138.9</u>	<u>\$ 6,547.9</u>
Surplus changes other than net income:				
Dividends to stockholders				
• Cash	\$-12,514.5	\$-12,301.4	\$ 0.0	\$ 0.0
• Stock	-17.4	-17.7		0.0
US Branches - Net remittance to/from home office	<u>-518.4</u>	<u>-6.2</u>	<u>0.0</u>	<u>0.0</u>
Total dividends and remittance	\$-13,050.3	\$-12,325.3	\$ 0.0	\$ 0.0
Unrealized capital gains	4,319.4	14,421.8	6,038.3	11,154.6
Changes in statutory over case basis	22.1	-87.8	16.8	-37.6
Miscellaneous items	-1,200.2	-1,667.0	-2,565.4	-1,690.9
Contributions to surplus	<u>2,442.3</u>	<u>5,193.2</u>	<u>6.8</u>	<u>1.5</u>
Total other sources	<u>\$ -7,466.8</u>	<u>\$ 5,534.9</u>	<u>\$ 3,496.6</u>	<u>\$ 9,427.6</u>
Net increase or Decrease in surplus	<u>\$ 11,682.2</u>	<u>\$ 28,585.1</u>	<u>\$ 7,635.4</u>	<u>\$ 15,975.5</u>

*Excludes unrealized capital gains

Sources: New York State Insurance Department

e. Selected Annual Statement Data

Over the period 1995 to 1998 aggregate net premiums written increased by 5%; admitted assets increased 18%; unearned premium and loss reserves increased 1%; and other liabilities increased 33%. Capital and surplus to policyholders increased by 52%.

Table 17
SELECTED ANNUAL STATEMENT DATA
Property and Casualty Insurers Licensed In New York State
1995-1998
(dollar amounts in millions)

	1998	1997	1996	1995
Stock Companies				
Number of insurers	620	623	614	567
Net premiums written	\$144,788	\$146,706	\$143,254	\$136,270
Admitted assets	509,872	505,697	469,175	438,090
Unearned premium & loss reserves	288,693	293,618	290,637	279,091
Other liabilities	45,867	43,753	39,250	36,664
Capital	4,343	4,451	4,565	4,350
Surplus funds	175,313	163,876	134,723	117,985
Mutual Companies				
Number of insurers	76	73	75	75
Net premiums written	\$ 53,453	\$ 53,644	\$ 53,094	\$ 52,647
Admitted assets	183,986	175,476	159,700	150,411
Unearned premium & loss reserves	78,892	80,730	83,722	85,611
Other liabilities	19,591	17,954	15,049	12,629
Surplus to policyholders	85,503	76,793	60,928	52,171

Source: New York State Insurance Department

f. Audit and Analysis

The 1998 Annual Statements of the companies authorized to transact business in the State of New York were filed for audit and analysis in 1999, 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 2,700 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 1999, the State Insurance Fund acquired bonds totaling \$2.2 billion and sold bonds totaling \$1.7 billion. Upon review, the Property Bureau recommended the approval of acquisitions totaling \$2.0 billion and sales totaling \$1.5 billion. Acquisition of \$200.7 million and sales of \$208.8 million are currently under review. In 1999, the Bureau recommended approval of acquisitions totaling \$3.7 billion and sales totaling \$2.1 billion.

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 835 companies. There were 13 companies entitled to exemption from the filing requirements.

i. Public Inspection of Records

The Financial Division of the Property Bureau provides public access to various Insurance Department documents pursuant to the Freedom of Information Law (FOIL). In 1999, 108 FOIL requests to review and copy records maintained by the Financial Division 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 Property Bureau is responsible for the review and approval of transactions within holding company systems. During 1999, 290 holding company transaction files, 308 holding company registration statements and amendments, and 62 other holding company files were reviewed and closed by the Property Bureau. In addition, 18 notices of acquisition of control of domestic insurers were reviewed and closed by the Property Bureau.

3. 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, 1999, there were six domestic and six foreign financial guaranty insurers licensed in New York.

Table 18
NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS
Financial Guaranty Insurers Licensed in New York State
1995-1998
(dollar amounts in millions)

Year	Net Premiums Written (during year)	Surplus to Policyholders (end of year)	Ratio of Premiums to Surplus
1995	\$ 729.5	\$4,569.4	0.16
1996	963.4	4,929.4	0.20
1997	1,000.4	5,469.6	0.18
1998	1,299.0	6,425.0	0.20

Source: New York State Insurance Department

Table 19
UNDERWRITING RESULTS
Financial Guaranty Insurers Licensed in New York State
1996-1998
(dollar amounts in millions)

	1998		1997		1996	
	<u>Underwriting</u> Gain	Loss	<u>Underwriting</u> Gain	Loss	<u>Underwriting</u> Gain	Loss
No. of Companies	11	1	9	2	10	1
Amount	\$423.8	\$22.0	\$394.3	\$33.5	\$347.7	\$3.9

Source: New York State Insurance Department

Table 20
INVESTMENT INCOME AND CAPITAL GAINS
Financial Guaranty Insurers Licensed in New York State
1995-1998
(in millions)

	1998	1997	1996	1995
Net investment income	\$791.6	\$742.4	\$717.3	\$619.0
Realized capital gains	93.4	64.2	106.4	58.5
Unrealized capital gains	<u>51.0</u>	<u>0.7</u>	<u>-31.6</u>	<u>80.6</u>
Net gain from investments	<u>\$935.9</u>	<u>\$807.3</u>	<u>\$792.1</u>	<u>\$758.1</u>

Source: New York State Insurance Department

Table 21
AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT
Financial Guaranty Insurers Licensed in New York State
1995-1998
(in millions)

	1998	1997	1996	1995
Net gain or loss from:				
Underwriting	\$ 401.8	\$ 360.8	\$ 343.8	\$ 219.7
Investments*	885.0	806.6	823.7	677.5
Other Income	<u>155.8</u>	<u>6.3</u>	<u>3.7</u>	<u>13.0</u>
Net gain or loss	\$1,442.5	\$1,173.8	\$1,171.2	\$ 910.2
Less:				
Dividends to policyholders	0.0	0.0	0.0	0.0
Federal income taxes incurred	<u>304.6</u>	<u>240.1</u>	<u>241.3</u>	<u>164.8</u>
Net income	<u>\$1,137.9</u>	<u>\$ 933.6</u>	<u>\$ 929.9</u>	<u>\$ 745.4</u>
Surplus changes other than net income:				
Dividends to stockholders				
• Cash	\$-135.4	\$ -89.7	\$-180.1	\$-287.8
• Stock	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total dividends and remittance	-135.4	\$ -89.7	\$-180.1	\$-287.8
Unrealized capital gains	51.0	0.7	-31.6	80.6
Changes in statutory over case basis	0.3	0.5	0.5	-1.2
Miscellaneous sources	-685.6	-520.3	-428.1	-276.7
Contributions to surplus	<u>409.1</u>	<u>215.4</u>	<u>-19.6</u>	<u>115.7</u>
Total other sources	<u>\$-360.7</u>	<u>\$-393.4</u>	<u>\$-658.9</u>	<u>\$-369.4</u>
Net increase or decrease in surplus	<u>\$ 777.3</u>	<u>\$ 540.2</u>	<u>\$ 271.0</u>	<u>\$ 376.0</u>

* Excludes unrealized capital gains.

Source: New York State Insurance Department

Table 22
SELECTED ANNUAL STATEMENT DATA
Financial Guaranty Insurers Licensed In New York State
1995-1998
(in millions)

	1998	1997	1996	1995
Number of Companies	12	11	11	12
Exposure	\$1,322,940.0	\$1,033,649.0	\$1,004,509.0	\$869,852.0
Net premiums written	1,299.0	1,000.4	963.4	729.5
Admitted assets	16,319.4	13,990.4	12,475.0	11,256.7
Unearned premium & loss reserves	5,560.6	4,913.8	4,601.1	4,247.0
Other liabilities	3,395.0	3,607.0	2,944.4	2,440.3
Capital	203.6	198.5	198.5	203.5
Surplus funds	6,425.0	5,271.1	4,730.9	4,365.9

Source: New York State Insurance Department

4. Mortgage Guaranty Insurance

At year-end 1999, there were two domestic and 20 foreign companies licensed to transact mortgage guaranty business in New York.

Table 23
NET PREMIUMS WRITTEN AND SURPLUS TO POLICYHOLDERS
Mortgage Guaranty Insurers Licensed in New York State
1995-1998
(dollar amounts in millions)

Year	Net Premiums Written (during year)	Surplus to Policyholders (end of year)	Ratio of Premiums to Surplus
1995	\$1,713.4	\$2,243.3	0.78
1996	2,158.6	2,556.7	0.84
1997	2,438.5	2,693.7	0.91
1998	2,662.5	2,975.7	0.89

Source: New York State Insurance Department

Table 24
AGGREGATE UNDERWRITING AND INVESTMENT EXHIBIT
Mortgage Guaranty Insurers Licensed in New York State
1995-1998
(in millions)

	1998	1997	1996	1995
Net gain or loss from:				
Underwriting	\$ 896.4	\$ 654.7	\$ 327.8	\$ 226.4
Investments*	625.8	552.0	507.2	443.2
Other Income	<u>7.2</u>	<u>0.2</u>	<u>1.3</u>	<u>1.3</u>
Net gain or loss	\$1,529.4	\$1,206.9	\$ 836.3	\$ 670.9
Less:				
Dividends to policyholders	1.4	0.0	0.0	0.0
Federal income taxes incurred	<u>212.0</u>	<u>128.1</u>	<u>38.5</u>	<u>66.4</u>
Net income	<u>\$1,316.0</u>	<u>\$1,078.8</u>	<u>\$ 797.8</u>	<u>\$ 604.5</u>
Surplus changes other than net income:				
Dividends to stockholders				
• Cash	\$ -169.2	\$-120.5	\$ -77.0	\$ -81.5
• Stock	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total dividends	-169.2	\$-120.5	\$ -77.0	\$ -81.5
Unrealized capital gains	19.1	39.3	-16.0	97.2
Changes in statutory over case basis	1.0	0.0	0.0	0.0
Miscellaneous sources	-941.1	-886.2	-566.6	-633.0
Contributions to surplus	<u>-18.4</u>	<u>25.5</u>	<u>94.6</u>	<u>139.6</u>
Total other sources	<u>\$-1,110.6</u>	<u>\$-941.9</u>	<u>\$-565.0</u>	<u>\$-477.7</u>
Net increase or decrease in surplus	<u>\$ 205.4</u>	<u>\$ 136.9</u>	<u>\$ 232.8</u>	<u>\$ 126.8</u>

* Excludes unrealized capital gains

Source: New York State Insurance Department

Table 25
SELECTED ANNUAL STATEMENT DATA
Mortgage Guaranty Insurers
1995-1998
(dollar amounts in millions)

	1998	1997	1996	1995
Number of companies	24	21	21	18
Net premiums written	\$ 2,662.5	\$ 2,438.5	\$2,158.6	\$1,713.4
Admitted Assets	11,812.8	10,107.5	8,911.0	7,157.4
Unearned premium & loss reserves	4,293.3	3,930.8	3,666.1	3,019.2
Other liabilities	4,543.8	3,483.0	2,688.1	2,030.1
Capital	102.9	93.4	92.9	85.2
Surplus	2,975.7	2,600.3	2,463.8	2,157.1

Source: New York State Insurance Department

5. Title Insurance

Ten domestic and eleven foreign companies were licensed to write title insurance in this State at the close of 1999. The statutory reinsurance reserve of domestic title insurers approximated \$130 million as of December 31, 1998.

Table 26
SELECTED ANNUAL STATEMENT DATA
Domestic Title Insurance Companies
1995-1998
(dollar amounts in millions)

	1998	1997	1996	1995
Number of Companies	10	10	11	9
Net premiums written	\$486.2	\$342.0	\$257.8	\$228.7
Admitted assets	396.3	361.8	239.8	203.4
Liabilities	216.7	204.1	124.0	114.7
Capital	10.3	11.3	11.8	9.3
Surplus	179.6	146.4	103.9	79.4

Source: New York State Insurance Department

6. Advance Premium and Assessment Co-operatives

At year-end 1998, there were 19 advance premium cooperatives under the supervision of the Property Bureau. The total number of advance premium co-operative companies decreased by one from 1997 to 1998 due to a merger. The net premium volume of the advance premium co-operatives increased slightly by 0.2% from the prior year.

The total number of assessment co-operative companies decreased by one during 1998, due to a merger; this results in 29 assessment co-operative companies being under the Bureau's supervision at year-end 1998. The net premium volume of these 29 companies increased by 2% from the prior year.

During 1999, the Bureau initiated 10 examinations of the advance premium co-operative and assessment co-operative companies.

Table 27
SELECTED ANNUAL STATEMENT DATA
Advance Premium and Assessment Co-operative Companies
1995-1998
(dollar amounts in millions)

Year		Total	Advance Premium Companies	Assessment Co-operative Companies
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
1997	Number of companies	50	20	30
	Total assets	\$1,090.5	\$920.0	\$170.5
	Net premiums written	477.0	415.5	61.5
	Surplus funds	443.2	341.4	101.8
1998	Number of companies	48	19	29
	Total assets	\$1,155.8	\$974.3	\$181.5
	Net premiums written	479.1	416.3	62.8
	Surplus funds	508.5	399.0	109.5

Source: New York State Insurance Department

7. Special Risk Insurers (Free Trade Zone)

Calendar year 1998 was the 20th full year of operation for the companies licensed as special risk insurers pursuant to Section 6302 of the Insurance Law. There were 177 licensed companies as of December 31, 1998. Net premiums written during the year amounted to \$468.9 million, bringing the net premiums written since inception to approximately \$4.8 billion. Net premiums written (in millions) since inception are as follows:

1978-1993	\$2,730.9
1994	355.4
1995	364.7
1996	443.2
1997	398.9
1998	468.9

8. Risk Retention Groups

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

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

As of December 31, 1998, 45 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 1998, 45 risk retention groups filing financial statements with this Department reported total direct premiums written of \$589.3 million and total net premiums written of \$186.9 million. These risk retention groups reported direct premiums written of \$48.4 million in New York State during this same period.

9. Examinations of Insurers

**Table 28
EXAMINATIONS CONDUCTED
by the Financial Regulation Division of the Property Bureau
1999**

	Regularly Scheduled			Other Financial Exams		
	Total	Started in 1999	Started Prior to 1999	Special	On Organization	Increase in capital and other
Property and casualty insurers, including financial guaranty insurers	134	35	79	16	3	1
Other insurers	0	0	0	0	0	0
Title and mortgage guaranty insurers	8	5	3	0	0	0
Total	142	40	82 *	16	3	1

*This total includes 38 reports with completed field work, but with reports not filed as of 1/1/00.

10. 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, 1999, 130 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.

11. 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.”

As of December 31, 1999, there were two captive insurance companies in New York. The industry has indicated that current law contains certain restrictions that hinder growth in the formation of New York captive insurers. The Department is considering proposing revisions to the law to address these restrictions.

12. Certified Capital Companies

Part S of Chapter 407 of the Laws of 1999, signed by Governor George E. Pataki on August 9, 1999, establishes New York's Certified Capital Company ("CAPCO") Program Two. CAPCO Program Two provides for an aggregate of \$30 million in calendar year 2001 tax credits to insurers investing in Program Two CAPCOs.

The New York CAPCO Program was originally established by Chapter 389 (Sections 142 through 145) of the Laws of 1997. An aggregate of \$100 million in tax credits (\$50 million for calendar year 1999 and 2000) was allocated to 30 insurers that invested in the five active CAPCOs certified under the original Program.

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

a. Number of Filings

During 1999, the Market Regulatory Section of the Property Bureau received 8,111 filings involving changes in rates, rating rules, policy forms, rate classifications and rating territories submitted by rate service organizations, joint underwriting associations and insurers. The filings were submitted for the following lines of business:

Table 29
NUMBER OF FILINGS RECEIVED*
by Type, 1999

Line of Business	Rates & Rules	Policy Forms	Classes and Territories	Total
Fire and Allied Lines	479	350	4	833
Farmowners Multiple Peril	41	34	0	75
Homeowners Multiple Peril	293	235	7	535
Multiple Line	120	142	0	262
Commercial Multiple Peril	581	352	1	934
Inland Marine	173	178	0	351
Medical Malpractice	214	132	0	346
Earthquake	29	22	0	51
Rain	9	11	0	20
Workers' Compensation & Employer's Liability	127	138	0	265
Other Liability	1,145	1,055	2	2,202
Motor Vehicle Insurance	1,083	513	14	1,610
Aircraft	7	19	0	26
Fidelity & Surety	108	49	0	157
Glass	67	8	0	75
Burglary & Theft	99	67	0	166
Boiler & Machinery	37	35	0	72
Credit	1	1	0	2
Animal Mortality	7	11	0	18
Mortgage Guaranty	36	12	0	48
Residual Value	4	5	0	9
Title	1	3	0	4
Financial Guaranty	3	43	0	46
Prize Indemnification	3	1	0	4
Total	4,667	3,416	28	8,111

* These figures include approximately 299 consent-to-rate filing applications; 90 group property & casualty filings; 183 manuscript policy form filings; 227 Y2K form and rate filings and 215 rating plans submitted in 1999. 93 policy form filings and 87 rate or rating rule filings were disapproved during 1999.

b. Advisory Rate/Loss Cost Changes

The following table lists major revisions in rates or loss costs that were approved or acknowledged during 1999. Loss costs apply to the voluntary market and are advisory, that is they do not have to be adopted by any insurer. They reflect the experience of all companies that report to the rate service organization. Loss costs are used by the majority of insurers for most lines of business as a basis for their individual company rate revisions.

**Table 30
MAJOR EFFECTS OF PRINCIPAL RATE & LOSS COST CHANGES
Filed in 1999 by Property and Casualty
Rate Service Organizations**

	Percent Changes in Average State-Wide Rates/Loss Costs
Automobile	
Automobile Insurance Plans Service Office	
Commercial Automobile, Public Livery	
Rates Revised	
Taxis	
Bodily Injury Liability	+20.0
Property Damage Liability	+11.9
Personal Injury Protection	+20.0
Medicars	
Bodily Injury Liability	+30.0
Property Damage Liability	+30.0
Personal Injury Protection	+30.0
Remainder of Social Service	
Bodily Injury Liability	+14.1
Property Damage Liability	+14.1
Personal Injury Protection	+14.1
NYC Limousines	
Bodily Injury Liability	-16.7
Property Damage Liability	-2.9
Personal Injury Protection	-16.7
School and Church Buses	
Bodily Injury Liability	+15.0
Property Damage Liability	+9.0
Personal Injury Protection	+15.0
Total All Vehicle Types and Coverages (effective February 28, 2000)	+18.1
Automobile Insurance Plans Service Office	
Private Passenger Automobile	
Rates Revised	
Bodily Injury Liability	+5.0
Property Damage Liability	0.0
Personal Injury Protection	+25.4
Uninsured Motorists	0.0

**Percent Changes
in Average
State-Wide Rates/Loss Costs**

Liability Subtotal	+10.9
Comprehensive	-9.0
Collision	-12.7
Physical Damage Subtotal	-11.1
Total All Coverages (effective March 1, 2000)	+9.5

Insurance Services Office, Inc.

Commercial Automobile, Public Livery Loss Costs Revised Taxis and Limousines Single Limit Liability	+60.7
Personal Injury Protection Liability Subtotal	-27.1 +46.0
Van Pools Single Limit Liability	+23.8
Personal Injury Protection Liability Subtotal	+41.9 +25.6
School and Church Buses Single Limit Liability	+30.5
Personal Injury Protection Liability Subtotal	-38.5 +18.1
Other Buses Single Limit Liability	+9.7
Personal Injury Protection Liability Subtotal	-11.5 +4.5
Total Liability	+35.0
Total Single Limit Liability	+48.8
Total Personal Injury Protection (effective December 1, 1999)	-27.8

Boiler and Machinery

Insurance Services Office Revision of Loss Costs (effective December 1, 1999)	-16.6
--	-------

Burglary and Theft

American Assn. of Insurance Services Revision to Crime Program (effective June 1, 1999)	-11.0
--	-------

Commercial Multiple Peril

American Assn. of Insurance Services Special Multi Peril Rules and Loss Costs Revised (effective June 1, 2000)	+2.2
--	------

**Percent Changes
in Average
State-Wide Rates/Loss Costs**

Insurance Services Office

Businessowners Revision of Loss Costs (effective December 1, 1999)	-24.6
--	-------

Insurance Services Office

Package Policies Revised Package Modification Factors (effective December 1, 1999)	+3.1
--	------

Underwriters Rating Board

Businessowners Home Business Pak Revised Rules And Rates (effective March 1, 1999)	0.0
---	-----

Dwelling Fire

American Assn. of Insurance Services

Dwelling Property Program Loss Costs Revised (effective October 1, 1998)	-3.9
--	------

Farmowners Multiple Peril

American Assn. of Insurance Services

Farmowners Property Program (effective October 1, 1998)	-3.9
--	------

Insurance Services Office

Farm Inland Marine and Liability Revision of Loss Costs Farm Inland Marine Livestock Machinery Farm Liability	-12.4 -6.9 -11.3 -2.5
Total (effective August 1, 1999)	-1.2

Fire and Allied Lines

Insurance Services Office

Commercial Fire Revision of Loss Costs Basic Group I Basic Group II Special Causes of Loss Total (effective December 1, 1999)	-15.0 0.0 -8.2 -10.7
---	-------------------------------

Insurance Services Office

Commercial Fire Basic Groups I and II and Special Causes of Loss Revision of Loss Costs	-9.3
---	------

**Percent Changes
in Average
State-Wide Rates/Loss Costs**

(effective November 1, 2000)

Insurance Services Office

Commercial Fire
Market Segment Programs
Loss Costs Introduced
(effective November 1, 1999)

Glass

American Assn. of Insurance Services

Loss Costs Revised -6.5
(effective October 1, 1998)

Homeowners

Underwriters Rating Board

Manufactured Homeowners
Rates Revised +4.3
(effective February 1, 2000)

Underwriters Rating Board

Rates Revised +3.0
(effective May 1, 1998)

Inland Marine

American Assn. of Insurance Services

Loss Costs Revised -10.4
(effective May 1, 2000)

Liability Other Than Auto

American Assn. of Insurance Services

Dwelling Properties Program
Landlord's Liability Package Supplement
Rates Introduced 0.0
(effective April 15, 1999)

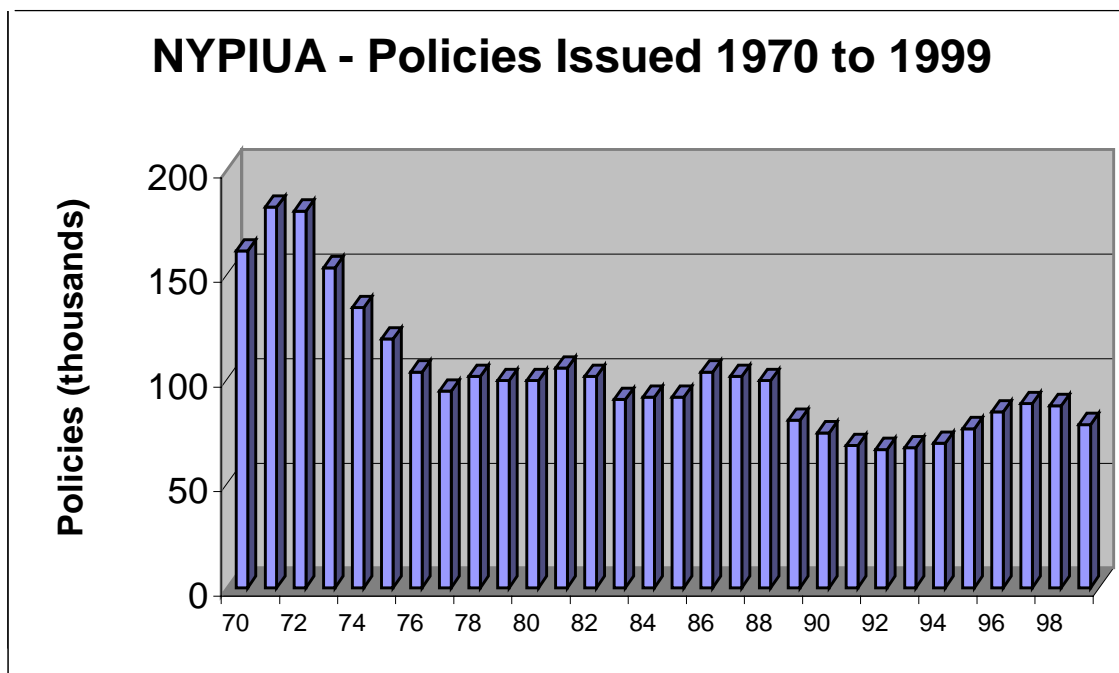
Insurance Services Office

Employment Practices Liability Program
Introduction of Loss Costs New

14. 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 1999:



Following the peak year of 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 reflecting, in part, the ongoing concern for adequate coastal property insurance coverage. In 1998 and 1999 the number of NYPIUA policies has declined.

b. Financial Information

For the fiscal year ending December 31, 1999, the Association's Financial Report indicated premiums earned of \$28,772,863 and a net underwriting gain of \$2,799,356. Other income of \$4,770,366, comprised of net investment income of \$4,705,618; premium balances charged off (\$11,863); bond amortization loss of (\$35,309); loss on sale of securities of (\$28,587); income from data processing services of \$3,874; and policy installment fees of \$136,633, resulted in net income before taxes of \$7,569,722. The change in assets not admitted of \$120,411 and taxes incurred of (\$268,839) resulted in a net change in the Members' Equity Account of \$7,421,294. The cumulative operating profit as of December 31, 1999 was \$92,830,005. After all assessments (net of distribution of \$40,268,192), the net Members' Equity Account totaled \$52,561,813.

In accordance with Section 5405(c) of the New York Insurance Law, the Association estimated a surplus from operations of \$676,000 for the calendar year 2000. 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, 2000, 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 \$1,152,000 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, 2000.

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 remains under review.

c. Rate Revisions

During 1999, the Department approved rate revisions for both the Commercial and Farm Property classes of business. These revisions resulted in an average state-wide decrease of 15.0% for Basic Group I commercial insureds; 0.00% For Basic Group II commercial insureds, and an average state-wide increase of 0.00% for farm property. These revisions correspond with loss costs revisions promulgated by the Insurance Services Office for the voluntary market.

d. Legislation in 1999

Chapter 36 of the Laws of 1999 extended the authority of the New York Property Insurance Underwriting Association to operate until April 30, 2000. The bill also extended the provisions of Chapter 42 of the Laws of 1996, through April 30, 2000, 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.

15. Anti-Arson Application

Chapter 456 of the Laws of 1999 amended Section 3403 of the Insurance Law which provides that an anti-arson application for any application for insurance or renewal of insurance, covering the peril of fire or explosion, is mandatory except for owner-occupied real property used predominately for residential purposes which consists of not more than four dwelling units. It only applies to cities with a population over 400,000 persons according to the 1970 census.

Section 3403 was amended by adding a new subsection (h) in which the superintendent may suspend or waive the requirement of Section 3403(f) if an insurer can demonstrate that information that is substantially equivalent to the information obtained in the two-tier application form completed upon policy inception is available to the insurer by other means. The law is effective January 4, 2000 and a regulation will be promulgated.

The Seventh Amendment to New York Insurance Department Regulation 96, 11 NYCRR 62-4, was promulgated August 30, 1999 to resolve the conflict between the Regulation and Sections 3425 and 3426

16. Insurance Availability Issues

The general easing of availability problems that has characterized most liability insurance markets over the past several years continued in 1999. The Department continued to monitor market conditions and addressed individual problems as they arose.

a. Availability Survey

In response to the liability insurance crisis of the 1980s, the Department conducted special surveys to ascertain the existence of markets for difficult-to-place insurance coverages. The availability survey is conducted annually to ensure that meaningful and timely information is obtained. In cases where a meaningful market did not exist for critical coverages, voluntary market assistance programs (MAPs) were successfully developed.

The survey format, as reported last year, has been revised from past years when the Department scanned hardcopy responses prior to downloading the data to an IBM mainframe system. The current methodology allows insurers to submit their data either by diskette or as an email attachment. The Department processes the responses in a more expeditious manner in which insurer responses are downloaded directly to a PC based database. This allows for the enhanced analysis of market conditions and developing trends, and enables the Department to better serve the insurance community as well as consumers in New York State.

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. Survey information has also been a helpful tool in the Department's analysis of conditions of an ever-changing insurance marketplace. When survey results have shown constricted conditions for types of coverage and/or types of risks, the Department has been able to help develop availability by working with insurers and producer organizations.

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 has acted as the servicing carrier for the FDCMAP, in which 13 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.

Overall, there have been approximately 350 policies issued in the FDCMAP since its inception. Four new policies were issued during 1999. There were 67 policies in force at the end of 1999. The

Insurance Department is beginning to consider the possibility of discontinuing the FDCMAP, in view of the limited number of policies currently insured.

c. Insurance for Lead Liability

Beginning in 1991, a number of insurers requested approval of policy exclusions for lead liability, citing claims already paid, claims pending, the trend of court rulings, and the uncertainty of lead paint abatement standards as the reasons for their requests. As of the end of 1999, exclusions have been approved for approximately 90 insurers. In response to the concerns of property owners who have continued to have experienced 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.)

d. Standby JUA Authority

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

While coverages were generally available in 1998, there were difficulties in several key markets, particularly in properties located in coastal areas of the State. During 1999, discussions with insurers and other interested parties continued relative to this subject. The Department's efforts to find workable solutions to the coastal problem are discussed in Section 9, "Homeowners Insurance."

17. Medical Malpractice Insurance

a. Establishment of Rates and Premium Surcharges

Chapter 147 of the Laws of 1999 extended for one year 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, 1999.

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-Sixth Amendment to Regulation 101, which became effective on December 14, 1999, established primary medical malpractice insurance rates in New York for the July 1, 1999 through June 30, 2000 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 -14.3% and +20.0%.

This was the third consecutive year that rates, for the most part, remained unchanged. It 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, and a stabilizing of the frequency of claims. 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 1999-2000 policy year, based on a review of the segregated account reports received October 1, 1998, 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 July 1, 1985 through June 30, 1998 had to be surcharged even if that company no longer insured the physician. The insurer providing coverage for these physicians for the policy period beginning July 1, 1999 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, 1998. 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, 1998. The surcharges collected from these physicians were remitted to insurers in the following proportions:

Medical Liability Mutual Insurance Company	56.60%
Physicians Reciprocal Insurers	22.35
Group Council Mutual Insurance Company	6.00
Frontier Insurance Company	5.90
Medical Malpractice Insurance Association	3.55
Legion Insurance Company	1.55
Academic Health Professionals Insurance Association	1.45
Hospital Underwriters Mutual Insurance Company	2.60

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-Sixth 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. Refund of Premium for Physicians Excess Medical Malpractice Insurance for '98-'99

Subsequent to the establishment of the excess medical malpractice insurance rates for the policy year July 1, 1998 through June 30, 1999 in the Twenty-Fifth Amendment to Regulation 101, with the benefit of hindsight the Superintendent determined that the rates established for previous policy years for policies issued by the Medical Malpractice Insurance Association, and purchased on behalf of physicians and dentists participating in the excess medical malpractice program provided for in §18 of

Chapter 266 of the Laws of 1986, as amended, had produced premium in amounts greater than required to satisfy the standard that premiums be fixed at the lowest possible rates consistent with the maintenance of solvency and of reasonable reserves and surplus therefor. Based on this determination, as provided in Chapter 148 of the Laws of 1998, the Medical Malpractice Insurance Association was directed to refund \$91.2 million to the New York Hospital Excess Liability Pool to purchase the excess insurance for participating physicians and dentists for policy year July 1, 1998 through June 30, 1999. Payment of this amount was made according to the following schedule:

- \$68.4 million on March 1, 1999, representing the installments for the months of July 1998 through March 1999; and
- Installments of \$7.6 million on the first day of each month commencing April 1, 1999 and ending June 1, 1999.

e. Rates for Excess Insurance Coverage for Policy Year 1999 - 2000

The rates for first and second excess layers of insurance coverage established for the policy year July 1, 1999 through June 30, 2000 were reduced between 5% and 20% from those finally established for 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:

	Purchased by the Physician	Purchased by a Hospital on Behalf of the Physician
First Excess Layer ^a	11.7%	12.4%
Second Excess Layer ^b	6.2%	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 period July 1, 1985 through June 30, 1999, 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, 1999.

f. Dissolution of the Medical Malpractice Insurance Association

Pursuant to Part JJ of Chapter 407 of the Laws of 1999 the Superintendent must, by April 30, 2000, approve a plan for the dissolution of the Medical Malpractice Insurance Association (“MMIA”). All policies of the MMIA must expire or be transferred by June 30, 2000, and the dissolution of MMIA and the cessation of its activities must be fully accomplished by August 31, 2000. The approved plan must be the one which maximizes the value of MMIA to the state while not impairing or impeding the operation of the voluntary medical malpractice insurance market or limiting the access to medical malpractice coverage for health care practitioners or facilities insured by MMIA.

As part of the dissolution process, MMIA was required to solicit proposed plans of dissolution from at least three outside entities and file with the Superintendent, by December 30, 1999, that plan which its Board of Directors believes maximizes the value of MMIA to the state. In addition, MMIA was to file all other proposed plans it had received. MMIA’s submission was received on December 30, 1999.

Part JJ also permitted the Superintendent to appoint one or more qualified disinterested persons or institutions as consultants to advise on any matters related to the dissolution. All expenses and cost associated with these consultants are deemed and considered expenses pursuant to §313 of the Insurance Law and are billed to MMIA. Pursuant to this provision the Department contracted with consultants for actuarial, accounting, and legal services.

The Department is continuing to work on the various aspects of the MMIA dissolution.

18. Automobile Insurance

a. General Issues

i. Snowmobile Safety Course Discount

Chapter 92 of the Laws of 1999, effective June 22, 1999, added a new Section 2336-a to the Insurance Law authorizing insurance carriers issuing snowmobile liability insurance to grant rate reductions to owners of a snowmobile who have successfully completed a snowmobile safety course approved by the Commissioner of Parks.

ii. Service Contract Reimbursement (Regulation 155 (11 NYCRR 390); Article 79)

Chapter 614 of the Laws of 1997, effective January 15, 1998, and Department Regulation 155 (11 NYCRR 390) permitted service contract providers to make service contracts, and established a new kind of insurance, "service contract reimbursement insurance" [section 1113(a)(28)]. Article 79 of the Insurance Law authorized service contract reimbursement insurance as an option for service contract providers to demonstrate financial responsibility when registering with the Department. Insurance Law Section 2302 (a)(7) exempts policies providing this kind of insurance from the requirements of Article 23 with respect to the filing of policy forms and rates. However, the policy forms must contain the minimum provisions and requirements set forth in Section 390.7 of Regulation 155 and Article 79.

Prior to the enactment of these statutes, the Department had approved many insurance policies providing coverage for reimbursement of costs of claims made under vehicle service contracts issued by the insured. These approvals were made under the authority of Insurance Law section 1113(a)(30), pursuant to which, this kind of coverage was deemed to be substantially similar to that described under Section 1113(19) "motor vehicle and aircraft physical damage insurance". Many auto dealers of other similar service contract providers and obligors have purchased this type of insurance to insure their financial obligations under service contracts they issue.

Last year Chapter 198 of the Laws of 1999, effective July 6, amended, among other things, the definition of section 1113(a)(28) "service contract reimbursement insurance" to include both types of coverage described above, thereby exempting them from the requirements of Article 23.

iii. Product Or System Group Insurance Policies (Regulation 167)

Chapter 187 of the Laws of 1999 added a new section 3446 to the Insurance Law, entitled "Product or system group insurance policies". This section permits a group policy to be issued to a manufacturer, distributor, or installer of a product or system, insuring persons who purchase the product or system where the manufacturer, distributor, or installer has represented that the product or system is designed to prevent loss or damage to property from its failure to perform as warranted. It is not intended to cover loss or damage resulting from a defect in materials or workmanship, or wear and tear, and the afforded coverage may not duplicate coverage under any other applicable insurance policy the insured may have. The policy may provide coverage for unreimbursed incidental expenses that may be incurred as a result of the loss or damage to the property.

The statute was the legislative response to agreements made by manufacturers, distributors, or installers of a product or system, or other persons, that were providing a pecuniary benefit to the purchaser or user of that product or system if damage results from the failure of the product or system to perform as warranted. For example, in connection with a lock or other security device, or where a vehicle is etched with a unique identification code, an agreement was provided by the manufacturer, seller, installer, or other person that provides for the payment of a specified sum in the event the vehicle is stolen. These agreements were not truly warranties or guarantees on the product itself, but rather were insurance contracts within the meaning of Insurance Law Section 1101 because there were intervening fortuitous events; in these examples, theft.

iv. Taxi & Livery Advisory Committee Task Force held on December 28, 1999

In conjunction with the Department's ongoing effort to facilitate and continue the discussion of issues and developments affecting the livery industry a meeting of the New York Taxi & Livery Advisory Committee was held on December 28, 1999. Prior years' meetings of this advisory committee have proven successful in addressing significant issues and developments affecting the livery industry. The meeting was well attended by legislators, representatives of various segments of the livery industry, insurance companies and producers, and representatives from the New York Automobile Insurance Plan and its rating organization AIPSO (Automobile Insurance Plan Services Office) and addressed several issues affecting the livery industry.

The main focus of discussion was a report of the Task Force's Classification Subcommittee which expressed its concern on the lack of industry wide uniform definitions of the various livery classifications used for insurance rating purposes. Based on the discussions held at this meeting, a subcommittee was formed to formulate clear definitions with the goal of establishing uniform classifications in order to create a level playing field for the livery industry. The sub committee's recommendations are scheduled to be presented to the full committee in the near future.

The Department also met with the Insurance Services Office, Inc (ISO) several times to discuss the public auto classification definitions in its Commercial Automobile Manual as they apply to livery vehicles. As a result of these discussions, ISO made a filing that was approved in August 1999. The filing included, in part, a revision of the public auto classification definitions of Black cars, New York City Medallion Taxicabs, and New York City Limousines.

b. No-Fault Motor Vehicle Insurance Law Activity – 1999

i. Insurance Department Administration of the Optional Arbitration System

Until December 1, 1999 the Insurance Department administered all requests for No-Fault arbitration arising out of accidents occurring on and after December 1, 1977. Effective December 1, 1999, the 24th Amendment to Insurance Department Regulation 68 transferred this function from the Department to the American Arbitration Association (AAA). This change was necessitated because of dramatic increase in the number of arbitration requests filed with the Insurance Department and the inability of the Department to meet its regulatory mandates with respect to the prompt disposition of No-Fault arbitration requests. During the past six-year period the number of arbitration requests has increased from 12,398 to 52,988 filings. In the first eleven months of 1999, 50,415 cases were filed and processed for arbitration by the Insurance Department and an additional 2,573 cases were filed and processed by the American Arbitration Association's No-Fault Conciliation Center. This represents a 23% increase over the number of filings received in 1998 when the Department processed 42,906 requests for No-Fault arbitration and is more than four times the number of cases received in 1989 when the Department processed 9,462 No-Fault arbitration requests.

The increased volume in No-Fault arbitration requests results from the increased use of the arbitration system by health care providers. Assignee cases, those filed by health care providers

increased from 14,895 cases in 1995 to 49,934 cases filed in 1999. In just one year, from 1998 to 1999, assignee case volume increased by 9,995 cases a 25% increase from the prior year. The number of cases filed by claimants this year was 2,995 cases. This represents an increase of 28 cases from what was filed last year by claimants. Since 1990 the number of cases filed by claimants ranged from a high of 5,075 in 1992 to a low of 2,967 filed in 1998 and it appears that the number of filings for claimants is declining while the number of filings by health care providers continues to increase.

Of the disputes received in 1999, Department examiners successfully conciliated 2,327 cases. The Department's conciliation rate of 12.97% represents a decrease from the 17.23% experienced in 1998 and the decrease reflects the Department's inability to effectively administer the No-Fault arbitration system in light of the increase in the number of arbitration filings. Of the disputes received by the AAA in December of 1999, 345 cases were successfully conciliated by it. The combined total of conciliated cases equaled 2,675 for the year.

If a case was not conciliated by the Insurance Department, Insurance Department Arbitration (IDA) would resolve 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 would fall under the jurisdiction of the American Arbitration Association. Effective with the 24th Amendment to Regulation 68, the IDA forum was eliminated. However, cases that were received by the Department prior to December 1, 1999 will remain under the jurisdiction of the IDA forum. All arbitrations filed on and after December 1, 1999 will be resolved in accordance with the arbitration procedures of the American Arbitration Association. The permanent paid arbitrators employed under this program have become experts in the adjudication of No-Fault disputes and are fully capable of resolving disputes that were previously resolved in the IDA forum.

The IDA forum resolved 807 cases in 1999. This accounted for 4.50% of all cases filed for arbitration with the Insurance Department in 1999. Accordingly, 17.47% of all No-Fault cases closed by the Insurance Department in 1999 were resolved either through conciliation by the Insurance Department or by the Department's arbitration forum (IDA).

The administration of the entire No-Fault arbitration system by the American Arbitration Association should result in more expeditious resolution of disputes while enabling the Department to improve its oversight of the No-Fault reparations system. In addition, administration of the entire process by the AAA should enable it to realize efficiencies in arbitration administration that can mitigate costs for the insurance industry.

**Table 31
DISPOSITION OF NO-FAULT ARBITRATION CASES
1997-1999**

	<u>1999</u>		<u>1998</u>		<u>1997</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	52,988		42,906		29,369	
Disposition: Disputes Conciliated by both the AAA and the Department	2,672	14.6%	3,671	17.23%	3,513	23.5%
Transmitted for Arbitration to: American Arbitration Forum (AAA)	14,802	81.0%	16,102	75.58%	10,398	69.6%
Insurance Department Arbitration Forum (IDA)	807	4.4%	1,523	7.15%	1,015	6.8%
IDA and AAA Concurrently	3	0.0%	9	0.04%	14	0.1%
Total Transmitted for Arbitration	15,612	85.4%	17,634	82.77%	11,427	76.5%
Total Closed	18,284	100.0%	21,305	100.0%	14,940	100.0%
Pending Disposition	34,704		21,601		14,429	

**TABLE 32
SOURCES OF APPLICATIONS FOR NO-FAULT
ARBITRATION
1997-1999**

	1999		1998		1997	
	No. of Cases	% of Total	No. of Cases	% of Total	No. of Cases	% of Total
Applications Made By Assignee	49,934	94.2%	39,939	93.08%	25,179	85.7%
Applications Made By Claimants	3,054	5.8%	2,967	6.92%	4,190	14.3%
Total	52,988	100.0%	42,906	100.0%	29,369	100.0%

ii. No-Fault Regulatory Changes

Pursuant to Section 5106 of the Insurance Law and Sections 65.16 and 65.17 of Regulation 68, the Insurance Department has been responsible for the conciliation of no-fault arbitration cases and where conciliation has failed, the transmittal of such cases to the American Arbitration Association (AAA) for arbitration. Over the past several years, the Department has been subject to a substantial increase in the number of No-Fault cases submitted for conciliation and arbitration.

As a result claimants and health care providers who have submitted their no-fault claims for processing have been subject to undue delays. In addition, these delays have subjected insurers to significant additional costs in the form of interest payments. Furthermore, the number of cases conciliated by the Department has declined and more cases must be transmitted for a costly arbitration proceeding.

The promulgation of the Twenty-Fourth Amendment to Regulation 68, (11 NYCRR 65) effective December 1, 1999, changed the structure of the No-Fault Arbitration System. Since the AAA is familiar with Insurance Department statutes and regulations with respect to No-Fault insurance, the Department asked the AAA to accept an expanded role in the arbitration processing function and the AAA agreed. The amendment transferred to the AAA the administration of the No-Fault conciliation function. This amendment will enable the Department to strengthen its ability to oversee the No-Fault system by freeing up Department staff to concentrate on curbing provider abuses, fraud and insurer claims behavior. All disputes received on and after December 1, 1999 will fall under the jurisdiction of the American Arbitration Association.

19. Homeowners Insurance

a. New York's Coastal Areas

Consistent with past 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 statewide. 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 close to the shore.

The Department continues to carefully monitor the availability of coastal insurance. Staff continues 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, 1999, 3,460 policies were 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

Section 2351 permits insurers to offer multi-tier rating programs, facilitating the 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.

Chapter 36 of the Law of 1999 extended the operating authority of NYPIUA to April 30, 2000, 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.)

Chapter 44 of the Laws of 1998 directed the continuation of a special advisory panel, originally 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 by February 1, 1999 (see Item 1, “Reports and Publications”). Chapter 36 of the Laws of 1999 extended the life of the special advisory panel through April 30, 2000 and the panel is currently developing a report to be submitted to the Governor and the Legislature in April, 2000.

Regulation 154 establishes standards for the definitions of “material reduction of volume of policies” and establishes 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 three plans of orderly withdrawal filed in 1999. Most policyholders affected by these plans were offered replacement coverage in the voluntary market.

On October 22, 1998 the Third Amendment to Regulation 57 was promulgated to establish standards for hurricane resistant laminated glass windows and doors to provide for a reduction in the rates of homeowners insurance premiums. During 1999, thirty five companies had filings approved to offer these credits with their respective policies.

c. Computer Hurricane Simulation Models in Rate Filings

The Department is conducting an ongoing study of computer simulation models in response to some insurers' desire to incorporate this methodology into their rate filings. This is consistent with the findings of the 1997-1998 Temporary Panel on Homeowners' Insurance Coverage. The Panel recommended in its February 1998 report that the Department consider permitting computer simulation modeling to be used by insurers and rate service organizations as another acceptable actuarial technique for the development of appropriate rates and deductibles.

To date, the Department has not permitted the inclusion of computer simulation modeling results in the ratemaking process. Due to the proprietary nature of the model's components and assumptions, as well as the difficulty in determining the reasonableness of certain assumptions, the Department has encountered difficulty in reviewing all of a model's components and assumptions. Accordingly, the inclusion of the results of computer simulation modeling precludes the Department from determining whether an insurer's proposed rates meet the standards set forth in Article 23 of the New York State Insurance Law.

In order to assist the Department in its study, Circular Letter No. 7 issued April 30, 1998, requested those insurers and rate service organizations which use computer simulation modeling as part of their homeowners insurance rate review and development process in this state, may provide, at their option, a comparison of the indicated rates and rate changes by form and territory. The comparison should include the rates and rate changes developed using the results of computer simulation modeling as well as those developed using more traditional ratemaking methodology.

The computer simulation modeling information will not be considered as part of the actual rate submission. However, any comparisons submitted by insurers and rate service organizations will help the Department gain perspective and familiarity with computer simulation modeling, and will assist us in making a future determination on the appropriateness of the use of this methodology in the ratemaking process for homeowners insurance rate filings. Upon request by the insurer, such information would be considered confidential to the extent permitted by Section 87(2) of the Freedom of Information Law.

In addition, the Department is closely monitoring the work on catastrophe modeling by Insurance Departments in Florida and Louisiana. The Department is also a member of the NAIC's Personal Lines P/C Insurance Committee, which is currently focusing on state, federal, industry and NAIC acceptability of tax deductible catastrophe reserves, and the various accounting standards that would be required. 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. The Department has been comparing the terms of reinsurance contracts of insurers that used reinsurance costs as a factor in previous rate filings. 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 Mineola, New York. 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. 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.

20. Market Conduct Activities

a. Market Conduct Fines Levied

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

There were 41 investigations in progress at the beginning of 1999. Forty market conduct investigations and two rate service organization examinations were initiated during the year and 52 investigations were closed in the course of the year, leaving 29 investigations plus the two rate service organization examinations in progress at year-end. Fifty-one stipulations were entered into during the year. The fines collected as a result of admitted violations totaled \$1,749,545.

b. Penalties Imposed Under Insurance Law Section 3425

Section 3425 limits the total number of non-renewals of personal automobile insurance policies that an insurer is allowed. Generally, an insurer is permitted to non-renew 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), five stipulated fines totaling \$83,500 were collected during calendar year 1999 (included in the total fines collected in item 'a' above).

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

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

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

Insurers were also advised that in accordance with Section 109(c)(1) of the Insurance Law, a penalty would be imposed on insurers for each complaint made where no justifiable reason for nonpayment or late payment was furnished to the Department. In addition, these complaints are recorded for the purpose of calculating the complaint ratios that form the basis of the Department's annual automobile complaint ranking. During calendar year 1999, the Department collected fines totaling \$38,250 from 37 companies for their failure to pay arbitration awards in a timely manner.

d. Overcharges Remitted to Policyholders

As a result of the terms agreed to in stipulated settlements of market conduct investigations of underwriting and rating practices of commercial risks, two insurer groups were required to perform re-rating reviews for the periods specified. As a consequence of these reviews, the insurer groups refunded a total of \$221,651 in premium overcharges.

e. Underpayments Remitted to Claimants

As a result of findings of previous market conduct investigations verifying compliance with Insurance Department Regulations 64 and 68, two 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 the stipulations, the two insurer groups remitted \$ 41,119.

f. New York Public Automobile Reviews

In response to an inordinate amount of complaints received regarding the public automobile marketplace (taxicabs and livery vehicles), ten market conduct investigations were performed in 1999 to address allegations that insurers of these coverages were not complying with filed rates, using unapproved rates and rating plans and improper marketing practices.

The investigations in 1998 and 1999 resulted in the assessment and collection of fines totaling \$453,050 (included in total fines collected in item 'a' above) in 1999. Additional investigations are pending. The Department remains concerned over the behavior of this market and plans to take further action during 2000.

g. Year 2000 Reviews

To assess the industry's preparation for computer problems that could result from the change to year 2000 (Y2K), the Department has been conducting numerous investigations into insurer Y2K systems readiness. The Market Conduct Unit undertook fourteen Y2K audit reviews in 1998 and two in 1999. Other areas of the Department undertook many other Y2K reviews. The reviews concentrated on the progress to date of the insurer/groups in assessing, identifying, and correcting the potential problems within their computer systems.

Since the problems could affect all premium, claim, and accounting systems used by insurers, it was necessary for the insurers to review all systems, prioritize and determine the method of the remediation necessary for each, and test the changes made. In addition, any operational system with embedded chips or controlled by a computer would have to be reviewed for Y2K compliance.

Many insurers/groups had begun or completed testing of their systems for Y2K compliance. Some other insurers/groups were aware of the problems and had begun remediating the systems.

h. Insurer Internet Web site Monitoring

The Market Conduct Unit commenced the monitoring and review of insurer internet Web sites during 1999. In addition, as part of these reviews, the Unit has been verifying the accuracy of quotes generated on-line. As part of Circular Letter Number 31, dated October 29, 1998, the Department advised the industry of the general guidelines that would be followed when monitoring the marketing of insurance products on the Internet. Supplement Number 1 to Circular Letter 31 was issued May 28, 1999. This further advised the industry that Web based activities would be reviewed and/or monitored by the Department and that these reviews would be incorporated into the market conduct and financial review processes.

i. National Council of Insurance Legislators Market Conduct Study

The National Council of Insurance Legislators (NCOIL), through PriceWaterhouseCoopers, prepared a national market conduct survey that was distributed to the various State Insurance Departments. It consisted of a questionnaire to be completed and, for some states, including New York, a detailed interview. The study resulted in a letter being sent to NCOIL, on behalf of the States, by a working group formed by the National Association of Insurance Commissioners (NAIC). The letter contained a series of recommendations on the issue of the uniformity of the questionnaire. We continue to work with the working group in efforts to achieve more coordination, consistency and uniformity among the States in market conduct activities.

21. 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. For calendar year 1999, total excess line gross premiums written on risks located or resident both in and out of New York State amounted to approximately \$593 million, of which approximately \$438 million was attributable to risks located or resident wholly in New York State.

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 567 licensed excess line brokers who filed approximately 60,253 affidavits for the year 1999. Forty-nine complaints and inquiries regarding excess line business were received in 1999.

In 1999, there were approximately 248 unauthorized insurers eligible to do business in New York pursuant to Regulation 41. This includes 75 foreign insurers; 47 alien insurers; and Lloyd's, with 126 Syndicates. These insurers are required to file Form EL-1 annually by March 15. The filing requirement was changed in 1997 to include the use of computer diskettes. In 1999, the Unit reviewed 123 EL-1 filings, 75 annual statements, 48 Alien financial statements and 8 trust agreements.

a. Business Written in New York

Excess line premiums written in New York State decreased from \$457 million to \$438 million in 1999, a decrease of 4.06%. The decrease in business appears to be the result of lower premiums. The largest dollar decline from the previous year occurred in the errors and omissions peril line, down \$28 million, a decrease of nearly 15%. The largest percentage decline occurred in the fidelity and surety line, which declined by 92%. Other decreases included inland marine, down by \$4.6 million; fire and allied lines, down by \$3 million; auto liability, down by \$.8 million; and burglary and theft, down by \$.8 million.

The largest dollar increase over the previous year occurred in the other lines, up by \$16.9 million in 1999. The largest percentage increase occurred in the malpractice line was up by 321% and up \$6.5 million over the previous year. Other increases included other liability lines, up by \$9.8 million; and commercial multiple peril, up by \$4.8 million.

Table 33
EXCESS LINE PREMIUMS WRITTEN
Risks Located in New York State
1996-1999
(in thousands)

Line of business	1999	1998	1997	1996
Fire and allied lines	\$35,038	\$38,178	\$29,447	\$48,856
Inland marine	26,565	31,250	26,934	27,370
Auto liability	3,418	4,274	3,050	3,060
Malpractice	8,626	2,049	3,787	5,717
Errors and omissions	163,054	191,172	158,475	160,956
Commercial multiple peril (excluding fire)	37,588	32,713	29,656	15,458
Other liability	119,457	109,612	126,041	118,502
Auto physical damage	13,572	13,489	13,302	16,214
Aircraft physical damage	1,505	1,282	5,001	1,146
Burglary and theft	3,482	4,295	1,707	4,583
Fidelity and surety	1,646	21,145	5,382	8,555
Other lines	<u>24,506</u>	<u>7,568</u>	<u>5,706</u>	<u>5,602</u>
 Total	 <u>\$438,457</u>	 <u>\$457,027</u>	 <u>\$408,489</u>	 <u>\$416,019</u>
 Excess line premiums as a percentage of all Property and casualty Insurance premiums Written in New York	 1.85%*	 2%	 1.85%	 1.88%

*Estimated
Source: Excess Line Association of New York

b. Weather Derivatives

After investigating the sale of weather derivatives in New York to see if this activity constitutes the doing of an insurance business in New York, the Office of General Counsel has opined that the sale of weather derivatives does not constitute doing an insurance business.

c. Binding Authority

Sections 2117 and 2118 of the Insurance Law were amended in 1997 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." Since the implementation of the amended statute, the Excess Line Association of New York (ELANY) has notified the Department that 51 excess line brokers have filed 108 binding authority agreements with ELANY representing insurers not licensed or authorized to do business in this state.

d. Investigation of Fronting

An investigation of a licensed excess line broker disclosed that the brokerage filed, for a broker not licensed as an excess line broker, an excess line premium tax statement and affidavits with the Department. The broker did not perform the duties required of an excess line broker, which is in violation of Section 2118 of the Insurance Law. The unlicensed excess line broker aided and abetted an unauthorized insurer and is in violation of Section 2117 of the Insurance Law. These matters are expected to be resolved by stipulation.

e. Excess Line Tax Investigations

Two excess line brokers failed to properly remit taxes and file appropriate affidavits with the Excess Line Association of New York. The investigations resulted in the two brokers having to pay additional excess line premiums taxes of approximately \$1,760,000.

f. Lloyd's of London

Pursuant to the provisions of Section 27.14(l) of Regulation 41, Lloyd's is required to maintain various trust funds in New York in order to conduct excess lines business in the United States. On December 15, 1999, Lloyd's entered into a Stipulation Agreement with the Superintendent of Insurance of the State of New York, wherein each syndicate of Lloyd's doing an excess line business in New York is required to maintain in trust an amount equal to 30% of its United States gross excess lines liabilities. This applies to all excess lines business funded by the Lloyd's United States Situs Surplus Lines Trust Fund, and written on or after August 1, 1995. In no event shall the total amount of the funds held in the Lloyd's U.S. Situs Surplus Lines Trust Fund be less than \$600 million. As part of the agreement Lloyd's will also increase the funding of the Lloyd's American Surplus or Excess Line Insurance Joint Asset Trust Fund to \$250 million.

g. Ineligible Unauthorized Insurers

A review of Schedule T of the annual statements filed with the NAIC revealed that there were several ineligible unauthorized insurers doing business in New York. These companies stated that the policies were direct procurement placements. Insureds were contacted to ensure that the direct procurement taxes were paid.

h. 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 701 purchasing groups. Subsequently, 220 have withdrawn their notice of intent, 78 have notified the Department of their inactive status, and 40 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, 1999, 25% of the remaining 363 purchasing groups (28 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 41 complaints and inquiries regarding purchasing groups were received in 1999.

22. Reports and Publications

a. Report of the Temporary Panel on Homeowners' Insurance Coverage

In accordance with Section 3 of Chapter 44 of the Laws of 1998, a special advisory panel was established to submit a report to the Governor and the Legislature on the problems affecting the availability and affordability of homeowners insurance in New York State. The report, which was submitted February 1, 1999, studied the measures implemented by the Legislature and the Insurance Department in response to problems faced by homeowners residing in coastal areas, along with actions taken by other states; the means of providing for the financing of catastrophes; and other intermediate and long term alternatives. A follow-up report was issued in May 2000.

b. Consumer Guide for Homeowners' Insurance

The Consumer Guide for Homeowners Insurance was published October 14, 1999. The guide provides descriptions of the types of basic policies that insurers offer and recommendations on how to determine how much coverage a consumer should purchase. Advice is provided on how to reduce the incidence of losses and how to make a claim should a loss occur. Sample premiums of the major homeowner insurers in the state are provided to help consumers make meaningful price comparisons when shopping for homeowners insurance. The guide is also available free of charge directly from the Insurance Department and can be accessed via the Department's Web site.

c. Consumer Guide for Automobile Insurance

On October 1, 1999, the Department published two editions of the 1999 Consumers Guide to Automobile Insurance, one for upstate and one for downstate New York 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 contains lists of insurers, telephone numbers, and sample rates to facilitate comparison shopping, and advice regarding how to file a claim or make a complaint against an insurer is also provided. 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 Web site.

23. Regulations and Circular Letters

a. Regulations Adopted in 1999:

i. **The Twenty-Fourth Amendment to Regulation 101** (Medical Malpractice Rate Modification, Provisional Rates, Required Policy Provisions and Availability of Additional Coverages) became effective January 6, 1999. The amendment permits insurers to use the physicians and surgeons medical malpractice rates established by the Superintendent for the Medical Liability Mutual Insurance Company, modified by any difference in expenses incurred by the insurer as opposed to those expenses incurred by MLMIC. Prior to this time, insurers were required to use rates developed by MLMIC, the insurer with the largest body of credible experience for this line of business, without any such expense modification.

ii. **The Third Amendment to Regulation 35-D** (Supplementary Uninsured/Underinsured Motorists Insurance) became effective January 27, 1999. The amendment sets forth the higher Supplementary Uninsured/Underinsured Motorists (SUM) Coverage limits that insurers must offer their insureds. Chapter 568 of the Laws of 1997 amended Section 3420 of the Insurance Law by raising the maximum SUM limits of liability that must be offered from \$100,000/\$300,000 to \$250,000/\$500,000. In addition, provision was made to allow the new maximum limits of liability to be split between the primary motor vehicle liability policy and a personal umbrella policy.

iii. **Regulation 159** (Homeowners Insurance Disclosure Information) became effective March 30, 1999. This new regulation, which was required by Section 3445 of the Insurance Law, outlined the specific information that must be contained in a homeowner's disclosure statement that must be sent on an annual basis to every insured whose policy contains a windstorm deductible.

iv. **The Twenty-Fifth Amendment to Regulation 101** (Medical Malpractice Rate Modification, Provisional Rates, Required policy Provisions and Availability of Additional Coverages), effective April 7, 1999, established physician and surgeon professional liability rates for primary and excess policies issued on or after July 1, 1998. The amendment also established rules and guidelines for collecting and allocating surcharges to recover deficits based on experience on policies effective between July 1, 1985 and June 30, 1997.

v. **Regulation 131** (Data Reporting Requirements-Commercial Risk Insurance) was repealed effective April 28, 1999. This regulation has established data reporting requirements for insurers writing commercial liability insurance. Chapter 579 of the Laws of 1998 had repealed the enabling statute for this regulation, Section 334 of the Insurance Law.

vi. **The Fourth Amendment to Regulation 41** (Excess Lines Placements Governing Standards) became effective May 19, 1999. This amendment specified the reporting requirements for excess line brokers and the Excess Line Association with respect to the binding authority granted by Section 2118 of the Insurance Law. In addition, it permits the Superintendent, subject to certain factors, to lower the trusteed account requirements for syndicates.

vii. **The Fifth Amendment to Regulation 41** (Excess Lines Placements Governing Standards) became effective June 2, 1999. This amendment conformed the regulation to a newly enacted statutory amendment that eliminated the need for excess line brokers to obtain from an insured an affidavit affirming that the broker had advised the insured that coverage was being placed with unauthorized insurers. In addition, it conformed the trust fund and surplus to policyholder financial requirements for alien insurers with the National Association of Insurance Commissioners Standard Trust Agreement which will result in more protection for New York policyholders whose insurance has been placed with unauthorized insurers.

viii. The Eighth Amendment to Regulation 64 (Unfair Claims Settlement Practices and Claim cost Control Measures) which became effective September 15, 1999, implements and assists the Department of Motor Vehicles in enacting the provisions of their “title branding” statute. The new provisions require insurers to secure the motor vehicle title document where damage to the vehicle exceeds 75% of the vehicle’s actual cash value and the insured is permitted to retain the vehicle. The insurer must forward the title document to the Department of Motor Vehicles, who will brand the title as “Rebuilt Salvage” and return it to the insured.

ix. The Seventh Amendment to Regulation 96 (Fire Insurance-Anti-Arson Application) became effective September 15, 1999. The amendment resolved discrepancies between the regulation and the cancellation and nonrenewal provisions of Sections 3425 and 3426 in those situations when insurers are required to cancel or rescind coverage when insureds fail to complete an anti-arson application in a timely manner.

x. The Twenty-Fourth Amendment to Regulation 68 (Regulations Implementing the Comprehensive Motor Vehicle Insurance Reparations Act) was promulgated October 20, 1999 on an emergency basis. This amendment provides for the transfer of the no-fault conciliation function from the Insurance Department to the American Arbitration Association, effective December 1, 1999.

xi. A revised **Regulation 68** (Regulations Implementing the Comprehensive Motor Vehicle Insurance Reparations Act) was promulgated on October 13, 1999 to be effective February 1, 2000. This regulation, which replaced the existing regulation, revised the time frames for submitting no-fault arbitration requests; revised the attorney fee schedule to encourage settlement of claims without going to arbitration; provided for examination under oath of claimants; provided for speedier resolution of claims by allowing electronic filing; lowered interest payments on claims from compound to simple interest; and provided that an explanation of benefits form be issued to claimants.

xii. The Twenty-Sixth Amendment to Regulation 101 (Medical Malpractice Rate Modification, Provisional Rates, Required policy Provisions and Availability of Additional Coverages) was promulgated as an emergency measure on December 14, 1999 to apply to all physician and surgeons medical malpractice policies issued on or after July 1, 1999. The amendment established physician and surgeon medical malpractice rates for primary and excess insurance policies. The amendment also established rules and guidelines for collecting and allocating surcharges to recover deficits based on experience on policies effective between July 1, 1985 and June 30, 1998.

b. Circular Letters Issued in 1999:

i. Circular Letter No. 2 was issued on February 1, 1999 to all insurers writing mortgage guaranty insurance. The Circular Letter discussed the Department’s position concerning various transactions between mortgage guaranty insurance companies licensed in New York and mortgage lenders. The Department advised that legitimate risk sharing relationships in the form of arms length reinsurance agreements with properly capitalized insurers are permitted between insurers and lenders. However, other transactions, such as dollar pool insurance, un-captive captive arrangements, and supernotes/performance notes, are violative of the New York Insurance Law.

ii. Supplement No. 1 to Circular Letter No. 18 (1998) was issued on February 26, 1999 to all insurers licensed to write motor vehicle insurance in New York State. The supplement advised insurers of medallion taxicabs and for-hire vehicles that policyholders of these vehicles are subject to a new directive issued by the New York Taxi and Limousine Commission. The directive states that the TLC is to be named as a certificate holder on the owner’s policy for the purpose of receiving notices of cancellation or other changes in the policy.

iii. Circular Letter No. 6, which was issued on March 1, 1999, dealt with the issue of legal services insurance (a new line of insurance) and pre-paid insurance plans. The letter advised insurers

who intend to write these lines of insurance that their license must be amended to include the new paragraph 29 (legal services insurance) in accordance with the provisions of Chapter 65 of the Insurance Law. They were also advised that the Department intends to issue regulations shortly to implement Chapter 65 and, once issued, insurers may make rate and form filings.

iv. Circular Letter No. 12 was issued on April 20, 1999. It advised all insurers writing motor vehicle insurance and insurance producer organizations of changes in the Department of Motor Vehicles' administration and distribution of the Student Certificate of Completion (Form MV-285) for driver education courses. Although not mandated by statute, many insurers provide premium reductions to youthful operators for passing these courses.

v. Supplement No. 1 to Circular Letter No. 18 (1997) was issued on May 6, 1999 to licensed property/casualty insurers authorized to write workers' compensation insurance. It advised insurers that documentation indicating compliance with Workers' Compensation Board Rules must be maintained in appropriate underwriting files for review and examination by the Insurance Department upon request. The WCB rules state that insurers must report to the WCB Chair the names and addresses of insured employers who have elected to utilize a preferred provider organization.

vi. Supplement No. 2 to CL 18 (1997) was issued on June 1, 1999 to licensed property/casualty insurers authorized to write workers' compensation insurance. This circular letter outlined additional procedures to be followed by insurers in submitting filings to the Insurance Department for workers' compensation managed care programs in New York.

vii. Circular Letter No. 22 (1999) was issued on June 1, 1999 to all licensed insurers in the state. It outlined best practices for insurers that had been discussed at meetings held by the Joint Department/Industry Working Groups on Form and Rate Filings. It also listed recommendations for improving the Department's procedures in processing filings.

viii. Circular Letter No. 24 (1999) was issued on July 7, 1999 to all insurers writing motor vehicle insurance. It reminded them that the Department of Motor Vehicles' Insurance Identification Electronic System (IIES) will be in place on 1/3/00 and they should be in compliance with the system at that point. They were to advise the Department by 7/27 whether or not they will be in compliance.

ix. Supplement No. 9 to Circular Letter No. 3 (1986) was issued on August 9, 1999 to all licensed property/casualty insurers. This letter provided instructions for insurers to follow in submitting information for the Department's 1999 Insurance Availability Survey. This survey is used as a mechanism by the Department to annually appraise insurance market conditions and trends and develop coverage sources when difficult market conditions exist.

x. Circular Letter No. 28, which deals with ocean marine insurance placements was issued on September 13, 1999 to all licensed insurance brokers, excess line brokers and the Excess Line Association of NY. It clarified the Department's position that Sections 2105, 2118 and 2130 apply to any business other than ocean marine insurance when such business is written in conjunction with ocean marine insurance.

xi. Circular Letter No. 29 was issued on October 21, 1999 to all insurers authorized to write motor vehicle insurance in New York State. It advised insurers of the recent changes in Regulation 64 with respect to the Department of Motor Vehicle requirements for "title branding" and of the insurers' obligation to secure title on first-party claims. It encouraged insurers, in the handling of third-party property claims, to advise those claimants that it is their responsibility to have the title branded.

xii. Circular Letter No. 30 was issued on October 27, 1999 to all motor vehicle self-insurers and insurers licensed to write motor vehicle insurance in New York State. It advised that the

no-fault conciliation function, which has been administered by the Insurance Department, would be administered by the American Arbitration Association, effective December 1, 1999.

xiii. Circular Letter No. 34 was issued on December 10, 1999 to all insurance companies writing fire insurance. It provides an updated index of tax districts that must be contacted whenever an insurer pays insurance proceeds on a loss caused by fire.

xiv. Supplement No. 2 to Circular Letter No. 11 (1998) was issued on December 20, 1999 to all property/casualty insurers and rate service organizations. It outlined new procedures instituted by the Department in its review of policy form and rate filings.

24. Individual Policyholder Complaints and Inquiries

Certain complaints and inquiries are processed independent of the Consumer Services Bureau. These complaints and inquiries dealt with premium charges and policy form issues. A total of 1,674 such complaints and inquiries were received by the Market Regulatory Section of the Property Bureau in 1999. This total consisted of 770 involving personal automobile insurance; 115 involving commercial automobile insurance; 125 involving homeowners insurance; 217 involving other liability insurance; 37 involving commercial multiple peril insurance; 131 involving medical malpractice insurance; 8 involving title insurance; and 271 involving other types of insurance (fire and allied lines, surety, inland marine, workers' compensation, etc.).

25. 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 various 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 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. 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. In 1998, the Superintendent determined that the PCISF net value had once again fallen below \$150 million and contributions resumed. In 1999, however, the net value of the PCISF was determined to be greater than \$150 million, and in accordance with 7603 (C)(1), three additional contributions were due after this determination.

The following table displays the amount of the estimated PCISF contributions per quarter since contributions first resumed in the 1988 fund year. The variation from year to year in both the magnitude of the PCISF net value and 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.

PCISF Contributions*

1988 – 1999

Fund Year	Estimated Quarterly Contributions
1988	\$15.0 Million
1989	\$37.5 Million
1990	\$ 5.5 Million
1991	\$25.0 Million
1992	\$ 7.5 Million
1993 - 1997	\$ 0.0 Million
1998	\$ 8.3 Million
1999	\$ 4.0 Million

* During 1993, settlement was reached with respect to Alliance of American Insurers et al v. Chu et al (Albany County, Index No. 3279/88). The 1993 through 1998 fund year, net value and contribution amounts described herein reflect the impact of the settlement.

26. Casualty Actuarial Unit

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 rate changes within +/-7.0% 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 greater than +/- 7.0% 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 1999.

a. Private Passenger Automobile Insurance

Automobile insurance is vital to New Yorkers. Drivers cannot register their cars unless they purchase automobile insurance. Insurers' rate submissions may include requests for changes in classification relativities, innovative rating rules or other types of modifications. These changes must be adequately justified.

In 1999, 85 private passenger automobile rate requests were implemented. Of these, 33 were prior approval rate changes; 42 were file and use changes and 10 were combinations of both prior approval and file and use changes. The following table lists both the requested and implemented rate changes and provides the liability and physical damage components of all such changes.

The average change for insurers receiving rate changes in 1999 was approximately -0.5%. For these insurers, liability rates increased +2.8% on average while physical damage rates, primarily collision and theft coverages, decreased 7.2% on average. The insurers receiving rate changes in 1999 represent 77% of the total market for private passenger automobile insurance. The overall impact on the rate level was an average decrease of -0.4%. Allstate Insurance Company, the largest insurer in New York, reduced its rate level by 3.6% in 1999. State Farm Mutual Automobile Insurance Company, the second largest insurer in New York, decreased its rates by an overall 2.0% in 1999.

**Table 34
PRIVATE PASSENGER AUTOMOBILE RATE FILINGS REVIEWED IN 1999¹**

Renewal Effective Date	Insurance Company or Insurance Group	Market Share (%)	Overall Change Requested (%)	Liability Change ² (%)	Phys. Dmge. Chng. ² (%)	Overl. Chng. Taken (%)
2/22/99	Allstate Ins Co ⁴	14.11	-3.60	-3.60	-3.60	-3.60
11/1/99	State Farm Mutual Auto Ins Co ⁴	11.05	-2.00	5.77	-15.20	-2.00
4/15/99	AIPSO ⁴	10.34	19.00	9.67	-10.41	8.20
4/1;6/20;7/15/99	GEICO Ins Co; GEICO General Ins Co ^{4,4,4,6}	6.86	-4.10	-0.27	-13.57	-4.30
4/21;9/5;11/24/99	Progressive: PNE,PNO,PNW ^{3,3,4}	4.08	5.80	5.59	6.37	5.80
12/13/99	Allstate Indemnity Co ³	3.25	7.00	14.52	-8.07	7.00
3/15/00	Liberty Mutual: LMFIC; LIC; FLIC ⁴	2.99	-3.00	-1.86	-4.97	-3.00
4/13;7/29/99	Integon: ICIC,INIC,IPIC ³	1.60	-0.84	2.45	-8.54	-0.84
5/16/99	USAA Ins Co; USAA Casualty Ins Co ³	1.59	-6.50	-11.85	-0.33	-6.50
5/1;10/15/99	CAN: CIC;F&CCNY;GFIC;NBFICIL;FIC;BUIC ³	1.28	0.90	5.45	-5.04	0.90
5/5/99	CGU: CUIC; AEIC; EFIC; NoAC ³	1.15	-2.10	-2.10	-2.10	-2.10
7/7/99	Prudential: PP&CIC; PGIC; PCIC ³	1.06	-5.70	-4.94	-7.21	-5.70
5/1/99	Amica Mutual Ins Co ³	1.05	-7.00	-3.23	-12.45	-7.00
4/1;8/15/99	Royal/Sun Alliance Ins Group ³	1.03	-2.77	-2.66	-2.95	-2.77
5/18/99	Kemper: Amer Manu Mut ;Amer Prot Ins Co ³	1.03	1.20	3.81	-3.05	1.20
5/21/99	Hartford Ins Co of the Midwest ⁴	0.89	-4.50	-2.95	-5.04	-4.50
12/1/99	All America Financial: CICA; HIC; MBIC ⁴	0.86	1.30	3.21	-3.24	1.30
4/1;2/8/99	GEICO Indemnity Co ^{4,3}	0.82	-5.20	-3.38	-9.60	-5.20
8/27/99	Chubb Ins Group ⁴	0.76	-0.90	0.00	-1.81	-0.90
2/15;9/1/99	Hartford: HFIC; HA&IC; HCIC; HUIC; TCFIC ³	0.74	-5.00	-4.58	-6.18	-5.00
11/1/99	State Farm Fire & Casualty Co ⁴	0.66	0.70	8.23	-13.67	0.70
6/20/99	Metropolitan Group P&C Ins Co ⁴	0.64	4.90	10.17	-1.43	4.90
12/6/99	National Grange Mutual Ins Co ⁴	0.62	-2.00	-1.47	-3.66	-2.00
12/1/98	Empire Ins Co ³	0.54	6.80	12.03	-6.00	6.80
4/1;5/3/99	GEICO Casualty Co ^{4,3}	0.53	1.60	1.70	0.98	1.60
12/14/99	USF&G: F&G Ins UW; F&G Ins Co; USF&G ⁴	0.50	-1.20	1.28	-3.54	-1.20
5/1/99	Merchants Mut Ins Co; Merchants Ins Co NH ³	0.45	-4.80	-0.10	-11.50	-4.80
8/5/99	Windsor Ins Co ³	0.41	-0.30	2.30	-6.46	-0.30
6/17/99	Electric Ins Co ^{4,6}	0.37	-4.40	0.42	-10.46	-4.40
6/1/99	Peerless Ins Co; Excelsior Ins Co ³	0.34	-6.50	-4.39	-10.42	-6.50
4/9/99	Worldwide Ins; Worldwide Direct Auto Ins Co ³	0.33	-2.10	-3.26	0.00	-2.10
8/1/99	Interboro Mutual Ins Co ^{4,6}	0.33	0.00	0.82	-2.24	-0.10
2/1/99	Preferred Mutual Ins Co ³	0.31	-4.70	-5.13	-4.13	-4.70
7/1/99	Atlantic Mutual Ins Co; Centennial Ins Co ³	0.27	-6.10	-1.44	-11.90	-6.10
9/25;5/5/99	St. Paul Guardian Ins Co ⁴	0.26	-1.40	1.40	-4.89	-1.40
9/30;12/30/99	Amex Assurance Co ^{3,4}	0.25	-7.70	0.37	-22.32	-8.60
9/15/98	Fireman's Fund Ins Co; Assoc Indem Corp ³	0.25	0.80	7.64	-7.51	0.80
2/1/99	Motors Ins Corp ³	0.24	-7.00	0.00	-7.07	-7.00
7/1;7/1/99	Blue Ridge Ins Co; Blue Ridge Indemnity Co ^{3,4}	0.20	-3.90	4.20	-12.92	-3.90
12/22/99	Reliance National Indemnity Co ³	0.16	6.90	9.64	1.01	6.90
5/1/99	Eveready Ins Co ³	0.14	-1.90	-0.88	-4.58	-1.90
1/1/99	Granite State Ins Co ³	0.14	0.80	3.18	-9.49	0.80
12/1/98	Allcity Ins Co ³	0.14	4.60	4.99	0.00	4.60
7/20/99	Providence Washington Ins Co ⁴	0.12	0.00	0.00	0.00	0.00
8/3;9/7/99	Great American: GAIC; ANFIC; AIC ³	0.10	-4.80	-4.21	-6.84	-4.80
10/27/99	AIG: AHAC; ICSOP; NUFIC ³	0.10	-5.30	1.08	-20.89	-5.30
7/29/99	Safeco P&C: SICA; SNIC; GICA ⁴	0.09	-1.50	-8.04	7.56	-1.50
11/1;10/1/99;1/1/00	Erie Ins Co; Erie Ins Co of NY ^{4,4,3}	0.09	-0.04	1.48	-3.52	-0.04
7/15/99	Michigan Millers Mutual Ins Co ³	0.09	-2.30	-2.33	-2.26	-2.30
10/27/99	AIG: AIUIC; AIIC; INIC ³	0.08	-3.00	6.33	-23.33	-3.00
9/4/99	Travco Ins Co; Charter Oak Fire Ins Co ³	0.08	-6.90	-6.74	-6.79	-6.90
8/1/99	Travelers: TICII; TICCt; THMIC; TCIC ³	0.08	6.70	8.56	1.72	6.70
12/1/98	Travelers: TICoA; TCCoCt; TP&C Ins Co ³	0.06	-1.50	-1.18	-1.90	-1.50
6/15/99	Holyoke Mutual Ins Co in Salem ³	0.04	-6.40	-7.88	-8.87	-6.40

**Table 34
PRIVATE PASSENGER AUTOMOBILE RATE FILINGS REVIEWED IN 1999¹**

Renewal Effective Date	Insurance Company or Insurance Group	Market Share (%)	Overall Change Requested (%)	Liability Change ² (%)	Phys. Dmge. Chng. ² (%)	Overl. Chng. Taken (%)
3/15/99	Agway Ins Co ³	0.04	-2.80	-2.88	-3.15	-2.80
1/1/00	TIG Ins Corp of America ⁴	0.04	15.80	10.71	18.75	15.50
4/1/99	Central Mutual Ins Co ⁴	0.04	-0.90	-0.90	-0.72	-0.90
7/6/99	Utica First Ins Co ⁴	0.03	-11.40	-11.40	-11.40	-11.40
8/15/99	Selective Ins Co of NY ⁴	0.03	-18.40	4.52	-43.87	-18.40
7/1/99	American Agents Ins Co ⁴	0.02	-2.30	-2.30	-2.30	-2.30
7/15/99	Newark Ins Co ³	0.02	-0.84	-0.84	-0.84	-0.84
10/23/99	Infinity Ins Co; Infinity Select Ins Co ⁴	0.02	-13.90	-10.20	-23.22	-13.90
7/1/99	American State Ins Co; American Eco Ins Co ³	0.02	-6.80	-4.80	-11.08	-6.80
7/25/99	Leader National Ins Co ^{4,6}	0.01	-22.50	-20.95	-31.34	-20.90
6/15/99	Pioneer Ins Co ³	0.01	-4.00	0.00	-9.67	-4.00
11/1/99	Utica National Assurance Company ³	0.00	-2.00	0.81	-6.08	-2.00
12/1/98;7/99 & 8/99	Baloise Ins Co ^{3,4,3}	0.00	-8.10	-4.76	-16.25	-8.10
5/17/99	Response Ins Co ³	0.00	1.90	1.51	3.46	1.90
6/14;7/19/99	Deerbrook Ins Co ^{3,4}	0.00	-4.70	0.00	-26.28	-4.70
1/5/00	Response Indemnity Co ³	0.00	6.80	6.63	5.98	6.80
3/6/00	American Auto Ins Co; Nat Surety Corp; 4 Fireman's Fund Ins Co of WI	0.00	-3.30	7.68	-23.59	-3.30
10/13/99	Colonial Ins Co of Wisconsin ⁴	0.00	-4.30	-0.54	-4.53	-4.30
11/15/99	Dairyland Ins Co ⁴	0.00	2.20	2.93	-1.95	2.20
6/1/99	Farmers New Century Ins Co ^{4,5,6}	0.00	0.00	0.00	0.00	0.00
10/4/99	Farmington Casualty Co ³	0.00	2.30	6.17	-4.45	2.30
8/1/99	Long Island Ins Co ^{4,5}	0.00	0.00	0.00	0.00	0.00
12/6/99	Main Street America Assurance Co ⁴	0.00	-6.80	-6.43	-7.26	-6.80
6/10/99	Merastar Ins Co ^{4,5,6}	0.00	0.00	0.00	0.00	0.00
8/11/99	New Hampshire Ins Co ^{4,5,6}	0.00	0.00	0.00	0.00	0.00
2/13;8/5/99	Regal Ins Co ³	0.00	0.90	8.72	-21.98	0.90
8/12;12/15/99	Reliance Ins Co ^{4,3}	0.00	4.00	6.49	1.05	4.00
2/15;8/24/99	Reliance Nat Ins Co; United Pacific Ins Co ^{4,3}	0.00	4.50	5.71	4.71	4.50
3/12/99	Titan Indemnity Co ^{4,5,6}	0.00	0.00	0.00	0.00	0.00
12/14/98;9/19/99	Trumbull Ins Co ^{3,3}	0.00	-1.40	-2.47	-0.05	-1.40
6/1;9/1/99	Valiant Ins Co ^{3,3}	0.00	-7.20	-4.07	-11.70	-7.20

1999 Rate Change Summary

	Prior Approval	Flex-Rating	Combos ⁷	Total
• Number of companies implementing rate changes:	33	42	10	85
	(%)	(%)	(%)	(%)
• Average liability change for insurers implementing rate changes:	2.98	1.83	3.77	2.79
• Percentage of total liability industry premium affected:	52.50	17.23	5.99	75.73
• Impact on the entire market of the overall average liability rate change:	1.56	0.32	0.23	2.11
• Average physical damage change for insurers implementing rate changes:	-8.58	-6.01	0.63	-7.20
• Percentage of total physical damage industry premium affected:	49.87	21.41	5.93	77.22
• Impact on the entire market of the overall average physical damage change:	-4.28	-1.29	0.04	-5.56
• Average combined liability and physical damage change for insurers:	-0.65	-1.11	2.75	-0.50
• Percentage of total industry premium affected:	51.64	18.59	5.98	76.21
• Impact on the entire market of the overall average liability and physical damage rate change:	-0.34	-0.21	0.16	-0.38

¹ 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. ² These rate changes are calculated using 1997 Annual Statement premiums. ³ Flex-Rating changes that, by statute are within +/- 7.0%.

⁴ Prior Approval

⁵ New Program

⁶ Multi-Tier Program

⁷ Companies with both a superscript 3 and 4 reflect combination filings, i.e., insurers implemented separate flex-rating and prior approval filings.

b. New York Automobile Insurance Plan

The New York Automobile Insurance Plan received an 8.2% increase in 1999 for private passenger automobiles written through the Assigned Risk Plan, which insures those drivers who cannot obtain coverage in the voluntary market. The rate change was approved effective March 1, 1999 for new business and April 15, 1999 for renewal business. The 8.2% change comprised a 9.4% increase for liability coverages and a 10.3% decrease in physical damage coverages.

i. Number of Policies Written

Net Policies written through the New York Automobile Insurance Plan (Assigned Risk Plan) decreased 45.0% from 947,422 in 1997 to 520,919 in 1998. Table 37 shows policies by coverage and issuance category for 1997 and 1998. The data include single and multi-car risks for both private passenger and commercial policies.

ii. 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 27.3% for liability and decreased 40.0% for collision in 1998 over 1997. Table 35 shows a seven-year history for voluntary and assigned liability and assigned collision earned car years. This marks the eighth consecutive year that assigned collision earned car years decreased from the previous year.

iii. Risks by Surcharge Category

In 1998, 541,247 earned private passenger car years for liability and 23,988 for collision coverage were insured through the Plan. Table 39 shows the distribution of New York private passenger liability and collision assigned risks by surcharge category for 1996, 1997 and 1998.

iv. Risks by Rating Territory

The proportion of all private passenger liability risks that are assigned risks, listed by rating territory for 1997 and 1998, is shown in Table 36. During 1998, 6.8% of all New York State private passenger automobiles were assigned risks as opposed to 9.6% in 1997. The number of voluntary risks increased 379,213 while the number of assigned risks decreased 203,726. The proportion of assigned risks was 10% or higher in 12 of the 70 rating territories in 1997 and was 10% or higher in 7 of the 70 in 1998. The highest 1998 ratio was 52.4% in the Bronx Territory and the lowest was 0.2% in the Corning Territory. Between 1997 and 1998 the percentage of Assigned Risks decreased in all of the 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 35
Percentage of Private Passenger Automobiles Insured Through the NY Automobile Insurance Plan
by Territory, 1992-1998*

Territory	1992		1993		1994		1995		1996		1997		1998	
	(%)	Rank	(%)	Rank	(%)	Rank	(%)	Rank	(%)	Rank	(%)	Rank	(%)	Rank
01 Bronx Territory	82.9	1	84.4	1	86.0	1	81.7	1	77.7	1	65.3	1	52.4	1
19 Queens	51.9	2	57.6	2	60.9	2	58.3	2	54.8	2	46.1	2	39.7	2
18 Manhattan	47.1	4	46.6	3	46.5	4	42.1	3	39.6	3	30.1	3	23.5	3
17 Kings County	46.3	5	45.5	5	46.4	5	39.6	4	36.8	5	25.8	5	22.3	4
03 Bronx Suburban Territory	48.1	3	46.8	4	46.7	3	39.1	5	37.3	4	27.6	4	21.8	5
55 Queens Suburban	36.9	6	36.7	6	38.0	6	33.0	6	32.5	6	24.2	6	19.9	6
94 Mount Vernon and Yonkers	26.6	7	26.4	7	26.9	7	22.3	7	21.7	7	16.5	7	12.3	7
05 Staten Island	18.9	9	19.0	9	19.5	9	15.3	9	14.7	8	10.0	12	8.0	8
76 Suffolk County East	15.6	15	15.0	15	16.1	10	13.9	11	14.3	9	11.2	8	7.9	9
75 Suffolk County West	15.7	14	14.6	14	15.4	13	13.2	12	13.6	11	10.8	9	7.6	10
20 Hempstead	15.6	16	15.3	11	15.9	11	13.1	13	13.4	13	10.3	11	7.5	11
82 Sullivan County Central	23.2	8	21.6	8	20.4	8	13.8	8	13.7	12	9.9	13	5.9	12
95 White Plains	9.2	47	10.9	40	14.1	16	13.9	10	14.0	10	10.7	10	5.8	13
97 New York City Suburban	15.7	13	14.6	13	13.9	17	10.7	17	10.6	14	7.9	14	5.8	14
21 North Hempstead	12.5	23	12.1	21	12.2	22	10.0	21	10.0	16	7.6	16	5.4	15
22 Oyster Bay	11.3	32	10.8	32	11.0	25	8.9	24	8.9	20	6.8	19	4.7	16
64 Middletown	16.1	11	14.6	12	13.8	18	9.4	19	8.9	19	6.9	18	4.3	17
83 Sullivan County (Balance)	16.3	10	15.1	10	14.8	14	9.3	16	9.6	17	6.8	20	4.2	18
37 Oswego	13.4	20	13.1	22	12.1	23	8.7	23	8.8	21	7.2	17	4.2	19
81 Monticello-Liberty	15.2	17	15.7	16	15.7	12	10.3	14	10.4	15	7.7	15	4.0	20
46 Putnam County	12.2	26	11.7	24	10.8	27	7.5	29	7.4	26	5.5	23	3.9	21
65 Ossining	12.0	30	10.6	30	9.9	33	7.1	34	7.1	30	5.2	25	3.7	22
62 Highland, Kingston	14.2	18	13.8	18	13.6	19	8.8	20	8.7	22	6.2	22	3.5	23
07 Buffalo	15.9	12	14.4	17	14.2	15	8.9	15	9.0	18	6.7	21	3.4	24
33 Poughkeepsie	12.5	24	11.5	25	10.7	28	7.3	28	7.3	28	5.4	24	3.3	25
58 Dutchess County (Balance)	12.0	28	11.2	28	10.6	29	7.2	27	7.4	27	5.1	27	3.2	26
34 Troy	13.2	21	13.4	20	13.0	20	8.0	22	7.9	24	5.2	26	3.0	27
36 Glens Falls	12.7	22	11.5	26	10.9	26	7.3	25	7.6	25	4.6	31	2.8	28
59 Columbia County, etc.	9.7	39	9.6	36	9.2	37	6.3	35	6.4	34	4.2	33	2.7	29
32 Newburgh	9.4	43	9.8	45	9.7	34	6.7	31	6.8	32	4.8	29	2.7	30
67 Clinton County, etc.	12.0	29	11.1	29	10.4	30	6.9	30	6.9	31	4.5	32	2.7	31
68 Rockland County	12.3	25	11.8	23	11.2	24	7.2	26	7.2	29	4.7	30	2.7	32
61 Delaware County, etc.	11.2	33	10.8	31	10.3	31	6.5	32	6.4	33	4.2	34	2.5	33
29 Gloversville	14.0	19	13.1	19	12.6	21	8.2	18	8.1	23	4.9	28	2.1	34
13 Albany	10.4	34	10.0	34	9.7	35	5.9	36	5.9	36	3.8	36	2.1	35

Table 35
Percentage of Private Passenger Automobiles Insured Through the NY Automobile Insurance Plan
by Territory, 1992-1998*

74	Jefferson County	12.0	27	11.3	27	10.1	32	6.3	33	6.2	35	3.9	35	2.1	36
54	Cortland County, etc.	10.0	37	9.0	43	8.5	43	5.4	42	5.5	41	3.5	38	2.1	37
84	Allegany County, etc.	10.1	36	9.3	37	8.8	41	5.6	41	5.5	40	3.4	39	1.9	38
51	Ontario County, etc.	9.9	38	8.8	42	8.1	47	5.2	44	5.2	42	3.2	43	1.9	39
28	Binghamton	7.8	56	7.6	56	7.3	54	4.5	53	4.6	45	3.6	37	1.9	40
11	Rochester	8.9	51	7.8	51	7.6	53	4.9	48	5.0	43	3.3	40	1.8	41
42	Buffalo Suburban	8.3	54	7.2	55	6.6	61	3.9	61	4.1	52	2.7	49	1.7	42
09	Schenectady County	8.9	52	8.3	50	7.7	49	4.4	49	4.5	50	3.0	45	1.7	43
14	Niagara Falls	11.7	31	10.0	33	9.3	36	5.5	39	5.5	38	3.3	41	1.6	44
08	Buffalo Semi-Suburban	7.3	59	6.5	58	6.0	64	3.6	64	3.6	58	2.7	47	1.5	45
73	Rensselaer County (Balance)	9.4	45	8.8	44	8.1	48	4.5	46	4.6	48	2.4	55	1.5	46
31	Chautauqua County	9.1	50	8.9	46	8.8	42	5.9	37	5.8	37	3.1	44	1.4	47
41	Erie County (Balance)	6.4	65	7.5	65	7.7	50	4.2	50	4.1	51	2.6	50	1.4	48
12	Syracuse	9.3	46	8.5	49	8.2	45	4.5	47	4.6	46	3.2	42	1.4	49
52	Fort Plain, Herkimer	9.5	42	9.3	38	9.2	38	5.5	38	5.5	39	2.9	46	1.4	50
43	Niagara Falls Suburban	9.5	41	9.1	35	8.4	44	4.6	45	4.7	44	2.7	48	1.3	51
47	Orleans County	10.1	35	9.2	39	8.8	40	4.6	43	4.6	47	2.6	51	1.3	52
24	Rome	5.3	69	5.9	62	7.6	52	3.6	51	3.7	56	2.6	53	1.2	53
25	Auburn	7.3	60	7.2	59	6.9	59	4.0	55	4.1	53	2.5	54	1.1	54
86	Oneida	8.7	53	7.7	54	7.1	57	3.8	58	3.9	54	2.6	52	1.1	55
30	Saratoga Springs	7.2	61	8.3	60	7.7	51	3.8	54	3.9	55	2.3	56	1.1	56
35	Amsterdam	8.3	55	8.0	53	8.1	46	3.7	52	3.7	57	2.0	58	1.0	57
56	Saratoga County (Balance)	9.4	44	8.9	41	9.1	39	4.9	40	4.5	49	2.1	57	0.9	58
72	Albany County (Balance)	9.1	49	7.2	52	6.4	62	3.3	60	3.4	60	1.8	60	0.9	59
60	Genesee County	7.7	57	7.1	57	6.6	60	3.1	63	3.2	64	1.9	59	0.8	60
16	Saratoga Springs Suburban	9.7	40	8.2	47	7.2	55	3.4	57	3.5	59	1.6	64	0.8	61
44	Broome County (Balance)	9.1	48	8.0	48	7.2	56	3.3	59	3.4	61	1.7	62	0.8	62
48	Monroe County (Balance)	4.1	70	6.5	70	7.1	58	3.5	56	3.3	62	1.7	61	0.7	63
38	Syracuse Suburban	6.0	67	5.1	69	4.7	70	2.2	70	2.1	69	1.3	67	0.7	64
15	Utica	7.6	58	6.4	61	5.3	66	2.4	66	2.5	65	1.6	63	0.7	65
49	Niagara County (Balance)	6.7	62	6.5	64	6.2	63	3.4	62	3.3	63	1.4	65	0.6	66
71	Saratoga County South	6.7	63	5.6	63	4.9	68	2.3	67	2.2	67	1.2	68	0.6	67
39	Rochester Suburban	6.2	66	5.2	66	4.7	69	2.3	69	2.4	66	1.3	66	0.5	68
27	Elmira	5.7	68	5.6	67	5.6	65	2.1	65	2.2	68	0.6	70	0.3	69
40	Corning	6.5	64	5.6	68	5.0	67	1.7	68	1.7	70	0.7	69	0.2	70
ENTIRE STATE		17.1		16.4		16.4		12.7		12.7		9.6		6.8	

* Derived from data provided by the Automobile Insurance Plan Service Office.

Table 36: NY Private Passenger Automobile Exposures in Earned Car Years by Territory for the Voluntary and Assigned Risk Markets, 1997-1998

Territory	1997			1998			(#)	(%)	(#)	(%)
	Assigned	Voluntary	Total Market	Assigned	Voluntary	Total Market	Change In A/R	Change In A/R	Change In Market	Change in Market
01 Bronx Territory	29,104	15,481	44,585	24,201	22,009	46,210	-4,903	-16.8	1,625	3.6
19 Queens	24,328	28,426	52,754	20,348	30,850	51,198	-3,980	-16.4	-1,556	-2.9
18 Manhattan	43,390	100,862	144,252	34,324	111,701	146,025	-9,066	-20.9	1,773	1.2
03 Bronx Suburban Territory	44,054	115,746	159,800	32,535	116,486	149,021	-11,519	-26.1	-10,779	-6.7
17 Kings County	91,085	261,732	352,817	71,209	248,590	319,799	-19,876	-21.8	-33,018	-9.4
55 Queens Suburban	129,136	404,645	533,781	100,355	402,811	503,166	-28,781	-22.3	-30,615	-5.7
94 Mount Vernon and Yonkers	17,293	87,820	105,113	12,506	89,385	101,891	-4,787	-27.7	-3,222	-3.1
76 Suffolk County East	42,303	335,533	377,836	31,449	367,678	399,127	-10,854	-25.7	21,291	5.6
75 Suffolk County West	50,060	413,093	463,153	36,781	445,906	482,687	-13,279	-26.5	19,534	4.2
95 White Plains	3,825	31,846	35,671	2,418	39,473	41,891	-1,407	-36.8	6,220	17.4
20 Hempstead	43,219	375,882	419,101	30,923	382,703	413,626	-12,296	-28.5	-5,475	-1.3
05 Staten Island	20,953	188,068	209,021	15,673	180,492	196,165	-5,280	-25.2	-12,856	-6.2
82 Sullivan County Central	1,243	11,339	12,582	741	11,915	12,656	-502	-40.4	74	0.6
97 New York City Suburban	17,133	200,701	217,834	12,100	197,792	209,892	-5,033	-29.4	-7,942	-3.6
81 Monticello-Liberty	810	9,714	10,524	431	10,479	10,910	-379	-46.8	386	3.7
21 North Hempstead	11,196	135,472	146,668	7,884	138,709	146,593	-3,312	-29.6	-75	-0.1
37 Oswego	2,085	26,821	28,906	1,312	29,994	31,306	-773	-37.1	2,400	8.3
64 Middletown	8,182	110,615	118,797	5,603	125,059	130,662	-2,579	-31.5	11,865	10.0
22 Oyster Bay	15,557	211,771	227,328	11,246	229,042	240,288	-4,311	-27.7	12,960	5.7
83 Sullivan County (Balance)	1,308	18,067	19,375	882	19,984	20,866	-426	-32.6	1,491	7.7
07 Buffalo	6,202	87,017	93,219	3,532	101,554	105,086	-2,670	-43.1	11,867	12.7
62 Highland, Kingston	4,290	64,451	68,741	2,527	70,421	72,948	-1,763	-41.1	4,207	6.1
46 Putnam County	3,679	63,373	67,052	2,687	66,565	69,252	-992	-27.0	2,200	3.3
33 Poughkeepsie	4,615	81,291	85,906	3,064	90,735	93,799	-1,551	-33.6	7,893	9.2
65 Ossining	8,963	162,909	171,872	6,396	166,521	172,917	-2,567	-28.6	1,045	0.6
34 Troy	2,813	51,414	54,227	1,638	52,837	54,475	-1,175	-41.8	248	0.5
58 Dutchess County (Balance)	4,111	77,171	81,282	2,622	79,911	82,533	-1,489	-36.2	1,251	1.5
29 Gloversville	1,086	20,940	22,026	519	23,667	24,186	-567	-52.2	2,160	9.8
32 Newburgh	2,852	56,999	59,851	1,708	61,674	63,382	-1,144	-40.1	3,531	5.9
68 Rockland County	8,169	167,233	175,402	4,641	168,645	173,286	-3,528	-43.2	-2,116	-1.2
36 Glens Falls	1,723	35,708	37,431	1,033	36,449	37,482	-690	-40.0	51	0.1
67 Clinton County, etc.	13,794	289,547	303,341	8,809	319,239	328,048	-4,985	-36.1	24,707	8.1
59 Columbia County, etc.	3,125	70,546	73,671	1,980	70,556	72,536	-1,145	-36.6	-1,135	-1.5
61 Delaware County, etc.	5,095	116,962	122,057	3,199	125,289	128,488	-1,896	-37.2	6,431	5.3
74 Jefferson County	2,490	61,332	63,822	1,317	61,259	62,576	-1,173	-47.1	-1,246	-2.0
13 Albany	5,461	139,966	145,427	3,181	145,309	148,490	-2,280	-41.8	3,063	2.1
28 Binghamton	3,685	98,309	101,994	2,146	111,434	113,580	-1,539	-41.8	11,586	11.4

Table 36: NY Private Passenger Automobile Exposures in Earned Car Years by Territory for the Voluntary and Assigned Risk Markets, 1997-1998

Territory	1997			1998			Change In A/R	Change In A/R	Change In Market	Change in Market
	Assigned	Voluntary	Total Market	Assigned	Voluntary	Total Market				
54 Cortland County, etc.	6,340	175,507	181,847	3,846	181,773	185,619	-2,494	-39.3	3,772	2.1
84 Allegany County, etc.	6,147	175,637	181,784	3,493	179,662	183,155	-2,654	-43.2	1,371	0.8
11 Rochester	12,627	364,659	377,286	7,342	391,010	398,352	-5,285	-41.9	21,066	5.6
14 Niagara Falls	2,120	61,249	63,369	1,115	66,830	67,945	-1,005	-47.4	4,576	7.2
12 Syracuse	5,667	168,984	174,651	2,746	196,876	199,622	-2,921	-51.5	24,971	14.3
51 Ontario County, etc.	5,830	174,828	180,658	3,481	179,185	182,666	-2,349	-40.3	2,008	1.1
31 Chautauqua County	2,437	76,035	78,472	1,140	79,697	80,837	-1,297	-53.2	2,365	3.0
09 Schenectady County	2,639	86,690	89,329	1,519	88,500	90,019	-1,120	-42.4	690	0.8
52 Fort Plain, Herkimer	1,057	35,062	36,119	491	35,417	35,908	-566	-53.5	-211	-0.6
08 Buffalo Semi-Suburban	4,826	171,258	176,084	3,036	199,252	202,288	-1,790	-37.1	26,204	14.9
43 Niagara Falls Suburban	861	30,676	31,537	449	32,897	33,346	-412	-47.9	1,809	5.7
42 Buffalo Suburban	4,482	164,297	168,779	2,825	159,250	162,075	-1,657	-37.0	-6,704	-4.0
41 Erie County (Balance)	1,449	53,386	54,835	879	61,737	62,616	-570	-39.3	7,781	14.2
47 Orleans County	633	23,437	24,070	337	25,045	25,382	-296	-46.8	1,312	5.5
86 Oneida	943	35,147	36,090	445	38,680	39,125	-498	-52.8	3,035	8.4
24 Rome	482	18,186	18,668	247	19,955	20,202	-235	-48.8	1,534	8.2
25 Auburn	567	22,213	22,780	278	23,918	24,196	-289	-51.0	1,416	6.2
73 Rensselaer County (Balance)	867	35,930	36,797	519	35,048	35,567	-348	-40.1	-1,230	-3.3
30 Saratoga Springs	393	16,837	17,230	181	16,949	17,130	-212	-53.9	-100	-0.6
56 Saratoga County (Balance)	442	20,501	20,943	210	21,973	22,183	-232	-52.5	1,240	5.9
35 Amsterdam	390	19,131	19,521	180	18,296	18,476	-210	-53.8	-1,045	-5.4
60 Genesee County	650	34,335	34,985	322	37,966	38,288	-328	-50.5	3,303	9.4
72 Albany County (Balance)	208	11,221	11,429	98	11,003	11,101	-110	-52.9	-328	-2.9
48 Monroe County (Balance)	242	13,810	14,052	125	17,538	17,663	-117	-48.3	3,611	25.7
44 Broome County (Balance)	240	14,245	14,485	118	15,282	15,400	-122	-50.8	915	6.3
15 Utica	882	52,707	53,589	398	60,780	61,178	-484	-54.9	7,589	14.2
16 Saratoga Springs Suburban	666	41,133	41,799	315	40,720	41,035	-351	-52.7	-764	-1.8
49 Niagara County (Balance)	427	30,729	31,156	204	31,347	31,551	-223	-52.2	395	1.3
39 Rochester Suburban	437	32,477	32,914	188	39,436	39,624	-249	-57.0	6,710	20.4
38 Syracuse Suburban	725	54,644	55,369	398	59,983	60,381	-327	-45.1	5,012	9.1
71 Saratoga County South	442	37,195	37,637	216	38,976	39,192	-226	-51.1	1,555	4.1
40 Corning	154	21,181	21,335	45	22,817	22,862	-109	-70.8	1,527	7.2
27 Elmira	284	47,204	47,488	141	47,625	47,766	-143	-50.4	278	0.6
Entire State	744,973	7,049,333	7,794,306	541,247	7,428,546	7,969,793	-203,726	-27.3	175,487	2.3

* Derived From data provided by the Automobile Insurance Plan Service Office.

Table 37					
Policies Written in the New York Automobile Insurance Plan 1997 and 1998					
Period	Original Policies	Renewal Policies	Cancelled Policies	Net Policies Written ¹	(%) Change
Liability Only²					
1997	763,482	720,643	654,173	829,952	
1998	524,086	558,181	613,295	468,972	-43.5
Physical Damage Only²					
1997	1,802	637	1,379	1,060	
1998	1,728	657	1,320	1,065	0.5
Liability and Physical Damage Combined²					
1997	96,313	77,747	57,650	116,410	
1998	92,922	68,101	110,141	50,882	-56.3
Total All Policies					
1997	861,597	799,027	713,202	947,422	
1998	618,736	626,939	724,756	520,919	-45.0
¹ Net policies written is the sum of original policies and renewal policies less Cancellations. ² Policies are written for Liability and Physical Damage separately as well as for Liability and Physical Damage combined					
Source: Data from New York State licensed companies reporting to the Automobile Insurance Plan Service Office.					

Table 38								
Liability and Collision Earned Car Years in the NY Voluntary and Assigned Risk Markets 1989-1998								
Calendar Year	Voluntary Liability	Vol. (%) Change	A/R Liability	A/R (%) Change	Total Market Liability	Total (%) Change	A/R Collision	A/R (%) Change
1989	6,427,253		1,285,315		7,712,568		112,538	
1990	6,472,573	0.7	1,322,054	2.9	7,794,627	1.1	124,142	10.3
1991	6,585,328	1.7	1,321,828	0.0	7,907,156	1.4	108,409	-12.7
1992	6,475,638	-1.7	1,331,695	0.7	7,807,333	-1.3	83,824	-22.7
1993	6,536,919	0.9	1,257,622	-5.6	7,794,541	-0.2	70,991	-15.3
1994	6,487,828	-0.8	1,276,617	1.5	7,764,445	-0.4	64,053	-9.8
1995	6,643,605	2.4	1,196,578	-6.3	7,840,183	1.0	62,517	-2.4
1996	6,662,881	0.3	970,552	-18.9	7,633,433	-2.6	51,547	-17.5
1997	7,049,333	5.8	744,973	-23.2	7,794,306	2.1	39,948	-22.5
1998	7,428,546	5.4	541,247	-27.3	7,969,793	2.3	23,988	-40.0

Table 39

Distribution of NY Private Passenger Automobile Assigned for the Liability and Collision Coverages by Discount or Surcharge Category, 1996-1998

Discount or Surcharge Category	Liability			Collision		
	1996 (%)	1997 (%)	1998 (%)	1996 (%)	1997 (%)	1998 (%)
Total, All Categories	100.0	100.0	100.0	100.0	100.0	100.0
Total Not Surcharged:	69.1	68.5	68.0	65.2	62.6	62.3
3 Years Claim-Free (1 or less with Plan) (Manual Rates)	35.8	35.1	32.7	33.6	31.2	28.7
Experience Discount:						
4 Years (1 or more with Plan) 18 % Credit	13.0	13.1	13.5	13.1	12.7	12.9
5 Years (2 or more with Plan) 25% Credit	9.4	9.3	10.1	9.5	10.0	10.7
6 Years or More (3 or more with Plan) 30% Credit	10.9	11.1	11.7	9.0	8.7	10.1
Total Surcharged	30.9	31.5	31.9	34.8	37.4	37.7
Inexperienced Operator Surcharge	12.2	12.6	13.6	9.5	9.8	9.8
Experienced Operator Surcharge:						
15%	11.6	11.7	11.6	14.6	16.0	16.6
25%	0.1	0.1	0.1	0.0	0.1	0.1
35%	2.6	2.6	2.6	4.3	4.7	4.7
50%	1.4	1.4	1.3	1.5	1.6	1.6
75%	1.1	1.1	1.0	1.9	2.0	2.2
100%-150%	2.1	1.9	1.7	3.0	3.2	2.8

c. Workers' Compensation Insurance

On October 1, 1999, the annual Workers' Compensation rate revision became effective producing an average no change in premium. Including the change in the New York State Assessment, the overall change was an increase of 3.9%.

Last year's general rate revision represented the first increase in net change* in five years, as shown in the table below:

Year	Net Change
1995	-5.0%
1996	-18.2%
1997	-8.4%
1998	-6.0%
1999	3.9%

* Net change includes rate level and assessment charge changes.

Additionally, in 1999, unlike the other years, the approved premium level was non-negative. Increases in both policy year and accident year data showed substantial need for rate increases. This is the case even though, for a second year, the experience of business written in Large Deductible programs was included in the data used to determine the indicated rate level. The experience of these programs was expected to show substantially more favorable results than the regular business. However, it closely resembled that of the regular business as it did last year. On a standard basis, this book of business represented about one third of the experience supporting the rate revision. A substantial downward indication from the loss and wage trends counterbalanced the unfavorable experience to produce no change in overall premium level. The following table illustrates the 20-year rate history of workers' compensation insurance.

**Table 40
WORKERS' COMPENSATION
DIVIDEND CLASSIFICATION PLANS APPROVED IN 1999**

Plan Types: **A = Flat** **B = Sliding Scale/ Loss Ratio**
 C = Safety Group **D = Retention**

COMPANY NAME	PLAN TYPE	EFFECTIVE DATE
Am Guard Ins Co	A	06/10/99
American Employers Ins Co	A,B	06/07/99
American Hardware Mutual Ins Co	B	08/04/99
Assurance Company of America	B	05/19/99
Athena Assurance Co	D	11/01/99
Bankers Standard Ins Co, Pacific Employers Ins Co	A	05/06/99
Cigna Property & Casualty Ins Co	A,D	05/06/99
Cincinnati Ins Co	B	07/26/99
Citizens Ins Co of America, Massachusetts Bay Ins Co	B	03/15/99
Commercial Union Ins Co	B,D	06/07/99
Connecticut Indemnity Co, Employee Benefits Ins Co	A,B,D	09/13/99
Erie Ins Co of New York	B	09/13/99
Fire & Casualty Ins Co of Hartford, Security Ins Co of Hartford	A,B,D	09/13/99
Graphic Arts Mutual Ins Co	C	11/01/99
Hartford Casualty Ins Co, Hartford Fire Ins Co	A	11/19/99
Hartford Ins Co of the Midwest, Twin City Fire Ins Co	A	11/19/99
Nationwide Agribusiness Ins Co	B	12/01/99
Nationwide Mutual Ins Co	B	11/30/99
Nor Guard Ins Co	B	06/10/99
Northbrook Property & Casualty Ins Co	B,D	05/06/99
Northern Assurance Co of America, PG Ins Co of New York	B,D	06/07/99
Pennsylvania General Ins Co	A,C,D	06/07/99
Reliance Ins Co, Reliance National Indemnity Co	B	06/18/99
Reliance National Ins Co, United Pacific Ins Co	B	06/18/99
Republic-Franklin Ins Co, Utica Mutual Ins Co	C	11/01/99
St. Paul Fire and Marine Ins Co, St. Paul Guardian Ins Co	D	11/01/99
St. Paul Medical Liability Ins Co, St. Paul Mercury Ins Co	D	11/01/99
Travelers Indemnity Co of Connecticut	B	11/08/99
Utica National Assurance Co	B,D	06/11/99
Utica National Assurance Co, Utica National Ins Co of Texas	C	11/01/99
White Mountains Ins Co	B	02/16/99

**Table 41
WORKERS' COMPENSATION RATE HISTORY
New York State, 1980-1999**

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. 1980										2.9%	2.9%	-7.5%
July 1981	-11.5%	-11.5%	7.7%		0.8600	-3.1%		-0.4%	0.3%	-14.3%	-20.4%	-26.4%
July 1982	-4.6%	-11.6%	4.3%		0.9895	0.3%		0.1%	1.2%	-2.1%	-3.4%	-28.9%
July 1983 ¹	-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 ²	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% ³	18.4%	15.6%	84.1%
July 1993	12.0%	17.1%	1.0%		1.0010	0.0%		-0.3%	-1.0% ³	18.7%	14.4%	110.6%
April 1994	-4.9%	-0.1%	-1.9% ⁴		1.0010	0.0%	-16.3% ⁵		13.5% ⁵	-5.0%	-5.0%	100.1%
Oct. 1994	8.0%	1.9%	0.8%		0.9640	-1.2%	1.4%		-3.1% ⁵	-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.</u>	<u>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%
Oct. 1998	8.9%	2.9%	0.0%		0.9080	0.8%	-3.1%		-3.0%	-0.4%	-6.0%	31.7%
Oct. 1999	17.1%	8.5%	0.0%		0.9860	1.2%	0.0%		3.9%	17.0%	3.9%	36.8%

¹ Includes Stock Security Fund Tax of 1.012.

² The Loss Constant Offset was removed in 1985.

³ Includes OSHA assessment of 1.25%.

⁴ Includes elimination of 13.0% Hospital Surcharge.

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

Table 42
WORKERS' COMPENSATION
APPROVED RATE DEVIATIONS CURRENTLY IN EFFECT
(as of March 1, 2000)

Company Name	Effective Date	Downward Deviation	Company Name	Effective Date	Downward Deviation
A.I.U. Ins Co	05/15/96	15.0	Clarendon National Ins Co	07/10/97	10.0
Acadia Ins Co	11/01/97	10.0	Colonial American Casualty & Surety Co	10/15/97	10.0
Agricultural Ins Co	06/13/83	15.0	Commercial Compensation Ins Co	04/01/98	10.0
All America Ins Co	08/01/96	10.0	Commercial Ins Co of Newark, NJ	09/27/83	15.0
American Alliance Ins Co	08/15/98	17.5	Commercial Union Ins Co	10/01/99	10.0
American Alternative Ins Corporation	01/08/99	10.0	Connecticut Indemnity Co	02/27/97	15.0
American Automobile Ins Co	06/13/83	16.0	Credit General Ins Co	07/10/98	10.0
American Casualty Co of Reading, PA	10/01/95	10.0	Erie Ins Co of New York	08/01/99	12.5
American Economy Ins Co	06/01/96	10.0	Erie Insurance Company	11/01/96	5.0
American Employers' Ins Co	10/01/99	15.0	Fairfield Ins Co	12/03/97	10.0
American Fire & Casualty Co	12/20/99	17.5	Federated Mutual Ins Co	05/17/96	15.0
American Guarantee & Liability Ins Co	03/04/97	15.0	FICO Insurance Company	05/17/96	15.0
American Manufacturers Mutual Ins Co	10/01/85	10.0	Fidelity & Deposit Co of Maryland	10/15/97	10.0
American Protection Ins Co	06/02/93	15.0	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
AmGuard Ins Co	11/01/99	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	Florists' Mutual Ins Co	08/01/98	10.0
Automobile Ins Co of Hartford, CT	05/25/83	15.0	Fremont Indemnity Ins Co	10/28/97	15.0
Bankers Standard Ins Co	03/23/95	15.0	Frontier Ins Co	04/07/98	10.0
Blue Ridge Ins Co	05/15/96 ¹	15.0	General Security Property & Casualty Ins Co	06/03/99	10.0
Blue Ridge Ins Co	08/01/96 ²	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
Casualty Ins Co	10/28/97	15.0	Great Northern Ins Co	08/12/85	7.0
Centennial Ins Co	07/15/88	10.0	Guidant Mut Ins Co (formerly Preferred Risk Mut)	02/01/94	12.5
Centre Ins Co (formerly Business Ins Co)	02/01/97	15.0	Hartford Casualty Ins Co	04/01/99	15.0
Centurion Ins Co	08/01/99	10.0	Hartford Fire Ins Co	10/01/86	15.0
Chubb Indemnity Co	05/01/96	15.0	Hartford Ins. Co. of the Midwest	05/02/86	10.0
Church Mutual Ins Co	01/27/00	12.0	Hartford Underwriters Ins Co	04/01/99	5.0
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	15.0
Cincinnati Ins Co	12/15/99	10.0	Insurance Co of Greater New York	04/15/96	15.0
Citizens Ins Co of America	02/01/85	15.0	John Deere Ins Co	08/01/97	10.0
Legion Ins Co	12/01/96	15.0	Republic-Franklin Ins Co	01/01/88	10.0

Table 42
WORKERS' COMPENSATION
APPROVED RATE DEVIATIONS CURRENTLY IN EFFECT
(as of March 1, 2000)

Company Name	Effective Date	Downward Deviation	Company Name	Effective Date	Downward Deviation
Liberty Insurance Corporation	01/01/00	14.0	Royal Indemnity Co	09/01/97	17.5
Liberty Mutual Fire Ins Co	01/01/00	5.0	Royal Ins Co	05/01/95	12.5
Lumber Mutual Ins Co	11/17/97	10.0	Safeco Ins Co of America	02/01/97	15.0
Main Street America Assurance Co	06/24/96	10.0	Safeguard Ins Co	05/01/95	10.0
Markel Ins Co (formerly Ins Co of Evanston)	07/26/95	10.0	Safety National Casualty Corp	01/02/98	10.0
Massachusetts Bay Ins Co	08/01/96	10.0	Selective Ins Co of South Carolina	08/19/96	15.0
Michigan Millers Mutual Ins Co	06/01/98	10.0	Selective Way Ins Co	07/01/94	7.5
Mount Vernon Fire Ins Co	07/10/97	10.0	Sentry Indemnity Co	01/01/87	15.0
Netherlands Ins Co	04/01/97	15.0	St. Paul Mercury Ins Co	02/13/96	15.0
New Hampshire Ins Co	05/15/96	15.0	Star Ins Co	01/08/97	15.0
New York Casualty Ins Co	02/13/98	10.0	Sun Ins Office, Ltd.	12/03/86	7.0
Newark Ins Co	05/01/95	7.5	TIG Ins Co of New York	08/09/83	15.0
Niagara Fire Ins Co	03/24/83	10.0	Transcontinental Ins Co	10/01/95	17.5
NorGuard Ins Co	02/01/99	5.0	Travelers Casualty & Surety Co of Illinois	08/12/85	15.0
North River Ins Co	02/04/97	15.0	Travelers Indemnity Co of America	01/16/91	15.0
Northern Assurance Co of America	10/01/99	15.0	Travelers Indemnity Co of Connecticut	08/01/98	10.0
Northern Ins Co of New York	06/13/83	15.0	Ulico Casualty Co	1/11/96 ³	15.0
Oriska Ins Co	04/01/96	15.0	Ulico Casualty Co	6/24/96 ⁴	10.0
Pacific Indemnity Co	01/13/83	15.0	United Pacific Ins Co	07/01/96	7.5
Paramount Ins Co	10/03/83	15.0	Universal Underwriters Ins Co	04/01/98	10.0
Patriot General Ins Co	01/01/87	15.0	Utica National Assurance Co	01/07/98	17.5
Peerless Ins Co	05/01/96	7.5	Utica National Ins Co of Texas	01/01/96	17.5
Pennsylvania General Ins Co	10/01/99	17.5	Valley Forge Ins Co	06/15/83	15.0
Pennsylvania Manufacturers Assn. Ins Co	10/01/96	10.0	Wausau Business Ins Co	06/10/96	15.0
Pennsylvania Manufacturers Indemnity Co	10/01/96	15.0	Wausau Underwriters Ins Co	10/08/98	7.5
PG Ins Co of New York	10/01/99	15.0	West American Ins Co	10/01/99	15.0
Princeton Ins Co	12/03/97	10.0	Westport Insurance Corp.	08/20/98	10.0
Realm Ins Co	01/03/97	10.0	White Mountains Ins Co	03/15/99	10.0
Reliance National Ins Co	06/15/96	15.0	Worcester Ins Co	10/01/85	10.0
Regent Ins Co	07/01/99	10.0			

¹ New Business ² Renewal Business

³ ADR (Alternative Dispute Resolution) Policies

⁴ Non-ADR (Alternative Dispute Resolution) Policies

C. HEALTH BUREAU

1. Entities Under Health Bureau Supervision

The Health Bureau had regulatory authority over 73 insurers and health maintenance organizations (HMOs) as of December 31, 1999. These include 18 accident and health insurers, 1 property/casualty insurer (writing accident and health insurance only), 1 life insurer (writing accident and health insurance only), 14 health service and medical and dental expense indemnity corporations, two Article 43 of the Insurance Law HMOs, 36 Article 44 of the Public Health Law HMOs and one Article 47 of the Insurance Law Municipal Cooperative Health Benefits Plan.

In 1999, the Health Bureau received one application for an accident and health insurance license and one application was withdrawn. One accident and health company was licensed and four accident and health applications are still pending. With respect to the health maintenance organizations (HMO), 2 HMO applications were received. Three Article 44 HMOs were issued Certificate of Authority in 1999. Two HMO applications are still pending and one application was withdrawn. One Article 44 HMO was merged with an Article 43 HMO, and two HMO line of businesses were consolidated into one. One HMO was placed in liquidation.

Article 47 of the New York Insurance Law, enacted in 1994, permits the formation of municipal cooperative health benefit plans. In 1999, one municipal cooperative health benefit plan was issued a Certificate of Authority, and 11 applications are still pending. Article 44 of Public Health Law, enacted in 1996, permits the formation of integrated delivery systems. One such application was received in 1998, which is still pending. Two applications were received in 1999, one of which was withdrawn and one of which is still pending.

2. Accident and Health Insurance

Thirteen stock and four mutual companies were licensed to transact only accident and health insurance at year-end 1998.

Table 43
SELECTED ANNUAL STATEMENT DATA
Accident and Health Insurers
1996-1998
(dollar amounts in millions)

	1998	1997	1996
Number of Insurers	17	16	17
Net premiums written	\$3,682.0	\$3,756.1	\$3,550.0
Admitted assets	6,172.4	5,958.6	5,523.7
Unearned premium & loss reserves	930.0	883.9	879.1
Other liabilities	2,764.7	2,678.5	2,413.0
Capital	21.5	21.1	20.5
Surplus	2,456.2	2,375.1	2,211.1
Ratio of premiums written to capital and surplus	1.5	1.6	1.6

Source: New York State Insurance Department

3. 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 73 premium rate change filings under this alternative method during 1999.

In addition, the Health Bureau received 18 premium rate increase applications submitted under the prior approval requirements of Section 4308(c) of the Insurance Law from Article 43 corporations and Article 44 HMOs for their community-rated contracts and riders with requested effective dates in 1999. The rates requested on three of the applications were approved as submitted and fifteen were approved at levels lower than requested.

**Table 44
SUBSCRIBER RATE CHANGES
Subject to Prior Approval
1999**

	Average Percent Requested	Average Percent Approved	Effective Date
Insurance Law Article 43 Health Insurers			
Health Now New York, Inc.			
Albany Division			
SSA Contract	16.4	16.4	1/1/99
Prescription Drug Riders	44.5	30.1	
Overall	18.8	17.6	
MVP Health Services Corp.			
Group indemnity	17.4	17.4	1/1/99
Health Now New York, Inc.			
Albany Division	13.7	1.3	8/1/99

**Table 44
SUBSCRIBER RATE CHANGES
Subject to Prior Approval
1999**

	Average Percent Requested	Average Percent Approved	Effective Date
Health Maintenance Organizations			
Community Health Plan			
Rural Region I	20.8	20.8	1/1/99
Rural Region II	23.4	23.4	
Southern Tier Region	24.4	24.4	
Capital Region	13.0	13.0	
Hudson Valley Region I	8.4	8.4	
Hudson Valley Region II	20.1	20.1	
Health Care Plan			
Prescription Drug Riders			
Large Group	35.0	35.0	1/1/99
Small Group	35.0	24.0	
Medicare	35.0	10.6	
Health Now			
Prescription Drug Riders	35.0	21.5	1/1/99
Health Services Medical Corp. of Central New York			
Prescription Drug Riders	48.0	26.0	1/1/99
HUM HealthCare Systems			
Base contracts	14.1	14.1	1/1/99
Prescription Drug Riders	31.4	31.4	
Direct Pay	27.4	13.7	
Substance Abuse Rider	(49.4)	(49.4)	
In Network Portion of POS Product	(42.2)	(42.2)	
MVP Health Plan			
Group	7.1 to 15.1	7.1 to 15.1	1/1/99
Direct Pay	36.6 to 44.5 varies by region	10.0 All regions	

Table 44
SUBSCRIBER RATE CHANGES
Subject to Prior Approval
1999

	Average Percent Requested	Average Percent Approved	Effective Date
Preferred Care			
Prescription Drug Riders Group	24.9	24.9	1/1/99
Medicare	13.3	13.3	
United Healthcare of New York			
Direct Pay Contracts and Prescription Drug Riders	53.4	25.3	1/1/99
Vytra Healthcare			
Small Groups	19.5	19.5	1/1/99
Sole Proprietors	31.2	19.5	
Managed Health Inc.			
Direct Pay HMO	39.1	11.0	2/1/99
POS	76.4	31.0	
Small Group (Low option)	39.2	39.2	
Kaiser Health Plans			
Non-Medicare	32.0	29.7	2/1/99
Direct Pay	39.0	26.2	
Medicare Prescription Drug Riders	662.0	300.0	
Physicians Health Services of NY			
Prescription Drug Riders Large Groups	69.0	17.4	3/1/99
Small Groups	50.0	3.8	
Excellus Health Plan d/b/a Finger Lakes HMO*			
Prescription Drug, Durable Medical Equipment and Prosthetics Riders	79.7	64.9*	8/1/99*
		11.4*	1/1/00*
Health Now	11.9	11.8	8/1/99
Preferred Care			
Group Contracts	11.1	10.0	11/1/99**
Prescription Drug Riders	45.0	37.0	11/1/99**
Direct Pay	45.0	10.0	12/1/99**

Footnotes to Table 44:

* Excellus Health Plan d/b/a Finger Lakes HMO requested a 79.7% overall weighted average increase on its riders. However, several of these riders that are impacted by the application would be discontinued by the HMO effective January 1, 2000. The rates proposed for these riders, therefore, would be excessive inasmuch as they are trended for seventeen months instead of for five months. Accordingly, effective August 1, 1999, the Department approved an overall weighted average increase of 64.9% for all of the riders which are the subject of the rate application. Furthermore, effective January 1, 2000, the Department approved an additional weighted average increase of 11.4% for riders subject to the current application that have not been discontinued as of December 31, 1999.

** Group contracts and drugs riders were effective November 1, 1999, however, direct pay contracts were approved as 12/1/99.

b. Article 43 and Article 44 Corporations:

The following tables show aggregate figures on assets, liabilities, surplus funds, premium income and membership for years 1996-1998:

Table 45
HEALTH SERVICE CORPORATIONS*
Selected Data, New York State
1996-1998
(dollar amounts in millions)

	1998	1997	1996
Number of Companies	11**	14	13
Admitted Assets	\$4,052.6	\$3,740.1	\$3,742.4
Liabilities	3,072.2	2,748.1	2,850.1
Surplus Funds	980.4	992.0	892.3
Net Premium Income:			
Hospital	\$5,136.9	\$4,922.7	\$4,941.6
Medical/Dental	4,032.0	3,910.2	4,172.5
Number of Contracts & Riders in Force:			
Hospital	2.6***	2.7***	2.8***
Medical/Dental	2.5***	2.7***	3.2***

* 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.

** On December 31, 1998, Excellus Health Plan, Inc. merged with Finger Lakes Health Insurance Company, Inc., Finger Lakes Medical Insurance Company, Inc., and Utica-Watertown Health Insurance Co., Inc. The surviving company was Excellus Health Plan, Inc.

*** in millions

Note: See first footnote, Table 47

Source: New York State Insurance Department

Table 46
MEDICAL & DENTAL EXPENSE INDEMNITY CORPORATIONS
Selected Data, New York State
1996-1998
(dollar amounts in millions)

	1998	1997	1996
Number of Companies	3	3	3
Admitted Assets	\$13.4	\$11.3	\$8.5
Liabilities	6.9	7.0	5.3
Surplus Funds	6.5	4.3	3.2
Net Premium Income	12.5	8.9	6.8
Number of Contracts in Force	556	490	430

Source: New York State Insurance Department

Table 47
HEALTH MAINTENANCE ORGANIZATIONS
That Are a Line of Business of a Health Service Corporation*
Selected Data, New York State
1996-1998
(dollar amounts in millions)

	1998	1997	1996
Number of Companies	4**	5	5
Net Premium Income	\$3,376.6	\$2,892.0	\$2,652.2
Number of Participants	2.1***	1.9***	1.7***

* Figures shown in this Table are included in the corresponding figures shown in the Table 45, "Health Service Corporations."

** Due to the merger of the four Article 43 Corporations as mentioned in the above section, Finger Lakes HMO (the HMO line of business of Finger Lakes Health Insurance Company, Inc.) and HMO Blue (the HMO line of business of Utica-Watertown Health Insurance, Inc.) were consolidated.

*** in millions

Source: New York State Insurance Department

Table 48
HEALTH MAINTENANCE ORGANIZATIONS
That Are Not a Line of Business
Selected Data, New York State
1996-1998
(dollar amounts in millions)

	1998	1997	1996
Number of Companies	32	32	32
Admitted Assets	\$2,975.6	\$2,904.5	\$2,355.8
Liabilities	2,344.1	2,188.7	1,674.3
Surplus Funds	631.5	715.8	681.5
Net Premium Income	9,415.2	8,411.6	6,963.6
Number of Participants	4.8*	4.7*	4.4*

* in millions

Source: New York State Insurance Department

4. Review of Accident and Health Policy Forms

The Health Bureau processed 7,932 accident and health policy forms in 1999.

Table 49
ACCIDENT & HEALTH
Policy Forms Processed
1999

Individual Accident and Health	1,197
Group Accident and Health	4,157
Blanket	555
Article 43 Organizations (group)	560
Article 43 Organizations (individual)	110
HMO	1,310
Franchise	39
Combined Group A&H & Life	4
Total	7,932

Of the 7,932 total, 2,935 forms were approved for use both in and out of state; 2111 forms were disapproved, withdrawn, or closed for lack of company action; 1,663 forms were filed for use in states other than New York; 282 forms were filed for reference purposes or otherwise processed and closed; and 941 forms were closed pursuant to Circular 14, 1997. This circular letter permits the Department to return all product and rate submissions that are incomplete, that are not drafted to comply with New York's statutory and regulatory requirements, or that are poorly organized or difficult to understand. Submissions may also be closed under this circular letter for failure to respond to Department correspondence in a timely manner. There were 352 forms disposed of pursuant to this circular letter in 1998.

Thirty-three submissions were received under the deemer provisions of Section 3201(b)(6) of the Insurance Law. All submissions were handled within the statutory time frames. No submissions were deemed approved.

5. Review of Rate Filings by the Accident and Health Rating Section

The Accident and Health Rating Section received 1,473 rate filings and processed 1,682 rate filings during 1999. These include initial rate filings for new policy forms submitted by commercial insurers and Article 43 and Article 44 corporations and HMOs, and rate adjustment filings for commercial insurers.

6. Pre-filings, Inquiries and Complaints

In conjunction with the policy form and premium rate review process, the Bureau processes pre-filings submitted in accordance with section 52.32 of Regulation 62 (11 NYCRR 52.32) and responds to inquiries and complaints. The Bureau processed 33 pre-filings of policy form submissions in 1999 and provided written answers to 173 formal consumer inquiries and complaints concerning policy forms or related issues.

7. Empire Restructuring

On December 29, 1999, the Department issued an Opinion and Decision approving a plan for Empire Blue Cross Blue Shield to restructure into a for profit company. The Department held three public hearings across the state in an effort to obtain as much feedback as possible. As part of this restructuring, Empire will create a charitable foundation that will initially own all of the company's stock. Our decision approving this transaction is based on our determination that Empire has the authority to restructure under the existing provisions of the Insurance Law. Also, we found the plan to be fair and equitable to policyholders, and we believe that Empire sufficiently demonstrated their need to restructure. Attorney General Spitzer has expressed his opinion that section 4301(j) of the Insurance law does not permit the restructuring, but in May 2000 the Attorney General announced he had dropped his objections to the plan. Empire's next step is to petition the New York courts for permission to implement its plan.

8. File and Use Rate Adjustments

New York's File and Use Law sunset on December 31, 1999. This is the law that required HMOs and not-for-profit insurers to obtain prior approval from the Department for rate increases or decreases in excess of ten percent. When this law was in effect, HMOs and not-for-profit insurers could raise or lower rates by up to ten percent without prior approval from the Department, provided they met certain specified criteria. Rate increases or decreases in excess of ten percent required Department approval, following a public hearing. Various individuals and groups have expressed concern that elimination of the prior approval requirement will be detrimental to health care consumers since HMOs and not-for-profit insurers are now free to adjust their rates without supervision from the Department.

The Department does not believe that this is a valid concern. Our regulatory authority remains unchanged. Despite the fact that prior approval requirements are no longer in effect, HMOs and not-for-profit insurers must still file their rates with the Department. Specific loss ratio requirements must be met before an HMO or not-for-profit insurer can change its rates. We will continue to look carefully at all filings to ensure that consumers are protected.

9. Prompt Pay

The Prompt Pay Law (Section 3224-a of the Insurance Law) requires HMOs and insurance companies to pay undisputed claims for health care services within forty-five days of receipt. Since its effective date, January 22, 1998, the Insurance Department has levied fines for four separate time periods. We are currently in the process of assessing the fifth round of fines for noncompliance. The Department intends to seek higher monetary penalties for violations. Additional reporting requirements relating to late payment of claims will also be imposed.

Round 1	12 companies	\$72,200
Round 2	14 companies	\$115,800
Round 3	12 companies	\$71,100
Round 4	18 companies	\$86,100
Total	27 companies*	\$345,200

*repeat offenders are counted only once in the total

10. Health Care Reform Act of 2000

a. Individual Market Reform

The Department devoted significant resources during the past year to the drafting and negotiation of significant portions of the Health Care Reform Act of 2000 (HCRA). HCRA includes an individual direct pay market reform program designed to ensure that individual consumers have continued access to comprehensive health insurance. HCRA provides for the establishment of two stop loss funds from which health maintenance organizations may receive reimbursement for certain claims paid on behalf of members covered under individual enrollee direct payment contracts. These stop loss funds are established for the purpose of stabilizing the premium rates for such individual standardized health insurance contracts for the benefit of both existing enrollees and currently uninsured individuals seeking to purchase individual health insurance coverage.

Commencing on January 1, 2000, HMOs may seek reimbursement for up to ninety percent of claims which fall within the claims corridor of \$20,000 to \$100,000 paid on behalf of members covered under either the standardized direct payment individual enrollee HMO contract or the standardized individual enrollee point of service contract. Once an HMO has paid out \$20,000 on behalf of a covered member in a given calendar year, the HMO will be eligible for reimbursement for further claims paid on behalf of that same member until the total claims paid for that member reach \$100,000 during that calendar year. Claims paid on behalf of a covered member, which exceed \$100,000 during a calendar year, are not eligible for reimbursement.

A total of \$130 million has been allocated for the stop loss funds over a three and one half-year period commencing on January 1, 2000 and ending July 1, 2003. The allocation is to be evenly divided between the stop loss fund for the individual enrollee HMO product and the out of plan stop loss fund for the individual enrollee point of service products. The HCRA legislation provides for a pro-rata distribution of the allocated funds in the event that the claims against the stop loss funds exceed the budget allocations. With existing funding levels, the Insurance Department anticipates that there will be a pro-rata distribution. In the event of excess funding, funds will be either reallocated between the direct payment stop loss funds or carried forward into the next budget year.

b. Healthy New York Program

Approximately 3.1 million New York residents are currently uninsured. Due in part to the rising cost of health insurance coverage, many employers are currently unable to provide health insurance

coverage to their employees. A significant portion of New York State's uninsured population is made up of individuals employed by small businesses.

The Health Care Reform Act of 2000 creates a new initiative designed to encourage small employers to offer health insurance coverage to their employees and to also make coverage available to uninsured employees whose employers do not provide group health insurance. By creating a standardized benefit package that must be offered by all health maintenance organizations and may be offered by not-for-profit and commercial insurers that elect to participate, more uninsured small employers and uninsured employed individuals will be able to purchase health insurance coverage. The Healthy New York program provides a comprehensive benefit package which includes coverage for inpatient and outpatient hospital services, physician and surgical services, adult preventive health services and a limited prescription drug benefit. Coverage is available only on an "in-network" basis. Healthy New York insurance contracts must include a pre-existing condition waiting period. The premium cost for this coverage will be made more affordable through the establishment of stop loss funds to pay for part of the claims costs of the program.

The Healthy NY small business program makes standardized group coverage available to qualifying small employers that have not had any other health insurance coverage in place in the twelve month period preceding application for the program. The same benefit package is available to qualifying working individuals whose employer has not offered group health insurance in the last twelve months.

The program is available to small employers, with fifty or fewer eligible employees, who have not offered group health insurance during the twelve month period preceding application for the program. Thirty percent of the employer's workforce must be receiving annual wages at or below \$30,000 (adjusted annually for inflation). At least fifty percent of all eligible employees and at least one employee earning \$30,000 or less must participate. Employers must contribute at least fifty percent of the premium cost and the employer premium contribution must be the same for all covered employees. Sole proprietors may participate if they have been uninsured for the twelve month period preceding application and they have a gross household income at or below two hundred fifty percent of the federal poverty level.

An individual whose employer has not offered group health insurance during the twelve month period preceding application is eligible to participate if his/her household income is at or below two hundred fifty percent of the gross federal poverty. Qualifying individuals must also be ineligible for Medicare and, subject to certain exceptions, qualifying individuals cannot have had health insurance in effect for the twelve month period preceding application.

Commencing January 1, 2001, health maintenance organizations and other participating insurers may seek reimbursement for ninety percent of claims paid on behalf of a covered member which fall within the claims corridor of \$30,000 to \$100,000. Claims paid on behalf of a covered member, which exceed \$100,000, are not eligible for reimbursement. An allocation of \$209 million has been made to cover the two and one half-year period commencing January 1, 2001 and ending July 1, 2003. The allocation is divided between the small employer stop loss fund and the qualifying individual stop loss fund. The HCRA legislation provides for a pro-rata distribution of the allocated funds in the event that the claims against the stop loss funds exceed the budget allocations. In the event of excess funding, funds will be either reallocated between the stop loss funds or carried forward into the next budget year.

The Insurance Department is directed to develop regulations regarding the operation of the Healthy New York program. The initial regulations necessary to implement the program are currently being drafted.

11. The External Appeal Law (Chapter 586 of the Laws of 1998)

On July 1, 1999 New York's landmark External Appeal law became effective. This law permits consumers to request an independent review of a health plan's decision to deny coverage on the grounds that the service is not medically necessary or is experimental or investigational. Requests for an external review must be sent to the Insurance Department within 45 days of receipt of the notice of final adverse determination from the health plan or receipt of written confirmation that the internal appeal process has been waived. The Insurance Department is responsible for screening external review requests for eligibility and completeness and for assigning requests to certified external appeal agents within timeframes prescribed by regulation.

Two external appeal agents have been jointly certified by the Insurance Department and the Health Department, Island Peer Review Organization (IPRO), located in Lake Success NY and Medical Care Management Corporation, located in Bethesda Maryland. Once a request is assigned to an external appeal agent, the agent must make a determination within three days for an expedited appeal or within 30 days for a standard appeal. An appeal is expedited when a physician attests that a delay in providing the health service would pose an imminent or serious threat to the health of the patient.

a. Department Outreach

External appeal applications, questions and answers concerning the external appeal process and information on certified external appeal agents is available on the Insurance Department's web site at: www.ins.state.ny.us. The Department also has a dedicated telephone number for questions concerning the external appeal process, 1-800-400-8882. The Department has published an informational brochure describing the external appeal process and has worked with health plans, providers and consumer groups on outreach and dissemination of external appeal information.

b. External Appeal Results as of March 1, 2000

From July 1, 1999 through March 1, 2000 the Insurance Department has received over 800 external appeal requests. The overwhelming majority of external appeal requests concern denials based on medical necessity rather than denials because the service is considered experimental or investigational. Also, the majority of external appeals assigned to agents have been standard as opposed to expedited appeals. When rendering determinations, external appeal agents have been finding in favor of the health plan in approximately half of the cases and finding in favor of the consumer in the other half.

The first table lists the number of health plan determinations that have been either upheld or overturned by external appeal agents based upon whether the appeal was standard or expedited. The second table lists the number of appeal determinations that have been either upheld or overturned based upon whether the appeal concerned a medical necessity denial or an experimental or investigational denial.

Appeal Determinations by Type of Appeal (as of March 1, 2000)

	Overtured	Upheld	Total
Expedited	8	10	18
Standard	156	171	327
Total	164	181	345

**Appeal Determinations by Type of Denial
(as of March 1, 2000)**

	Total	Overtured	Upheld
Medical Necessity	321	154	167
Experimental/Investigational	22	8	14
Clinical Trial	2	2	0
Total	345	164	181

12. Voucher Insurance Program

The Voucher Insurance Program became operational in 1999. The Program is a demonstration project designed to test whether access to a personal care physician will lessen inappropriate use of emergency room services, reduce the need for inpatient care and improve overall health of persons covered under the Program. The Program provides premium subsidies to individuals in Rensselaer and Westchester counties to be used toward the purchase of a specific health insurance policy from participating insurers. At the end of 1999, more than 1,000 vouchers were issued, resulting in approximately 800 individuals receiving health insurance coverage in the two pilot counties.

13. Child Health Plus

During 1999, the Department continued its role of reviewing and approving subscriber contracts and premium rates for the Child Health Plus program. In addition, Department staff met regularly with Department of Health personnel to address issues that arise in the ongoing operation of this program. Department staff also serve as panel members in regular meetings with the industry sponsored by the Department of Health.

14. Medicare+Choice Terminations

During 1999, seven HMOs terminated their Medicare+Choice contracts with the Health Care Financing Administration (HCFA) for some or all of their service areas. By year-end the terminations resulted in the displacement of thirty thousand senior citizens in this state. The Department reacted immediately to assist those New Yorkers losing coverage by working with HCFA to ensure that useful information detailing the protection provided by New York law was provided to affected persons and by posting information on the Department's Web site and providing informational mailings to persons calling a specially dedicated Department phone number.

15. New York Health Purchasing Alliance

During 1999, the Department worked with representatives of the New York Health Purchasing Alliance (HealthPass) to establish a purchasing alliance for small employers in the metropolitan New York area. HealthPass is an initiative of the New York City Mayor's Office. Products and premium rates were approved for five insurers participating in the purchasing alliance.

16. Continuing Care Retirement Communities (CCRCs)

The Insurance Department has a permanent seat on the Continuing Care Retirement Community Council. This council has the primary licensing and oversight authority for CCRCs. The Insurance Department has specific responsibility for the review of the contract and disclosure documents given to residents and prospective residents, as well as an initial determination of the financial feasibility of a proposed project and ongoing oversight of the fiscal solvency of communities. Our continuing oversight encompasses review of the rating structure of a community, adequacy of reserves and periodic on site examinations of the financial condition of a community.

A CCRC can offer two types of contracts to residents. One provides full life care with unlimited nursing home care included in the monthly fee (Type A). The other provides a limited amount of nursing home care included in the monthly fee (Type B). Once the included care in a Type B contract is exhausted, the resident is responsible for the cost of any additional nursing home care. In 1999, the CCRC Council approved a Type B contract for Kendal at Ithaca that will be offered in addition to their previously approved Type A contract. This is the first Type B contract approved in New York.

Two new CCRCs were granted a certificate of authority to construct and operate a community, Harbor Ridge and Westchester Meadows. Both provide life care (Type A) contracts, although both contemplate offering Type B contracts as an option in the future. Westchester Meadows is a rental model community. Harbor Ridge is an equity model CCRC. Harbor Ridge is the first for-profit community in New York. The housing component is provided through purchase of a cooperative apartment. This is tied to a services contract that provides community services and health care services. Neither the housing component, nor the services contract can exist independently of the other.

17. Managed Long-Term Care Demonstration Programs

Chapter 659 of the Laws of 1997 established a legislative and regulatory framework for designing and implementing demonstrations of managed long-term care approaches. The demonstrations will study the cost-effectiveness, quality of services and ability to integrate long-term care services associated with managed long-term care plans. The legislation gave the Insurance Department responsibility for oversight of several aspects of the program.

The Health Bureau is responsible for evaluating, approving and regulating matters relating to enrollee contracts which set forth the rights and obligations of the managed long-term care entity and enrollees. Contracts must comply with federal and state statutes and regulations. The Health Bureau is also responsible for evaluating, approving and regulating matters relating to premium rates charged to enrollees under the program. Rates are reviewed for reasonableness, sufficiency and compliance with laws and regulations. The Bureau also consults with the Commissioner of Health in establishing payment rates for services provided to enrollees eligible under Title XIX of the federal Social Security Act. In addition, the Health Bureau is responsible, in consultation with the Commissioner of Health, for oversight of the fiscal solvency of managed long-term care entities.

At the end of 1999, one managed long-term care demonstration program had been approved. The plan will become operational in the year 2000. The Health Bureau continues to work closely with the Health Department to implement the legislation and to make managed long-term care plans operational. Based on ongoing discussions and reviews, the Insurance Department anticipates additional programs obtaining approval and becoming operational in the year 2000.

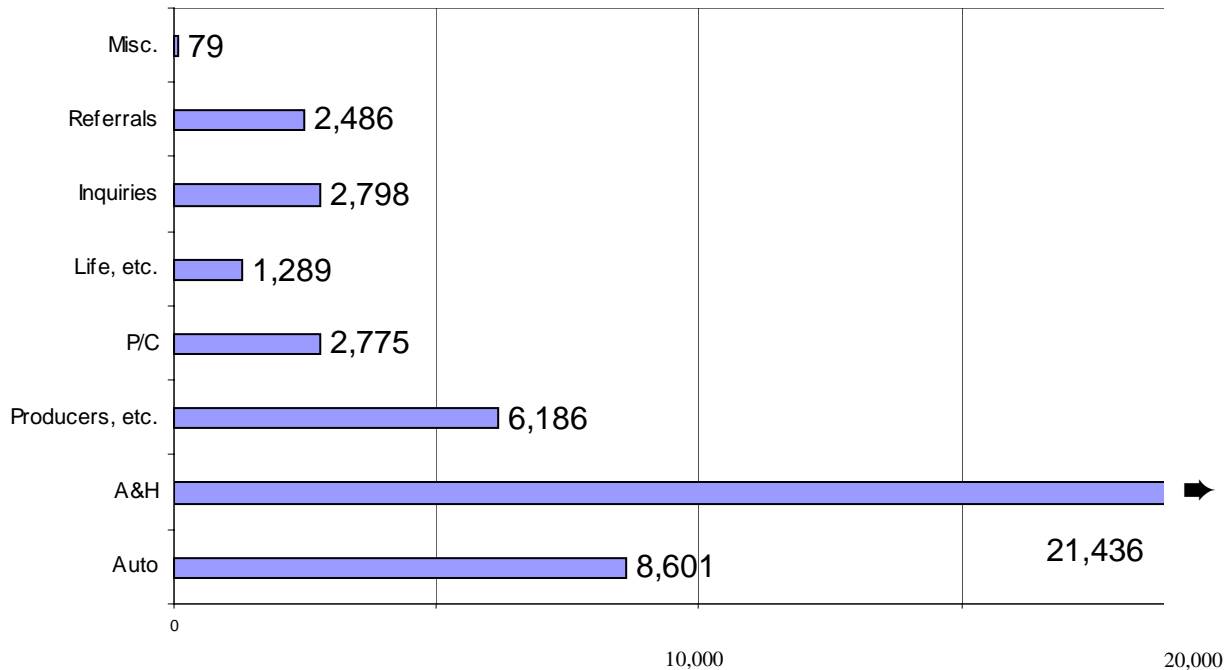
18. Medicare Supplement Insurance

On October 18, 1999, the Superintendent promulgated the Twenty-Fourth Amendment to Department Regulation No. 62 to be effective upon publication in the State Register on November 3, 1999. The amendment to Regulation 62 was in effect as an emergency measure since April 22, 1999. This amendment adopted revised minimum standards for the form, content and sale of Medicare Supplement Insurance as a result of changes to the federal minimum standards for Medicare Supplement Insurance enacted by the Balanced Budget Act of 1997 (Public Law 105-33).

D. CONSUMER SERVICES BUREAU

The Consumer Services Bureau is responsible for responding to consumer complaints and inquiries and investigating the actions of licensed producers. The Bureau closed a total of 52,737 cases in 1999. Of these, 34,180 involved loss settlements or policy provisions, of which 25% were automobile complaints, 63% were accident and health complaints, 8% were property and liability complaints and 4% were life and annuity complaints. An additional 7,087 cases were closed when the complainants failed to furnish additional information deemed necessary in order to proceed with the case. Another 6,186 cases involved complaints against agents, brokers and adjusters. Written inquiries accounted for 2,798 and referrals accounted for an additional 2,486 cases. In total, the Bureau received 67,186 cases during 1999.

**Total Complaints & Investigations Closed
Consumer Services Bureau
1999**



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 approximately 7000 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 Foundation and was authorized by the Governor and state legislators in 1989. Private insurers began offering Partnership contracts in 1993. Many long term care insurers have responded to the demand for long term care policies qualifying for favorable federal tax treatment and are offering Partnership policies that qualify for such treatment.

The Partnership 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 of the Aging on consumer education.

1. Prompt Payment Statute

Section 3224-a of the New York Insurance Law, known as the "Prompt Payment Bill," became effective January 22, 1998. Under the statute, insurers and HMOs are required to pay undisputed health insurance claims within 45 days of receipt.

To ensure the prompt payment of claims to doctors, hospitals and insureds, and to ensure compliance with all other provisions of this statute by health insurers and HMOs, the Consumer Services Bureau committed significant resources to the handling of complaints regarding the delay in payment of health insurance complaints.

As a result of this effort, during 1999 the Department fined 27 insurers and HMOs a total of \$345,200 for violation of the prompt payment statute. The Consumer Services Bureau continues to take enforcement action against health insurers and HMOs who continue to violate the prompt payment statute by levying periodic fines and increasing the amount of the fines for repeat offenders.

2. External Review

As of July 1, 1999, New Yorkers are entitled to an independent external review when health care services are denied on the basis that the services are not medically necessary or are experimental and/or investigational. The Department of Insurance accepts applications for external appeals, determines eligibility of applicants, and assigns the application to an external appeal agent after reviewing for conflict of interest. If an HMO is involved, the Insurance Department notifies the Department of Health.

The law applies to final adverse determinations issued by insurers and HMOs after July 1, 1999. Since that date and the end of 1999, this Department has received 558 applications for external appeals, 321 of which were assigned to external appeals' agents. As of December 31, 1999, approximately 50%, or 139, of insurers' and HMOs' final adverse determinations were overturned by the external appeal agents, and 147 were upheld.

3. Disaster Preparedness/Emergency Management

The Consumer Services Bureau responded to several natural disasters that occurred in New York during 1999. There was the Fourth of July windstorms, severe drought conditions during the spring and summer, tornadoes causing damage on Long Island in August and, in September, Hurricane Floyd causing flood and wind damages.

Consumer Services staffed the toll-free hotlines daily and on the weekends during these disasters. Bureau examiners assisted the State Emergency Management Office and provided assistance at SEMO headquarters. The examiners also attended several town meetings to assist consumers in filing their insurance claims. Constant contact was maintained with the major insurers writing business in the affected areas for updated claim figures and claim-handling abilities. These figures are used by the Governor when evaluating whether there is sufficient justification to request a Federal Disaster Emergency Declaration.

Consumer Services Bureau staff also were actively involved in preparing for any problems caused by the Y2K bug. Examiners staffed the Department's site at SEMO headquarters throughout the New

Year's weekend. Back-up procedures were established by the Bureau to provide continuous service to the public for External Review Law requests. Bureau staff have participated in various outreach seminars throughout the state in order to educate the public about the Y2K preparedness of the insurance industry.

4. Other Bureau Activities

a. Imaging

The Bureau continues to expand on the Consumers' Information and Imaging Management System (CIIMS) project. Over 61,000 cases have been processed and investigated using CIIMS technology since going into production in November of 1998. Over 800,000 documents have been scanned and processed using CIIMS. All offices of CSB are now fully functional in CIIMS. FAX IN capabilities, which allows for responses to be routed directly into CIIMS, is now available and eliminates the need for paper responses. This further improves on the speed and efficiency of processing cases.

In 1999, the Consumer Services Bureau was awarded a certificate of recognition for CIIMS by the Government Technology Conference Advisory Board. The Department continues its efforts to improve customer service through the use of technology.

b. State Fair, Conferences & Festivals

Bureau examiners staffed the Department's information booth at the State Fair in Syracuse from August 26 through September 6, 1999. For the first time, the Department staffed an information booth at the Erie County Fair in Hamburg from August 12 to August 22, 1999. At both booths, the examiners answered consumer questions, took complaints and distributed the Department's various consumer guides and booklets. Approximately 14,000 publications were distributed to the public at the State Fair and approximately 12,000 publications were distributed to the public at the Erie County Fair.

The Bureau also participated in and staffed information booths at various fairs and conferences. In addition, 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 non-profit organizations. The Committee meets to share program initiatives with peers in an effort to keep abreast of consumer concerns.

c. Miscellaneous

The Bureau continued to provide speakers as part of its program of assistance to senior citizens and groups 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 citizens. In addition, the Bureau has been called upon by the Health Care Financing Administration to provide educational training to their beneficiaries (during "town meetings") who have been terminated from Medicare HMOs that withdrew from the marketplace. Availability of other options and portability of coverage in New York State assisted many New Yorkers find alternative coverage.

The Consumer Services Bureau representatives participated in educational seminars involving many New York resident and health care providers on the new legislation allowing insureds to file for an external appeal of their health plan adverse determination. Bureau representatives, along with representatives from the Department of Health, have made statewide presentations on how the new process works.

TABLE 50
CONSUMER SERVICES BUREAU CASES
INVOLVING LOSS SETTLEMENTS OR POLICY PROVISIONS
CLOSED IN 1999

Line of Business	Total Processed	Upheld	Adjusted in Consumers Favor	Not Upheld	Other Action Taken ^a
Total	34,180	7,394	3,066	15,302	8,418
Life and Annuities, Total	1,289	252	166	596	275
Individual Life	1,045	222	137	467	219
Individual Annuity	101	19	9	38	35
Group Life & Annuity	132	8	19	86	19
Viatical Settlements	1	0	0	0	1
Credit Life	10	3	1	5	1
Accident & Health, Total	21,436	4,465	1,590	10,519	4,862
Individual Accident & Health	296	55	48	144	49
Group Accident & Health	4,245	688	349	1,715	1,493
Artice IX-C Corps	12,928	2,716	587	7,195	2,430
HMO	2,885	879	517	1,145	344
Medicare	543	24	31	57	431
Medigap	157	21	25	86	25
Long Term Care	38	5	6	24	3
Health Alliance	0	0	0	0	0
Medicaid	209	61	6	89	59
Municipal Co-Ops	18	4	3	7	4
Credit Disability/Disability Income	117	12	18	63	24
Auto, Total	8,601	2,060	974	3,111	2,456
Auto, Liability (B.I.)	663	143	78	351	91
Auto, Liability (P.D.)	2,219	299	331	796	783
Auto, Physical Damage	1,273	184	199	552	238
No Fault	4,446	1,434	366	1,412	1,234
No Frills stated value	0	0	0	0	0
Other Property & Liability, Total	2,775	607	321	1,041	806
Liability Other Than Auto	227	27	28	70	102
Professional Malpractice	14	2	0	7	5
Fire & Extended Coverage	44	2	4	22	16
Homeowners	1,074	141	128	455	350
Inland Marine/Ocean Marine	25	2	3	12	8
Workers' Compensation	1,022	380	122	347	173
Commercial Multiple Peril	272	38	25	100	109
Burglary & Theft	1	1	0	0	0
Fidelity & Surety	48	9	5	11	23
Flood	5	0	0	1	4
Title	29	4	5	9	11
GAP	1	0	0	0	1
Service Contracts	13	1	1	7	4
Miscellaneous	79	10	15	35	19

^a Includes closed cases with the disposition of questions of fact and action suspended and/or arbitration

**TABLE 51
CONSUMER SERVICES BUREAU CASES NOT INVOLVING
LOSS SETTLEMENTS OR POLICY PROVISIONS
1999**

Subject of Cases or Investigations	Total Processed	Fines Revocations & Other Actions ^a	Upheld	Not Upheld
Total	6,186	5,022	276	888
Misleading Advertising	14	7	2	5
Application for License	1,645	1,627	7	11
Issuing Bad Checks	486	421	18	47
Rebating	7	3	0	4
Misrepresentation of Coverage	330	156	30	144
Excess Comp. Without Contract	44	24	2	18
Twisting	207	81	65	61
Violation of NYIA/NYPIUA Rules	391	330	9	52
Commission Disputes	70	60	5	5
Return Premium Producer	115	46	6	63
Other Violations of Insurance Law	300	157	82	61
Violations of Other Law	35	26	0	9
Incorporators and/or Directors	1,458	1,458	0	0
Illegal Insurance Enterprise	1	1	0	0
Ending of Agency/Broker Account	92	69	10	13
Miscellaneous Complaints	27	16	1	10
Delay in Issuing Policy	2	2	0	0
Policy Status	1	1	0	0
Misleading Sales, Life	31	18	4	9
Miscellaneous	263	105	13	145
Fraudulent NYAIP Application	93	60	0	33
Acting without a License	7	4	0	3
Aiding Unauthorized Company	11	6	1	4
Misappropriation of Funds	208	156	10	42
Failure to Return License	43	41	1	1
Voluntary Surrender of License	7	6	0	1
Return Commissions	24	19	0	5
Advertisements	57	15	5	37
Other	217	107	5	105

^a Including license and incorporators' and/or directors' approvals.

E. INSURANCE FRAUDS BUREAU

1. General Overview

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 Insurance Department. Its primary mission is the detection, investigation and referral for prosecution of individuals and groups that commit insurance fraud. IFB staff consists of 32 investigators organized into eight specialized units: Arson, Automobile, Fraudulent Cards, General, Medical, No-Fault/Organized Fraud, Workers' Compensation and Upstate, each of which is headed by a Supervising Investigator. General oversight of the investigative staff is the responsibility of the Chief Investigator with the assistance of one Principal Investigator. The investigative staff are designated by the Superintendent as "peace officers" as defined in Section 2.10 of the New York State Criminal Procedure Law.

The Bureau also has a staff of four insurance examiners who work under the supervision of a Principal Examiner, and an Assistant Director of Research who reports to the Director and Deputy Director. In addition, six support staff members report to the Secretary to the Director. The Bureau is headquartered in New York City, with offices in Albany, Buffalo, Mineola, Oneonta, Rochester and Syracuse.

2. 1999 Highlights

The year's accomplishments include:

- IFB chalked up a record 390 arrests in 1999. The number of criminal convictions, at 194, was almost double the previous year's total of 101.
- The Bureau launched an electronic fraud reporting systems for insurers. Currently, about 25% of all reports are submitted electronically. The Bureau's goal is 100% by year-end 2000.
- The Bureau approved 146 Fraud Prevention Plans covering 420 insurers. Of these, 126 are up and running. The remaining 20 plans are required to be implemented within the first two months of 2000.
- The Bureau expanded its program to increase communication and interchange with the staff of insurer Special Investigations Units. Our staff met with about 300 representatives from more than 100 insurance companies during the past year.
- The Bureau issued its first Manual of Procedures in August. The Manual is designed to provide direction to Bureau staff in the performance of their day-to-day operations.
- IFB sponsored two all-day fraud conferences during the year – one in May, the second in November. Representatives from the industry, law enforcement and Department staff discussed issues of mutual concern.
- IFB went online in May with the launching of the Department's Frauds Resource Center. The Site provides a wealth of information for consumers, insurers and producers and is updated regularly.

- IFB published a consumer brochure, "Welcome to the New York State Insurance Frauds Bureau," to acquaint the public with the operations of the Bureau and to enlist their help in the fight against insurance fraud.
- IFB initiated an electronic case management system in June, designed to enhance the efficiency of investigators, while at the same time providing supervisors with an innovative and effective way to monitor investigator performance and case progress.

3. Administration

The Insurance Frauds Bureau has renewed its pledge for the Year 2000 to build a strong, cohesive team within the Bureau. To that end, we have established a Mentoring Program to encourage a spirit of cooperation and teamwork among the staff. Under the program, newly hired investigators are assigned to a specific investigator who acts as a mentoring supervisor. The mentor is an advisor to the new investigator, offering guidance and help during the learning process. When new investigators are assigned to one of the Bureau's specialized units, the mentor and a senior investigator provide hands-on direction. Our goal is a better-trained, professional investigative team that will produce more quality investigations and higher arrest/prosecution rates.

Our teambuilding efforts also extend outside the Bureau and we have set a goal of meeting with every insurer, police department and prosecutor in the State during the coming year. We have developed a program to accomplish this objective. The Bureau held two day-long fraud conferences in 1999, each attended by about 250 members of insurer Special Investigations Units (SIUs), prosecutors and Department staff. These conferences focus on issues of mutual interest (e.g., workers' compensation fraud, e-commerce, etc.) and will continue in 2000. In order for these conferences to meet the needs of insurers, we have added a feature to our Web site that allows insurers to offer suggestions for future conferences online and transmit those comments electronically to the Bureau.

Moreover, we have taken a number of additional steps to ensure that the important lines of communication between the Bureau and our customers remain open, including:

- Developing a series of training and education seminars for the industry to provide guidance on matters ranging from proper fraud reporting to the provisions of Regulation 95. During 1999, we conducted such seminars for all of CGU, State Farm and Atlantic Mutual.
- Participating in the Summer College for District Attorneys for the first time in 1999. The program is sponsored each year by the New York State District Attorneys Association to train prosecutors from across the State on innovative and effective techniques for investigating and prosecuting illicit activity. We are committed to being an active participant in this seminar every summer.
- Modernizing the Fraud Report Form to elicit more specific and accurate information. The enhanced information will help expedite the Frauds Bureau's review process and ensure a prompt investigation of each report.
- Creating a Triage Unit to screen all fraud reports so that those with the greatest potential for prosecution will be promptly assigned and an investigation will be initiated. The Triage supervisor will work closely with the industry to carry out a systematic education program on proper fraud reporting. Accurate and thorough reports will lead to prompt assignment, stronger cases and more successful prosecutions.
- Initiating a program of networking with district attorneys across the State. This program has begun to bear fruit as reflected in our year-end statistics. Counties such as the Bronx, New York, Richmond and Westchester, which were among the least productive counties in 1998 in terms of

arrests, were among the most productive counties in 1999. Our persistent outreach has helped forge strong working relationships with the prosecutors in these counties, a benefit we intend to maintain and build upon. In addition, it is our intention to focus attention on some of the smaller upstate counties that have traditionally been overlooked in terms of fraud investigations. Investigators from our upstate offices will visit the prosecutors from these counties and make them aware of who we are, what we do and the many ways we can help them in their fight against insurance fraud.

- Conducting regular training sessions for law enforcement agencies, such as the New York City Police Department Auto Crime Division and the New York State Academy of Fire Science to enhance team effort in investigating insurance fraud. This program will be expanded to include many more police departments in the coming year.

Additional goals for 2000 include the following:

- Readjust resources in order to investigate and prosecute more medical fraud, including health care providers, laboratories and operators of medical mills;
- Begin the audit process for SIU compliance with the provisions of Regulation 95 and identify fraudulent acts more efficiently;
- Encourage better quality and more widespread fraud advertising;
- Evaluate insurer report information and produce the first in-depth analysis of the implementation of the Fraud Prevention Plans;
- Achieve 100% electronic fraud reporting by insurers by year end;
- Perfect a tickler system to enhance our new case tracking system;
- Create a TIPS program to encourage insider information;
- Increase staff in Rochester and Syracuse and expand facilities in Oneonta to better serve the residents in the central and western areas of upstate New York.

4. Investigations

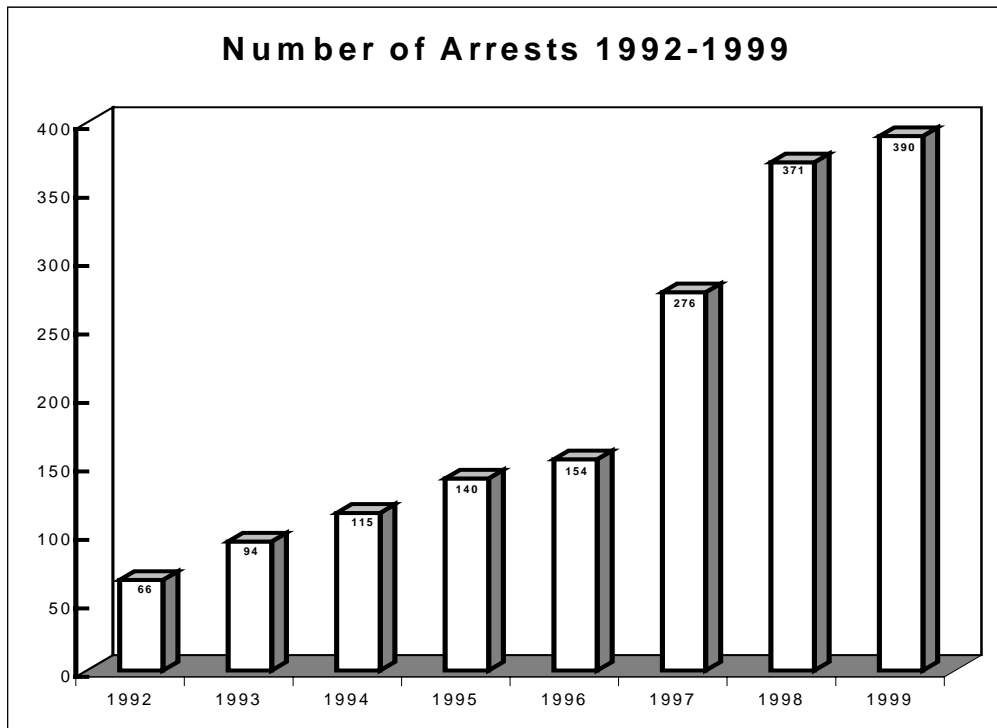
During 1999, the Frauds Bureau received 19,196 reports of suspected insurance fraud, down from 21,170 the previous year. Of these, 19,106 were received from licensees required to submit such reports to the Department and 90 from other sources such as consumers and anonymous tips. A total of 1,238 new investigations were opened during the year. At the same time, investigators continued work on cases pending from prior years.

These efforts led to the referral of 161 cases to prosecutorial agencies for criminal prosecution and 134 being civilly settled or referred to the Office of General Counsel for civil proceedings.

5. Arrests and Prosecutions

During 1999, the Insurance Frauds Bureau took part in investigations leading to the arrests of 390 individuals for insurance fraud and related crimes, outpacing last year's record of 371. This represents a 240% increase in arrests since the beginning of the Pataki Administration and reflects the strong support the Bureau has received from the Governor and the Legislature. This support has enabled us to increase our investigative staff, to create a No-Fault Unit and to strengthen our collaboration with the

industry, with law enforcement and with prosecutors. In addition, we have expanded our education program for the staff of insurer Special Investigations Units to promote more thorough and accurate reporting of suspected fraud. During 1999, prosecutors obtained 194 criminal convictions and 166 individuals were sentenced in connection with IFB cases.



IFB activities resulted in stiff fines levied against 78 individuals who were sentenced to more than \$4.1 million in court-ordered restitution. In 25 cases, individuals made voluntary restitution to insurance companies totaling an additional \$317,417. In 52 instances, insurers were able to achieve savings totaling more than \$2 million with respect to fraudulent claims under investigation by IFB.

6. No-Fault Unit

In 1999, the Frauds Bureau established a No-Fault Unit to focus on the mounting problem of fraudulent medical claims submitted under no-fault automobile insurance coverage. The Bureau has seen reports of suspected fraudulent no-fault insurance claims increase by 218% since 1994. Nearly half (48%) of the 19,196 reports of suspected insurance fraud received by the Bureau in 1999 involved no-fault auto insurance.

Many of these reports involve organized fraud rings that operate “medical mills.” These sophisticated conspiracies involve lawyers who coach clients on how to exaggerate medical conditions to provide ammunition for a lawsuit, as well as unethical doctors, physical therapists and suppliers of durable medical equipment who help document those claims with unnecessary treatment or with bills for treatment never performed. Such schemes are widespread and are among the most costly forms of insurance fraud, inflating auto insurance premiums in New York State. A single ring can cost the insurance system millions of dollars a year.

Investigations of these cases are complex and lengthy, and require a high degree of teamwork and cooperation among IFB staff, insurers, law enforcement agencies and district attorneys. In one such case, the Bureau worked with the Brooklyn District Attorney’s Office to close a network of six medical mills involved in a scheme that defrauded 12 major insurance carriers of more than \$5 million. In June,

a 140-count indictment charged that the defendants made payoffs to “steerers” who brought individuals purportedly involved in automobile accidents to the medical mills as patients; fraudulently billed insurers for unnecessary and/or unperformed medical visits, procedures and physical therapy under the patients’ no-fault auto insurance; fraudulently billed insurers for durable medical equipment using forged doctors’ prescriptions; and fraudulently billed for tests such as CAT scans and MRIs based on forged and false medical reports.

Four defendants in this case subsequently pled guilty in satisfaction of the charges. However, Progressive, Allstate, GEICO and Travelers Insurance Companies have initiated a \$15 million RICO (Racketeering Influenced Corrupt Organization) lawsuit against these defendants.

7. Workers’ Compensation Unit

As part of historic reform legislation signed into law by Governor Pataki in 1996, the Frauds Bureau established a Workers’ Compensation Unit which began operations in February 1997. The Unit scrutinizes every report of suspected workers’ compensation fraud received from every source – the industry, the public and anonymous tips. The Unit works closely with the New York State Workers’ Compensation Inspector General and his investigative staff to coordinate efforts.

In April, as a result of a joint investigation by the Insurance Frauds Bureau, the Queens District Attorney’s Office, the Workers’ Compensation Inspector General and the State Insurance Fund, 20 individuals were arrested on charges of bilking the State Insurance Fund and various commercial insurers of more than \$300,000 in workers’ compensation benefits.

The charges included falsely claiming disability, cashing benefit checks issued to deceased relatives and other fraudulent schemes. One of the largest thefts involved a woman accused of stealing over \$75,000 from an insurer. She claimed on-the-job injuries in 1992 and over a five-year period collected benefits while working as a cleaning woman.

8. 1999 Major Cases

The Frauds Bureau investigated several additional major cases during 1999 with successful results. The following are prime examples:

a. Ten Arrested in Frauds Sweep

In July, 10 New York residents were arrested on various charges of workers’ compensation fraud following a sweep in western and central New York State. Those arrested included a county dog catcher, health care workers, laborers, and a sitting Town Justice. Collectively, they allegedly received a total of \$138,704 in workers’ compensation benefits with the potential to defraud the workers’ compensation system of an additional \$700,000. The arrests were the result of a joint investigation conducted by the Insurance Frauds Bureau, the Workers’ Compensation Inspector General, and the State Insurance Fund.

b. Investigation Smashes Jetski Distribution Network

The Bureau worked with the Queens District Attorney’s Office, the New York City Police Department Harbor Unit and a number of other law enforcement agencies to crack an illegal jetski distribution network. The case involved an intricate scheme to steal or obtain by insurance fraud jetskis and jetboats from the New York Metropolitan Area for resale in Puerto Rico. The case ended in December with the indictment of 55 individuals on charges of criminal enterprise, insurance fraud and other crimes. Those indicted include the owners of a lucrative jetski dealership in New York and the owners of a similar dealership in Puerto Rico. In a typical scenario, manufacturers sold the jetskis at a boat show in January, with no down payment required and no other payment due until September. The

manufacturers also frequently helped arrange financing and insurance. In the fall, the owners of the New York dealership, which sold the jetskis, recruited people willing to claim that their jetskis had been stolen. The jetski owners benefited because it spared them the expense of storing the skis over the winter, gave them the money from their insurance policy to pay off the loan and they received a "fee" from the dealership as well. The dealership benefited because it is believed that many of these same people would purchase new jetskis the following year.

Additional investigations are included in the *Insurance Frauds Bureau Annual Report* to the Governor and the Legislature of January 15, 2000. The Report is available on the Department's Web site at www.ins.state.ny.us, or in hard copy through the Publications Unit at 1-800-342-3736.

9. Cooperative Enforcement Efforts

The Western District of New York Health Care Task Force is composed of federal, state, and local law enforcement agencies including IFB. Its focus is fraudulent medical claims submitted to private insurance carriers, Medicare, and Medicaid. These fraudulent claims can be submitted by medical providers as well as by individuals.

During 1999, the Task Force completed its investigation of two doctors who pled guilty to health care fraud and saw its investigation of a local dentist culminate in a 157-count indictment on various charges of insurance fraud, including performing unnecessary dental work, billing a patient's new insurance plan for work paid for by a previous plan and getting patients to sign claim forms that did not state the services provided. In addition, an investigation into the activities of an organized émigré group initiated several years ago continued, resulting in one member of the group entering a guilty plea to filing a fraudulent claim.

The Frauds Bureau is an active participant in the Capital District Health Care Fraud Working Group in Albany. The group is composed of a number of federal and state agencies (e.g., the U.S. Attorney's Office, the U.S. Department of Health and Human Services, the U.S. Department of Labor, the New York State Office of Professional Medical Conduct, Medicaid Fraud), as well as health insurer SIU staff from the eastern part of upstate New York.

The Northern District of New York Health Care Investigators' Group in Syracuse includes staff from the Frauds Bureau, the U.S. Attorney's Office of the Northern District of New York, the FBI, the U.S. Department of Health and Human Services, the U.S. Department of Labor, Medicaid Fraud and SIU members from health insurance companies throughout central New York.

Both groups meet quarterly to discuss general and specific fraud issues in the health insurance industry. Instances of suspected fraud are presented to the group and methods of investigation are discussed. Prosecutors discuss the elements of evidence necessary to successfully prosecute a case and information is exchanged to aid in determining trends and patterns in insurance fraud.

The Frauds Bureau has been a member of the Oneida County Arson Task Force/Strike Force since its inception more than three years ago. Scarce resources have limited the Frauds Bureau's role to that of providing assistance on a case-by-case basis. It should be noted that the vast majority of arson cases being investigated by the Strike Force are not arson for profit, but are more commonly generated by motives of revenge or vandalism. The Bureau has made itself readily available to assist in any way possible.

10. Civil Enforcement Program

In 1992, the Legislature enacted Section 403 of the Insurance Law which authorized the Insurance Department to impose civil penalties of up to \$5,000 plus the amount of the claim on individuals who commit fraudulent insurance acts. In addition, Section 2133 of the Insurance Law permits a fine of up

to \$1,000 for possession of a fraudulent automobile insurance identification card and up to \$5,000 for each additional card possessed. These civil penalties give the IFB the authority to impose sanctions in cases where the monetary value is not sufficient to justify criminal prosecution, or in which the extremely high burden of proof required in criminal cases cannot be met.

In 1998, a total of \$313,398 in civil fines was imposed in 71 cases and \$93,904 in penalties was collected. In 1999, civil fines imposed amounted to \$304,011 in 78 cases, with \$230,097 collected. One of the Bureau's goals for 2000 is finding a more effective system for collecting civil fines. We have been working with the Department's Office of General Counsel toward that end.

**Table 52
CIVIL ENFORCEMENT PROGRAM ACTIVITY
1995-1999**

	1995	1996	1997	1998	1999
Fines Proposed	\$1,841,349.26	\$839,559.78	\$728,275.00	\$365,070.74	\$610,041.45
Reduction After Proposal	(\$17,692.00)	0	0	0	0
Gross Fines Proposed	\$1,823,657.26	\$839,559.78	\$728,275.00	\$365,070.74	\$610,041.45
Pending Criminal	(\$1,000,700.00)	0	0	0	0
Net Fines Proposed	\$822,957.26	\$839,559.78	\$728,275.00	\$365,070.74	\$610,041.45
Settlements With IFB	\$ 271,563.40	\$265,009.41	\$109,607.07	\$ 93,904.12	\$230,096.54
Hearing Determinations	\$ 820,633.00	\$728,390.23	\$454,972.50	\$219,494.11	\$73,914.00
Total Fines Imposed	\$1,092,196.40	\$993,399.64	\$564,579.57	\$313,398.23	\$304,010.54
Proposals Sent By IFB	691	553	157	118	127
Settlements With IFB	273	375	109	44	64
Cases Forwarded to OGC	206	186	181	53	70
Hearings Held	27	98	176	1	2
Determinations	20	96	108	27	35
Cases Sent To AG for Collection	14	49	69	2	0

11. Fraud Prevention Plan Implementation/Public Awareness

The Bureau met a major challenge in 1999 with the review and approval of all Fraud Prevention Plans – 146 plans covering 420 companies. We conducted an extensive outreach program for insurers to provide guidance in preparing their plans. Bureau staff met with about 300 representatives from more than 100 insurance companies and fielded thousands of telephone calls requesting information and assistance.

Moreover, at the persistent encouragement of the Bureau, January 2000 will mark the kick-off of several major public awareness programs aimed at educating New York residents about the existence of insurance fraud as a crime and its costs to all of us. The National Health Care Anti-Fraud

Association has put together a program for many health insurance companies licensed in New York. The NHCAA will concentrate resources on newspaper ads.

A second program is being launched by the New York Alliance Against Insurance Fraud, a group of property insurers, and will be directed toward radio advertising. Insurers that participate in these two programs are assessed for the cost based on their premium volume in New York State.

In addition, State Farm Insurance will place ads in several newspapers and outdoor bulletins will be placed in several locations, and Allstate Insurance plans television advertising. With these four major programs, the message will reach all areas of the State.

The Bureau plans to foster expansion of this public awareness campaign among insurers, with more frequent and more diverse fraud notices.

12. SIU Annual Reports

The Second Amendment to Regulation 95 provides that every insurer required to file a Fraud Prevention Plan (which includes the establishment of a Special Investigations Unit) must file with the Frauds Bureau an annual report by January 15 each year, describing the insurer's experience, performance and cost effectiveness in implementing the Plan. The report requires such indicative information as the number of policies and premium written in New York; the number of suspicious claims detected; the number of incidents of suspected fraud reported to the Frauds Bureau; and the total cost for the Special Investigations Unit. The report must also include the insurer's proposals for modifications to the Plan to amend its operations, to improve performance or to remedy observed deficiencies.

The first annual reports were due January 15, 2000. The following table presents the requested data, as received from those insurers required to file Fraud Prevention Plans, with the exception of seven that because of the effective dates of their Plans were not required to file an annual report in this first reporting year, as well as four companies whose reports were delayed or were not submitted. Of those companies that have filed Fraud Prevention Plans, five have not yet submitted an acceptable Public Awareness Program.

**Table 53
SPECIAL INVESTIGATIONS UNITS
Summary Data (Prior to Audit) – 1999**

Number of Policies:	249,036,930	
(3 companies did not report these data)		
Written Premium:	\$33,367,829,085	
(7 companies did not report these data)		
Number of Claims:	147,880,968	
(8 companies did not report these data)		
Amount Allocated for Claims:	\$26,801,420,691	
(16 companies did not report these data)		
Number of Suspicious Claims:	619,065	
(5 companies did not report these data)		
Amount Reserved for Suspicious Claims:	\$1,215,725,141	
(35 companies did not report these data)		
Number of Case Closed Without Payment:	36,607	
(9 companies did not report these data)		
Dollar Amount of Claims Not Paid:	\$205,592,722	
(17 companies did not report these data)		
Number of Non-Claim Investigations:	8,511	(Internal)
(13 companies did not report these data)	2,451	(Contract)
Dollar Value of Non-Claims Investigations:	\$81,425,090	(Internal)
(11 companies did not report these data)	234,748	(Contract)
Dollar Savings for Non-Claim Investigations:	\$65,267,387	(Internal)
(5 companies did not report these data)	209,944	(Contract)
Number of Incidents of Suspected Fraud Reported to Frauds Bureau:	27,683	
(All companies reported)		
Total Dollar Amount Saved by Insurers in Fraudulent Claims Not Paid and Other Non-Claim Fraud	\$271,707,503	
Cost of SIU:	\$63,169,962	(Internal)
(33 companies did not report these data)	2,870,776	(Contract)
Number of Investigators:	651	(Internal)
(30 companies did not report these data)	99	(Contract)

Note: "Internal" indicates the data were reported by a Special Investigations Unit established within an insurance company organization. "Contract" indicates the data were reported by an outside contractor employed by an insurer to perform the function of a Special Investigations Unit (as permitted by the Second Amendment to Regulation 95).

13. Circular Letters

On September 13, 1999, the Department issued Circular Letter No. 26 announcing the replacement of the Fraud Reporting Form. The new form is designed to elicit more specific information about suspected insurance fraud. The enhanced information will help expedite the Frauds Bureau's review process and ensure prompt investigation of each report.

On November 1, 1999, the Department issued Circular Letter No. 27 to advise insurers that legislation enacted by Governor Pataki made significant changes to the Penal Law and Public Health Law, strengthening efforts to combat health insurance fraud. The law also added a new subdivision to the Penal Law to define a fraudulent health care insurance act. Circular Letter No. 27 provides guidance to insurers and health maintenance organizations as to how these new provisions in the law should be understood and utilized.

14. Uninsured and Underinsured Motorists

The Frauds Bureau has taken a number of steps to detect and curtail the incidence of operating a motor vehicle without proper insurance coverage:

- Established a Fraudulent Identification Card Unit in 1998. The Unit includes several undercover investigators and is the busiest in the Bureau. Investigations by this Unit led to 81 arrests in 1999. In one case, a notorious location in the Bronx was targeted by an undercover investigator. The investigator, after purchasing bogus cards, obtained a search warrant and recovered numerous fraudulent cards. The entire operation was shut down, thus reducing the number of uninsured and underinsured motorists on the road.
- The Unit was given the additional responsibility of providing instruction at police academies and to the staff of street crime units. The Bureau trains these officers to identify fraudulent identification cards at traffic stops.
- The Bureau worked with the insurance industry to identify commercial clients without proper insurance coverage, including rate evaders. These are usually livery vehicles operating within New York City but registered outside city limits.
- The Bureau redesigned the Fraud Report Form to include the vehicle identification number and license plate information which enables the Triage Unit to quickly assign cases to the proper investigative unit. It also allows Bureau staff to track bogus vehicles by registrants' names and addresses. In addition, the Bureau coordinated with the Department of Motor Vehicles a method that allows DMV to take appropriate action against registrants without proper insurance coverage.
- Together with other law enforcement agencies and insurers, the Frauds Bureau participates in and supports DMV's efforts to reduce the number of uninsured and underinsured drivers. The Bureau is a member of the Insurance Information and Enforcement System Committee to design and implement a bar code system for insurance identification cards. Such bar-coded cards will provide specific information, e.g., profile of the owner, address, insurance company, type of vehicle and vehicle identification number. Such a system is difficult to compromise.
- The Bureau worked with industry to maintain strict compliance with identification card inventories.
- We participated in discussions with the Automobile Insurance Plan (the Assigned Risk Plan) to identify and prevent fraudulent practices by brokers.

15. Director's Award

The Director's Award is presented every year to an individual or group that consistently stands out in the fight against insurance fraud. Two Awards were presented in 1999. Sergeant James Hand of the New York City Police Department, Deputy Commissioner – Operations, received the Award for his outstanding efforts in combating the problem of fraudulent auto insurance identification cards. Sgt. Hand, as a member of the NYPD computer management section, worked directly with the Frauds Bureau and provided invaluable assistance in several of our fraudulent card investigations. A second Award was presented to a team of police officers from the New York City Police Department Auto Crime Division. Lt. Michael Byrne, Sgt. William McCann, and Detectives Robert Magrino, Richard Smith, Chris Hesse, Joseph Clark, John Stiasny and Michael Beatty initiated a major investigation that led to the arrest of five individuals for insurance fraud. Their investigation uncovered an auto repair shop dealing in stolen cars and enhanced damages.

16. Directions for 2000

a. Medical Insurance Fraud

The Frauds Bureau plans to develop more medical insurance fraud cases in the upcoming year, using a three-pronged approach:

- Conduct more undercover operations. This program is already underway and has proven successful.
- The supervisor of our new Triage Unit will work closely with insurers to develop cases of this kind. Insurer audits of medical providers and suppliers of durable medical equipment can be used to build strong cases.
- Eventually shift investigators from the Fraudulent Auto Identification Card Unit to the Medical and No-Fault Auto Units. This shift would be entirely feasible when a new program at the Department of Motor Vehicles (DMV) becomes operational. Under the new program, insurers would transmit insurance information electronically to DMV where it would be stored in a database, thus eliminating the need for insurance identification cards.

b. Fraud Prevention Plan Audits

A significant challenge for 2000 will be auditing the 146 Fraud Prevention Plans to ensure compliance with the provisions of Regulation 95. Bureau staff will conduct on-site audits to monitor insurers' compliance with the provisions of the Regulation. Staff will also audit outside contractors not licensed by the Department. The audits will include a review of all major segments of the fraud plans, such as a random review of closed claims, a review of fraud detection and procedures manuals, and an examination of in-service training programs for investigative, underwriting and claims staff for identification and evaluation of suspected fraud.

For those insurers that are relatively small, we estimate that each audit would be completed in a week. For larger insurers and those with multiple sites (which may be located throughout New York State and in some cases outside the State), staff may combine efforts to complete the audits. We expect the initial audits to be completed within three years. Each plan will be audited triennially thereafter.

Initially the audits will provide guidance to insurers in developing and implementing plans that will carry out the mandate of the legislation. Going forward, the audits will ensure that any deficiencies within the plans will be promptly addressed and remedied, thus rendering the plans stronger and more effective.

In addition, the audit function would send a strong message to the insurance industry that mere submission of a Fraud Prevention Plan is not sufficient, that in addition, the requirements as specified in Regulation 95 must also be properly carried out. We believe it is necessary for the Frauds Bureau to manifest a forceful and meaningful presence in this process. If we are to be successful in detecting, investigating and ultimately preventing insurance fraud, we must ensure that the provisions of the plans are fulfilled, that the insurers' Special Investigations Units are established and staffed in compliance with the specifications of the law and that such staff perform the activities prescribed in the Regulation. On-site audits are essential if we are to achieve this goal.

The Second Amendment to Regulation 95 also requires insurers to submit to the Department by January 15 each year a report describing the companies' experience, performance and cost effectiveness in implementing their fraud plans. The reports must also include the companies' proposals for modifications to the plans to amend operations, to improve performance or to remedy observed deficiencies. These data must be evaluated by the Frauds Bureau and a report prepared and submitted to the Governor and the Legislature.

c. TIPS Program

During 1999, the Bureau conducted extensive research into the feasibility of an arrangement to offer a reward of \$1,000 for information leading to the arrest and conviction of anyone committing insurance fraud. Such a TIPS program would encourage insider information which can produce strong evidence about illegal activities and the players involved. Establishment of a TIPS program would require legislation and we have requested such legislation.

17. Proposed Legislation

The Frauds Bureau requests and/or supports the following legislative changes:

- Modifying the reporting date for Annual Frauds Report (Section 405 of the Insurance Law) from January 15 to March 15 of each year;
- Modifying the reporting date for the Special Investigations Units annual report (Section 409 of the Insurance Law) from January 15 to February 15 of each year;
- Creating an Audit Unit within the Frauds Bureau to conduct on-site audits of insurer Fraud Prevention Plans to ensure compliance with Regulation 95;
- Establishing minimum standards for the public awareness programs that insurers are required to develop under the provisions of Regulation 95;
- Establishing a TIPS program;
- Creating 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;
- Subjecting unlicensed activity to civil penalties after notice and hearing before the Insurance Department;
- Providing for automatic revocation of licenses under Article 21 of the Insurance Law for conviction of the licensee for felony larceny or felony insurance fraud;
- Requiring that life insurance policy applications include a permanent record of identification of the insured;
- Extending immunity to persons who provide assistance to the Insurance Frauds Bureau in connection with its investigations or in connection with investigations conducted jointly by the Bureau and other law enforcement agencies;
- Facilitating the collection of fraud data by providing that the Insurance Frauds Bureau shall act as the collection resource for such data;
- Increasing civil penalties for knowing possession, transfer or use of fraudulent insurance documents;
- Defining a new series of crimes relating to insurance fraud that involve false entries upon the books of account of insurers or in reports or documents submitted to regulatory officials or embezzlement from insurers, and also of new crimes involving threats or force or the use of threatening letters or communications to corruptly influence, obstruct or impede the proper administration of the Insurance Law;

- Prohibiting the participation of individuals in the insurance business who have been convicted of felonies involving dishonesty, breach of trust or other violations of Article 176 of the Penal Law unless such persons first obtain the written consent of the Superintendent of Insurance for such activities;
- Including the Superintendent of Insurance as a member ex officio of the Motor Vehicle Theft and Insurance Fraud Prevention Board and permit state agencies to be eligible for grants from the fund administered by such Board;
- Amending Section 2111 of the Insurance Law to prohibit a revoked licensee from becoming employed in any capacity by an entity subject to the provisions of Article 21 without the prior written approval of the Superintendent;
- Requiring a periodic certification of continued eligibility by recipients of workers' compensation or disability benefits;
- Increasing penalties in the Vehicle and Traffic Law to reduce the number of uninsured or unlicensed motorists driving in New York State;
- Requiring no-fault and workers' compensation insurers to provide explanations of benefits in response to claims filed for health care services under those programs; and
- Upgrading the status of Insurance Frauds Bureau investigators from peace officers to police officers, enabling them to act independently in the execution of such tasks as search and arrest warrants, court orders relating to surveillance and summary arrests.

Section 405(d) of the New York 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 operations of the Frauds Bureau. The 1999 *Insurance Frauds Bureau Annual Report* is available on the Department's Web site at www.ins.state.ny.us. Hard copies may be obtained through the Department's Publications Unit at 1-800-342-3736.

F. LIQUIDATION BUREAU

During 1999, the Liquidation Bureau of New York State Insurance Department celebrated its 90th year of operations. The year was one of the most successful and productive in the Bureau's long history. The following is a summary of the year's major accomplishments:

1. Closed and made a final distribution of assets for thirteen estates. A fourteenth estate was in court awaiting a termination order at year-end. The order was entered January 21, 2000. In addition to the estate closings, the Bureau also effected the final dissolution and distribution of assets for 28 burial societies and other fraternal benefit organizations.
2. The Bureau, through court orders, assumed responsibility for the administration of four additional estates in 1999. They are as follows: Aetna Health Plans of New York, Inc., in Liquidation, Contractors Casualty & Surety Company in Rehabilitation, then Liquidation, Rochdale Insurance Company in Rehabilitation and Belvedere Insurance Company, Ltd., in Conservation. Including these entities, the Bureau was responsible, on behalf of the Superintendent of Insurance, for the administration of fifty-four estates at year-end.
3. Under the Bureau's fiduciary responsibilities to these estates and on behalf of their policyholders, we paid out \$124.8 million in claims and return premium. Executive Life Insurance Company of New York in Rehabilitation (ELNY) paid out an additional \$138 million in benefits to over 10,000 active policyholders.
4. On behalf of the estates in liquidation, the Bureau was able to make distributions to the New York State Security Funds, other states' guaranty funds and general and reinsurance creditors in excess of \$131.0 million. These distributions were made possible by the successful marshalling of assets through higher investment income, reinsurance settlements and litigation awards. Effective control of the operating and administrative expenses resulted in another year of favorable budget variances.
5. The Bureau met all of the Y2K compliance goals, and none of the Bureau's major systems were affected by the changeover to year 2000. A positive benefit was an upgrading of much of the Bureau's software and equipment. With the assistance of the MIS Division, the other divisions have automated several functions, enhanced current systems and established interfaces, which have resulted in improved accuracy and a reduction in duplication of data entry.
6. In an effort to expedite the closing of several of the current estates, the Bureau has entered into agreements with the State Insurance Fund. Under the agreements, the Fund will assume the liability for and administration of workers' compensation claims for designated estates.
7. Under the direction of the Executive Division, all of the operating divisions participated in a joint effort which produced "The NYLB Guidelines for On-Site Management of Domestic Insurers Placed into Rehabilitation or Liquidation". This definitive manual was an invaluable aide in the administration of this year's new estates. The manual is detailed enough to be a guide for the operation of all future estates regardless of size and complexities.

(See Section VIII for Rehabilitation, Liquidation, Ancillary Receivership and Conservation Proceedings)

G. INFORMATION SYSTEMS & TECHNOLOGY BUREAU

The Information Systems & Technology Bureau (Systems) supports the Insurance Department's technical infrastructure, and provides technology products and services to more than 900 employees. Systems' clients include insurers, the public, federal, state and local agencies, actuaries, clerks, examiners, frauds investigators, real estate appraisers, lawyers, researchers and statisticians.

Systems provides a variety of support services including troubleshooting, training, consulting, maintenance and research and development. A Help Center has been established to support Department-wide information technology initiatives including customized and commercial off-the-shelf applications, office automation, 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 (OCR) and electronic data interchange (EDI).

The Bureau has offices in New York City and in Albany. The Bureau has developed a flexible organization structure that is based on functional rather than geographical orientation. Using this approach, Systems has eliminated duplicative efforts and redundant management structures, while facilitating the Department's common needs.

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

The Financial Services Unit (FSU) works with applications that are specifically designed to handle, process and analyze thousands of insurer financial statements. FSU is responsible for the automation, verification, troubleshooting, updating and maintenance of the annual statement, supplement and other electronic data capture projects, which form the Department's integrated financial database. The FSU assists clients with all NAIC and all of the Department's automated financial analysis tools used for monitoring insurer solvency, liquidity and profitability. The unit also is responsible for managing the integrated financial general ledger and accounts receivable systems, supporting approximately \$ 300 million in revenue accounts.

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

The Technical Services Unit (TSU) maintains advanced computing platforms in the mainframe, server, LAN, WAN, and microcomputer categories. TSU is responsible for data communications, database administration, network installation and maintenance, mainframe maintenance, and all third-party software installation and maintenance. Some of these responsibilities are being shifted to Operational Services.

The Operational Services Unit (OSU) is responsible for production and for the Computer Operations, and Help Center functions. The Help Center is the first line of support in assisting the client base, and encompasses a wide range of significant responsibilities and functions.

The Project Office makes use of the team approach to accomplish large, complex projects as well as those of a special or unique nature. Examples included Web site and Intranet development, field examination IT support, Y2K readiness, work on joint agency initiatives (Office for Technology Joint HRM, DMV Insurance Enforcement, etc.), IT Strategic Planning, Consumer Imaging and Information Management System (CIIMS) and Licensing Information Online Network (LION).

Systems operates several powerful servers which comprise our Local Area Network (LAN) and Wide Area Network (WAN) environment. Components of the network include file and print servers, Lotus Notes e-mail servers, Sybase servers, and imaging and document management servers. Other application servers include a fax gateway and a batch-processing server. Two Novell NetWare networks are now maintained. In 1999 these networks were converted from 16-megabit Token Ring to 100-megabit Ethernet topology, part of a series of speed and reliability enhancements made during the year. TSU supports a WAN connecting Albany, New York City, Buffalo, and Mineola to the LANs.

Growth and increased use of the Department's Web site continues to be notable. Visits to our site have been growing steadily. In the fourth quarter of 1999, the number of monthly visitors to the site increased from 35,100 to 90,600. The Web site has also received numerous accolades from the insurance industry, other governmental agencies and consumers.

The strength of our Web site is a function of its depth of content and the speed with which it is updated and kept current. During 1999, the site was redesigned to improve its navigability and aesthetics. A Search facility was added to make it easier to find specific items of interest. The following major items were posted to the Web site during 1999:

- The complete set of Annual Statement instructions and forms
- Insurance Frauds Resource Center including the Insurance Frauds Bureau Annual Report and updated statistics
- Health Insurance Resource Center
- Homeowners Resource Center
- Consumers Guide to Automobile Insurance
- Small Business Guide to Health Insurance
- Publication on-line order form
- Numerous proposed, emergency and final adoptions as well as the Department's Regulatory Agenda
- Over 100 news releases, 40 circular letters and several Human Resources advertisements
- Product outlines to guide insurers when submitting Life and Annuity product filings
- Guidance for insurers when submitting Accident and Health Insurance form and rate filings
- Life Bureau's Valuation Year-End Forms and Instructions
- External Review Agent Application and Law
- Video and audio clips of the Superintendent's and First Deputy Superintendent's opening remarks from S. 900 Current Issues Seminar
- Video clips of the Metropolitan Life demutualization hearing

Plans for the future include: upgraded offerings from our Internet Service Provider to include enhanced security and e-commerce services; Licensing and Continuing Education e-commerce interactivity; a Small Businesses Section; an Insurance Information and Enforcement Section; posting the Fire Tax Manual; a site map; and compliance with the Office for Technology's web accessibility guidelines and "Life Events" mandates.

Our Intranet debuted on April 1, 1999. It's initial content included various forms, templates, handbooks, training and NAIC information. Since it's inception, the General Administration Manual, a Directory of Employees and a compendium of S.900 informational items, including audio clips and a special pop-up window have been posted to the Intranet. Of particular note is the inclusion of daily news clips from the Dow Jones news wire service and a weekly NAIC E-News feature.

Plans for the future of the Intranet include: re-designed Home Page; secure Examination Schedule Section; Health Examination Resource Center; Risk Based Examination Section; Capital Markets Section; posting all internal Department forms and GORR templates; the Consumer Services Bureau Agency Services Representative Manual; Annual Statement Repository Section; and a Search feature.

Circular Letter 15 (1999) changed the process by which companies receive Annual Statement Instructions and Forms from the Department. Insurance companies are now required to download all forms and instructions from our Web site. Although we did provide a basis for mailings to insurers without access to the Internet, we ceased mass mailing of the forms and instructions with the end result being substantial savings (\$ 50,000) to the Department in printing and mailing costs.

1999 was a significant year as we began developing the processes that will change the way the Department will receive Annual Statement filings for years to come. The Annual Statement Filings for filing year 1999/2000 will be handled in a different manner than prior years. The Department is committed to the concept of electronic filing of insurer financial statements via the National Association of Insurance Commissioner's (NAIC) Web site. Until this year, the Department received diskettes and loaded statements into its own, New York-only database, while companies provided national form filings to the NAIC. Effective in 2000, per Circular Letter No. 4 (2000), the Department is encouraging all companies to direct national form filings to the NAIC via their Internet Filing Web site thus eliminating the need to file on diskette with New York. Using the NAIC's database, the largest of its kind in the world, as its depository, the Department will simultaneously reduce the cost of regulatory compliance for industry and increase the effectiveness of the financial monitoring of insurer solvency. Our ultimate goal is to provide a process for all-electronic filing made through a single Web site.

The 1999/2000 Filing Year is the first production year of the NAIC's Financial Database Re-engineering (FDR) Project. FDR has the following objectives:

1. Meet or exceed business requirements not currently being met (improved data quality, improved tracking, less human intervention, less resource intensive maintenance, improved responsiveness to change, more sophisticated analytical tools, etc.);
2. Improve the flexibility, efficiency and cost effectiveness of current systems; and
3. Reduce the cost of regulatory compliance in the area of financial reporting.

In practice, all blanks other than Life and Property have new filing requirements for 1999/2000 which include for the first time the electronic representation of the complete Annual Statement in the Acrobat PDF format. New York has followed the FDR requirements for its own HMDI and HMO Supplements. All PDF submissions of the complete Annual Statement or New York Supplement for Health and HMO will be available either through the NAIC facility on I-Site (the NAIC's Internet-based reporting facility for both financial and market conduct information) or on our Intranet. In 2001, Life and Property blanks will come under the FDR format for both National and New York Supplement filings.

The External Review process has been in production since July 1, 1999 and is a huge success. This process involves requests received by facsimile, which are converted to images and routed by the application through our e-mail system to an internal reviewer. The file is then forwarded to an external review agent for a decision. Once a determination is made, it is conveyed back to the Department, then it is communicated back to the client and also to the Department of Health. Over 600 requests have been processed through this Lotus Notes application with no downtime. To mitigate any potential Y2K problems, the system was switched to the SEMO bunker for the New Year weekend without event.

External Review permits applications to be sent to the Department at any time, including weekends and holidays, so staff must be "available" Saturdays, Sundays and holidays. To accomplish this without requiring staff to be physically present, applications may be received and processed electronically using Rightfax software. Those "on call" have been issued laptops and printers and are able to process the applications 24x7.

The Consumers Imaging and Information Management System (CIIMS) has been in production for more than a year and we continue to work with the Consumer Services Bureau to improve the original design of the system to increase functionality and make the application more e-commerce efficient and productive. An upcoming major enhancement of the application to the 32-bit platform is expected to improve overall stability. Other enhancements will add new functionality for Officers & Directors and Par Providers.

Systems continues its efforts on the Licensing Information Online Network (LION). Significant progress has been made on the various components of the application. The Continuing Education, Pre-Licensing, and Administration modules were implemented in the calendar year. A great deal of work was done to implement an Intelligent Voice Response (IVR) component, OCR scanning, report generation, data migration, and interfacing to other applications and outside vendors. We expect to implement the Corporate Affairs, Correspondence, Disciplinary and Processing modules in this calendar year. This phased-in approach should position us for full implementation later in 2000.

Other accomplishments in the applications area during 1999 included the implementation of an application that will track Health Maintenance Organization (HMO) standardization. This application is expected to streamline the processing of HMO submissions and implement changes in the law. Another application created and implemented last year is the Life Annuities Submission application. This application replaced a legacy COBOL procedure and added functionality to process annuity data in a Client Server environment. Another project was the development of the Taxes and Accounts Travel Verification application. This application was created to accommodate recent changes to the Department's travel verification procedure and streamline the process. Data will be collected in electronic medium from travel agencies and workflow will prompt staff to submit their travel vouchers in a timely manner. We expect to complete work on this application in 2000.

Additional enhancement work was done on the Frauds Suspect and Investigation applications. During the year we provided enhancements to the Remote Frauds Suspect tracking procedure. These enhancements streamlined the process, added new functionality and made the application more secure. We allowed data entry personnel at remote sites to see data previously submitted and automated the assignment of requests to the processing module. We also modified the Frauds Investigation system to include a facility to enter status reports. This enhancement included a reminder feature that prompted investigators to file overdue reports.

During the year we started using Lotus Notes as an application development platform. One of the applications created during this new initiative was the FOIL Tracking procedure for the Office of General Counsel. This application is expected to consolidate all of the reporting requirements for FOIL requests that are processed in the Department. Lotus Notes and client/server products are being used to facilitate the elimination of Model 204 legacy applications. Additionally, we continued work on a procedure that will automate the loading of the Excess Lines Affidavit submissions into the Property Regulation 41 System. This enhancement eliminates a large part of the data entry work performed by the Property Bureau. Application Services staff also participated on work to advance and update the Web site and the Intranet.

In support of a Department initiative to automate, streamline and improve the rate and form filing and tracking processes, we commenced an initial review the "as is" workflow of the Health Bureau with an eye towards developing the "to be" state. This initial work was completed but the initiative was tabled because of ongoing Year 2000 requirements. It is slated to move forward during 2000.

During 1999, the Department continued aggressive measures to attain Year 2000 (Y2K) readiness for its computer infrastructure and software applications. By fourth quarter 1999, Department staff had applied upgrades/replacements to every facet of the technological platform - every operating system and system utility, each data base manager; every data communication switch, router, firewall and gateway, as well as several significant off-the-shelf products such as electronic mail and financial management. More than twenty internally developed application subsystems were remediated in preparation for the change in century. The focus of the year was testing, which was particularly effective with the advance date capability afforded the Department through the State's Consolidated Data Center.

In addition to this extensive preparation, contingency plans were developed for desktop usage and the nine high priority business systems and put in place in the event of a Y2K failure. The Systems Bureau also actively worked on the Department's Business Continuity Plan; covering the technical details for the External Review process during the transition weekend. Systems staff also participated in the development and evaluation of a mini-bid for contractual services to assist in the Y2K oversight of the industry. The Department also worked with the Office For Technology's Y2K Task Force, the State Emergency Management Office, the NAIC's Y2K Working Group, and with such other entities as the Federal Reserve Bank of New York. Activities included ensuring remediation of high priority applications, contingency planning for the agency, monitoring and reporting of the insurance industry's Y2K compliance effort, and coordinating efforts of our Y2K initiatives with Federal agencies.

Apart from the modifications made to prepare for the change in century, several other strategic changes were made to the agency's technology infrastructure. In support of Governor Pataki's initiative to consolidate the State's data centers, the Department transferred it's mainframe operations to a consolidated data center located at the Department of Motor Vehicle's Swan Street Building in Albany. The State should realize cost savings from a shared environmentally-prepared site, and the use of its bargaining power with common vendors should result in enhanced features at the same or lower cost.

There were also strategic improvements to the communication channels including a connection to the Municipal Access Network (MAN), a connection to the Liquidation Bureau and a connection to the American Arbitration Association (AAA). Considerable effort was invested in altering the communication infrastructure from Token Ring to Ethernet to position the Department for future communication interchange. In concert with this effort, network bandwidth was increased to improve communication over the Department's Wide Area Network (WAN), particularly to our Buffalo and Mineola sites. Additionally, access was provided to Office of the State Comptroller's (OSC) PAYSR for payroll processing and to the Department of Correctional Services' (DOCS) Financial Management System (KFMS). One of the most notable initiatives for the year was the change in the remote access service provider, facilitating use by our field personnel. This resulted in savings of about 50% and substantially improved service to a larger number of clients.

The Department will continue to fortify, strengthen and enhance its infrastructure and PC technology.

During this year, we continued our PC platform upgrade by replacing 200 desktop Pentium 133MHz/32 MB machines with Pentium III 400MHz/128 MB machines that include an internal zip drive. Because of increased Examination and Frauds staff, we also acquired 50 additional IBM ThinkPad laptops, and presently have a laptop fleet in excess of 350 units.

To facilitate and improve desktop management, we installed Microsoft's Systems Management Services (SMS) to enable more efficient software upgrades and rollouts. We upgraded every existing desktop for Y2K compliance - NT operating system patches, Office97 patches and Internet Explorer 5.0. Norton Antivirus software was also installed throughout the Department.

On the infrastructure side, we have been closely monitoring network usage, server performance and disk usage. As a result, in addition to actions previously cited, we upgraded production servers to benefit our clients. New network monitoring tools were reviewed, and will continue to be. Other tools will be implemented as necessary to improve network/LAN availability. A basic network test lab also was developed to allow a facility to test all changes before applying to the production network. We will continue to grow this test environment as we move forward.

Our Help Center has been consolidated at our Albany site to provide improved service to our clients. Additionally, we acquired and installed new Help Center support software to facilitate this consolidation. SMS, beside its ability to deploy software, provides a remote control and repair feature that enables our Help Center staff to support our clients regardless of geography. Since consolidation, from April 1999 through December 31, 1999, the Help Center responded to more than 6,500 calls.

The Systems Bureau represented the Department on various National Association of Insurance Commissioners (NAIC) subcommittees, task forces and working groups during 1999. Highlights include:

- Served as a member on the SERFF Board of Directors (determining policy for the SERFF application; infrastructure, process, funding, etc.).
- Information Services (EX7) Subcommittee (coordinating the varied task forces and working groups related to Information Technology as it relates to insurance regulation.)
- Financial Database Reengineering (FDR) 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:
 - ◆ Y2K Working Group (addressing the multitude of issues attendant to the century change as it related to all aspects of the insurance regulatory process);
 - ◆ System for Electronic Rate and Form Filing (SERFF) Working Group (addressing the needs of the states and industry as regards the SERFF application);
 - ◆ Systems Strategic Planning Working Group (determining the best short- and long-term technology initiatives to benefit the NAIC, the states and industry); and
 - ◆ Producer Information Network (PIN) Working Group (developing a national producer database, exploring the viability of national licensing, and implementing a PIN to facilitate exchange of information between regulators and the insurance industry).
- (EX) Special Committee on Regulatory Re-engineering's E-Commerce and Regulation Working Group (working to identify and eliminate the barriers to e-commerce in the states).

The Bureau also jointly sponsored the NAIC's Technology Exchange (TechExpo) Conference that was held May 1 – 3, 2000 in Kansas City, MO.

H. CAPITAL MARKETS BUREAU

The Capital Markets Bureau was formed in the latter part of 1999 to assist in the financial solvency oversight of insurers doing business in New York. The Bureau focuses on the capital markets and risk management activities of insurers. The Bureau will:

- Develop analysis/examination procedures for the review of capital markets/risk management activities;
- Conduct targeted examinations;
- Coordinate training for Department examiners; and
- Assist in the review of capital markets and risk management issues and recommend Department policy.

Some of the issues that the Bureau will be involved with include:

- Investment activities/strategies of insurers
- Asset liability management
- Derivatives
- Capital needs to support business activities
- Securitization of insurance
- Internal controls
- Corporate governance
- Utilization of computer modeling to measure and/or manage risk

The Department is recruiting staff to fill positions in the Bureau.

I. 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 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 saves the Corporation approximately \$400,000 in legal fees yearly.

Effective July 22, 1989, the timetable for filing affidavits with MVAIC to report claims involving hit-and-run accidents was extended from 90 to 180 days.

In June 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 January 1, 1996.

The following new Legislation was enacted in 1999:

1. S.5014 A (Chapter 511 of the Laws of 1999) – Chapter 511 increased the **self-insured assessment** from \$1.50 to \$3.00 per vehicle. The New York State Department of Motor Vehicles will continue to handle the self-insured fees as previously done.
2. New Regulation 68 (**No-Fault**) – Effective February 1, 2000, for accidents on/or after February 1, 2000. The major provisions are:
 - Notice of no-fault claim must be made in 30 days rather than 90 days.
 - Health Service providers must present their bills to the insurance carrier and/or MVAIC within 45 days after the date of treatment rather than 180 days in previous regulations.
 - The new regulation authorizes no-fault insurers to do an Examination Under Oath (EUO) of no-fault claimant.
 - Wage Loss Claims – claims must be made within 90 days from the date of accident. Previously, there was no requirement.
 - The arbitration rules have been changed with the American Arbitration Association (AAA). The AAA is now responsible for administering all conciliation and administration associated with the arbitration process, functions previously handled by the Insurance Department.

During 1999, MVAIC opened 4,667 new files. A total of 3,172 cases were settled with payment in 1999 at a moving average cost per claim of \$8,591. In 1997 and 1998, the average settlement per claim was \$8,064 and \$9,223, respectively. An additional 4,648 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 1999 was 6,527, down from 9,190 in 1998.

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 54
SOURCES OF FUNDS
Motor Vehicle Accident Indemnification Corporation
1997-1999

Source	1999	1998	1997
Net assessments	\$ 30,006,556	\$ 24,750,000 ^a	\$ 28,000,000 ^b
Self-Insurers' fees	107,778	109,619	110,186
Investment income & profit	3,120,045	4,187,413	4,331,023
Subrogation recoveries	2,782,254	3,058,807	3,292,011
Total	\$ 36,016,633	\$ 32,105,839	\$ 23,733,220

^a originally assessed for \$33,000,000; waived 4th quarter assessment; total 1998 assessment--\$24,750,000.

^b originally assessed for \$32,000,000; waived 3rd & 4th quarter assessment; total 1997 assessment--\$16,000,000.

Source: Motor Vehicle Accident Indemnification Corporation

Table 55
TRANSACTIONS
Motor Vehicle Accident Indemnification Corporation
1997-1999

Transaction	1999	1998	1997
Number of Cases			
Pending at beginning of year	9,190	9,108	10,050
Total opened cases	5,157	4,787	4,374
Reported qualified	0	0	0
Reported tort and no-fault ^a	4,667	4,299	3,949
Reopened ^a	490	488	425
Total closed cases ^a	5,157	4,705	5,316
Cases closed without payment	4,648	1,645	1,714
Settled cases with payment	3,172	3,060	3,602
Qualified persons	0	0	0
No-fault and tort	3,172	3,060	3,602
Pending at end of year ^a	6,527	9,190	9,108
Payments of Settled Claims (Before Subrogation)			
Payments to claimants	\$21,825,874	\$24,306,029	\$22,895,605
Qualified persons	0	0	0
No-fault and tort	21,825,874	24,306,029	22,895,605
Allocated claims expense ^b	3,963,651	\$ 3,664,843	\$ 3,616,344
Reserves Year End (in 000s)			
Total reserves ^c	\$46,206	\$45,705	\$50,391
On pending claims	24,494	26,325	24,760
On claims (IBNR)	16,500	16,500	22,500
Special expense reserve	4,967	2,617	2,836
On unallocated claims expense	245	263	295

^a Most claims count as one case for BI or tort and one case for no-fault PIP.

^b The corporation also expended \$5,430,046 in 1999, \$4,456,482 in 1998 and \$4,852,719 in 1997 for operations and maintenance (unallocated expenses).

^c Surplus was \$10,331,593 in 1999, \$7,487,664 at year-end 1998 and \$3,433,365 at year-end 1997. In 1999, a reserve of \$1,060,000 was established in accordance with FASB rule No. 106 (Insurance Benefits for Retirees/Revised) – In 1998, the FASB reserve was \$836,000.

Source: Motor Vehicle Accident Indemnification Corporation

The following table distributes, by type of case, the 4,667 claims newly reported during 1999. The uninsured New York automobile driver represents 54.2% of the total reported cases compared with 51.7% for the previous year, an increase of 2.5% percentage points.

Table 56
NEWLY REPORTED CASES BY TYPE
Motor Vehicle Accident Indemnification Corporation
1999

Type of Case ^a	Number of Claimants	Percent of Total
Total qualified, ^b no-fault PIP	4,667	100.00%
Uninsured out-of state automobiles	590	12.64
Uninsured hit-and-run drivers	1,435	30.75
Uninsured New York automobiles	2,530	54.21
Stolen automobiles	39	0.84
Automobiles operated without consent of owners	1	0.02
Insured automobiles where the insurance is inapplicable to the accident	44	0.94
Unregistered automobiles	28	0.60

^a This classification of case by type is made at the time claim is received. On subsequent investigation, a large portion of these cases is closed without payment, while others are reclassified because the initial determination was not supported by the facts.

^b The Statute of Limitations on qualified cases has now run out; consequently, no such cases were reported in 1999. 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 1999 and provides the amount paid. Unidentified hit-and-run drivers, while representing only 38.4% of all cases, accounted for 50.4% 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 57
SETTLED CASES WITH PAYMENT BY TYPE
Motor Vehicle Accident Indemnification Corporation
1999
(dollar amounts in thousands)

Type of Case	Number of Claimants	Percent of Total	Amount Paid*	Percent of Total
Total	3,171	100.00%	\$21,826	100.00%
Uninsured out-of-state autos	323	10.19	2,044	9.37
Unidentified hit/run drivers	1,218	38.41	11,007	50.43
Uninsured New York automobiles	1,546	48.75	8,154	37.36
Stolen automobiles	13	0.41	220	1.01
Automobiles operated without consent of the owner	1	0.03	2	0.01
Insured automobiles where the insurance is inapplicable to the accident	34	1.07	182	0.83
Unregistered automobiles	36	1.14	217	0.99

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

Source: Motor Vehicle Accident Indemnification Corporation

III. Insurance Legislation Enacted

(Legislation is presented in numeric order based on 1999 Chapter Law)

This portion of the report covers bills enacted during the 1999 Session amending the Insurance Law. 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.*

1. Chapter 1 of the Laws of 1999 enacts the **Health Care Reform Act 2000** and amends the Public Health Law, the Tax Law, the State Finance Law, the Social Services law, and the Insurance Law, as well as Chapter 81 of the Laws of 1995, Chapter 474 of the Laws of 1996, Chapter 629 of the Laws of 1986, Chapter 41 of the Laws of 1992, Chapter 433 of the Laws of 1997, Chapter 639 of the Laws of 1996, Chapter 703 of the Laws of 1988, Chapter 600 of the Laws of 1986, Chapter 731 of the Laws of 1993, Chapter 520 of the Laws of 1978, and Chapter 753 of the Laws of 1989, as follows:

- Adds a new §4321-a to the Insurance Law which directs the Superintendent to establish a stop loss fund from which health maintenance organizations (HMO) may receive reimbursement for claims paid on behalf of members covered under individual direct payment contracts. The new stop loss fund will pay up to 90% of claims between loss corridors of \$20,000 and \$100,000. Claims paid on or after January first, two thousand are eligible for reimbursement. The Superintendent is authorized to promulgate regulations regarding the operation of the fund;
- Adds a new §4322-a to the Insurance Law which directs the Superintendent to establish a stop loss fund from which HMOs may receive reimbursement for claims paid on behalf of members covered under individual direct payment contracts which include out-of-plan benefits (point-of-service option). The new stop loss fund will pay up to 90% of claims between loss corridors of \$20,000 and \$100,000. Claims paid on or after January first, two thousand are eligible for reimbursement. The Superintendent is authorized to promulgate regulations regarding operation of the fund;
- Amends §4323 of the Insurance Law to require HMOs to participate in the preparation of and share the cost of publication of a consumer guide for standardized contracts issued pursuant to §4326 of the Insurance Law;
- Adds a new §4326 to the Insurance Law which requires HMOs to offer a streamlined package of health insurance benefits to qualifying small employers and qualifying individuals on and after January first, two thousand one. The covered benefits include inpatient and outpatient hospital services, physician services, maternity care, preventative health services, diagnostic and x-ray services, emergency services therapeutic services and a limited prescription benefit. Employers are required to contribute 50% towards the cost of the coverage. Benefits are available on an in-plan basis only, except for emergency care and services not available through an in-plan provider. Article 43 and Article 42 entities may also participate in the program;
- Adds a new §4327 to the Insurance Law which directs the Superintendent to establish two separate stop loss funds from which HMOs may receive reimbursement for claims paid on behalf of members covered under the new health benefits program of §4326. The new stop loss funds will pay up to 90% of claims between loss corridors of \$30,000 and \$100,000. Claims paid on or after January first, two thousand one shall be eligible for reimbursement. The Superintendent is authorized to promulgate regulations regarding the operations of the two funds;

- Authorizes the Superintendent under the new §4327 to develop and implement public education, outreach and facilitated enrollment strategies targeted to small employers and working adults without health insurance; and
- Adds a new §212 to the Insurance Law which requires the Superintendent to order a study of the Healthy New York Program, and report to the Governor and Legislature by January 1, 2002.

(A Governor's Program Bill)

2. Chapter 36 of the Laws of 1999 amends the Insurance Law and Chapter 42 of the Laws of 1996 as follows:

- Amends § 5411 of the Insurance Law to extend the life of the **New York Property Insurance Underwriting Association** for an additional year to April 30, 2000.
- Amends § 5412(g) of the Insurance Law to extend the statutory authority of NYPIUA for another year to April 30, 2000.
- Amends Chapter 42 of 1996 to extend the expiration date for §2351 pertaining to multi-tier programs for homeowners' insurance policies until April 30, 2000 and extend the expiration date for §3425, subsections (n) and (o) pertaining to withdrawal from the homeowners' insurance market until April 30, 2000.

(A Governor's Program Bill)

3. Chapter 92 of the Laws of 1999 amends the Insurance Law as follows:

- Adds a new §2336-a to the Insurance Law to allow insurance carriers to grant actuarially appropriate rate reductions with the approval of the Insurance Department to any owner of a **snowmobile** who has completed a snowmobile safety course.

4. Chapter 134 of the Laws of 1999 amends the Insurance Law as follows:

- Amends §1308(a)(2)(B) of the Insurance Law to make cut throughs and assumption transactions two specific and distinct exceptions, allowing a ceding insurer to receive credit for reinsurance as a deduction for liability to the liquidator.
- Amends section 7403(b)(4) and (6) of the Insurance Law, to extend until July 1, 2000 existing provisions relating specifically to advances permitted to be made from the **Property/Casualty Security Fund** for the purpose of the rehabilitation of a domestic property and casualty insurer.
- Amends section 7403(b)(5) of the Insurance Law to provide that claims for advances by the security fund to finance rehabilitation efforts and which have priority in liquidation shall now have no special priority over all other claims and will be treated as any other policy holder or security fund claim per the hierarchy of claims in the amended section 7434(a)(1).
- Repeals section 7426 of the Insurance Law which provides that certain claims for wages have priority in liquidation.
- Amends section 7434(a)(1) of the Insurance Law to establish a list of classes of claims against an insolvent property/casualty insurer in their priority of distribution. Further provides that no distribution can be made to a class until each claim in the preceding class has been paid in full. Contains a severability provision.

5. Chapter 147 of the Laws of 1999 amends the Insurance Law and Chapter 266 of the Laws of 1986 as follows:

- Amends section 2343(c) of the Insurance Law to prohibit a domestic insurer whose primary liability comes from the business of **medical malpractice insurance** to apply for rehabilitation or liquidation before June 30, 2000.
- Amends section 5502(c) of the Insurance Law to extend until June 30, 2000 the Medical Malpractice Insurance Association's (MMIA) authority to issue primary and excess medical malpractice insurance coverage.
- Amends section 5517-a of the Insurance Law requiring 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 next 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.
- Amends section 9111-b(f) and (g) of the Insurance Law to extend the temporary franchise tax on MMIA.
- Amends Chapter 266 of the Laws of 1986 to extend the Superintendent's and Commissioner of Health's authority to purchase policies of excess or equivalent excess coverage from finds in the excess hospital liability pool for the policy year July 1, 1999 to June 30, 2000, or to reimburse hospitals who purchase dental or medical malpractice coverage for the same policy year.
- Amends Chapter 266 of the Laws of 1986 to extend the excess medical malpractice insurance demonstration program until July 1, 2000.
- Amends Chapter 266 of the Laws of 1986 to extend until June 30, 2000, the responsibility of eligible participating physicians and dentists to pay their pro rata share of excess or equivalent coverage in the event of shortfall in the pool and the ability to terminate coverage for those participating physicians and dentists who fail to meet their obligations.
- Amends Chapter 266 of the Laws of 1986 to extend the authority of the superintendent to establish rates for coverage for physicians and surgeons medical malpractice from July 1, 1985 to June 30, 2000 and to impose a surcharge, if necessary, to satisfy projected deficiencies and distribution to insurers.

6. Chapter 162 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 1405(a) of the Insurance Law to increase from 8% to 20%, in the aggregate, of admitted assets that a New York domiciled life insurer may **invest in foreign countries**, exclusive of Canadian investments made pursuant to section 1405(a)(7), or investments in other foreign countries pursuant to section 1405(a)(8)(iii).

7. Chapter 169 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 1602 of the Insurance Law to reduce the requirement that property and casualty insurers must own at least 95% of the shares of a subsidiary within one year of acquiring any subsidiary to 51%.

8. Chapter 178 of the Laws of 1999 amends the Insurance Law as follows:

- Adds a new subsection (c) to the Insurance Law to provide aggregate and individual risk limitations for **residual value insurers**. Provides that residual value insurers must maintain surplus to policyholders of no less than .3333% of the aggregate net liability under guarantees of commercial real estate, .6666% of the aggregate net liability under guarantees of commercial transportation, 1% of the aggregate net liability under guarantees of commercial real estate equipment, and 4% of the aggregate net liability for all other residual value guarantees. Provides that residual value insurers shall limit their exposure on any one risk to ten percent of the insurer's surplus and contingency reserve.

9. Chapter 187 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 2344(a)(1) of the Insurance Law to include **product or system group insurance policies** in the list of property and casualty risk exemptions covered under section 2305 (rate filings), section 2328 (motor vehicle insurance prior approval) and section 3445 (employer sponsored group personal excess insurance).
- Adds a new subsection 2350(e) of the Insurance Law to exempt product or system group insurance policies from the requirements of that section (flexible rating for non-business automobile insurance policies).
- Adds a new section 3446 of the Insurance Law to create product or system group insurance policies; specifies that the Superintendent shall have the authority to promulgate regulations governing the issuance of such insurance.

10. Chapter 198 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 1113(a)(28) of the Insurance Law to include within the definition of "**service contract reimbursement insurance**" policies issued to indemnify service contract providers for losses sustained by reason of providing services under such contracts.
- Amends section 7907 of the Insurance Law to remove the requirement that all service contract forms be filed with the Department.

11. Chapter 217 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 6501(c)(1) of the Insurance Law to permit **mortgage guaranty companies** to provide private mortgage insurance on loans up to 100% of the fair market value of a mortgaged property.

12. Chapter 228 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 7312(e)(3) of the Insurance Law to delete the requirement that domestic mutual life insurance policyholders must have policies in force on both the date of adoption of the plan or reorganization and the effective date in order to be entitled to receive consideration based on such policyholders' membership interest and require that the policy be in force on the date of the adoption of the plan.

13. Chapter 275 of the Laws of 1999 amends the Insurance Law and Domestic Relations Law as follows:

- Adds a new section 3113 of the Insurance Law to require written **consent of the irrevocable beneficiary** before the holder of a life insurance policy can borrow against the cash value of the policy or change the beneficiary. Provides that the insurer notify the beneficiary if such policy is scheduled to lapse due to non-payment of premium.
- Amends section 236(B)(8) of the Domestic Relations Law to require that a copy of a court order requiring a party to purchase insurance for a spouse or children be served by registered mail on the home office of the insurer specifying the name and address of the beneficiary.

14. Chapter 424 of the Laws of 1999 amends the Estates, Powers and Trusts Law as follows:

- Adds a new paragraph (12) to section 8-1.4(b) of the Estates, Powers and Trusts Law to provide that corporations organized under Article 43 of the Insurance Law are not required to file with the Attorney General under “charitable trust” reporting requirements.

15. Chapter 456 of the Laws of 1999 amends the Insurance Law as follows:

- Adds a new subsection (h) to section 3403 of the Insurance Law to give the Superintendent the authority to suspend or waive the requirements of section 3403(f) concerning anti-arson applications upon a determination that information substantially equivalent to information obtained on an application is available to an insurer by other means.

16. Chapter 520 of the Laws of 1999 amends the Insurance Law as follows:

- Amends section 4301(k)(1)(E) to specify that the **health service, hospital service, or medical expense indemnity corporation with a premium volume exceeding two billion dollars** must have had that premium volume as of December 31, 1996 in order to meet the requirements of the paragraph.
- Amends section 4301(k)(2)(B) of the Insurance Law to delete the reference to subparagraph (C) of that subsection as it pertains to board of directors vacancy requirements for a corporation subject to this Article.
- Repeals section 4301(k)(2)(C) of the Insurance Law as it pertains to board of directors vacancy requirements for a corporation subject to this Article with a premium volume in excess of two billion dollars. Repeals section 4305(i) of the Insurance Law as it pertains to the requirement that a health service, hospital service, or medical expense indemnity corporation with a premium volume exceeding two billion dollars must prepare a written plan to eliminate net losses on certain accounts.
- Amends section 4308(c)(3) of the Insurance Law to specify that the health service, hospital service, or medical expense indemnity corporation with a premium volume exceeding two billion dollars must have had that premium volume as of December 31, 1996 in order to meet the requirements of the paragraph. Amends section 4310(e) of the Insurance Law to specify that the health service, hospital service, or medical expense indemnity corporation with a premium volume exceeding two billion dollars must have had that premium volume as of December 31, 1996 in order to meet the requirements of the subsection.
- Amends section 4319(b) of the Insurance Law to specify that the health service, hospital service, or medical expense indemnity corporation with a premium volume exceeding two billion dollars must

have had that premium volume as of December 31, 1996 in order to meet the requirements of the subsection and makes technical amendments to the subsection.

17. Chapter 559 of the Laws of 1999 amends the Public Health Law and Insurance Law as follows:

- Adds a new section 4406-e to the Public Health Law to define “**health care plan**” as a health maintenance organization licensed pursuant to Article 43 of the Insurance Law or certified pursuant to Article 44 of the Public Health Law. Requires that every health care plan that provides coverage for hospital, surgical or medical care shall provide an enrollee diagnosed with advanced cancer with coverage for an acute care facility or program specializing in the treatment of the terminally ill patient, if the patient’s attending health care practitioner, in consultation with the medical director of the facility or program, determines that the enrollee’s care would appropriately be provided by the facility or program. Provides that in the case where the health care plan disagrees with provision or continuation of care for the enrollee by the facility or program, the case shall be subject to an expedited internal review in accordance with section 4904 of the Public Health Law and external review in accordance with the provisions of paragraph (c) of subdivision 2 of section 4914 of the Public Health Law. Provides that until such decision is rendered, the provision or continuation of that care shall not be refused by the health plan.
- Adds a new section 4805 to the Insurance Law to require that insurers provide coverage for an enrollee diagnosed with advanced cancer in the manner designated in section 4406-e of the Public Health Law for every contract issued that provides for hospital, surgical or medical care.

18. Chapter 574 of the Laws of 1999 amends the Insurance Law as follows:

- Adds a new section 3237 to the Insurance Law to require that insurers continue to provide health insurance coverage to full-time students with a documentable illness requiring a leave of absence, and who have presented to the insurer documentation of the illness requiring the leave of absence, as well as certification from a medical practitioner licensed to practice in the state. Provides that the rate charged for coverage should remain the same as that which is paid for a full-time student.

19. Chapter 597 of the Laws of 1999 amends the Insurance Law and the Tax Law as follows:

- Adds a new paragraph 5 to section 1101(b) of the Insurance Law to permit an unauthorized insurer which is affiliated with a licensed insurer in the state and has satisfied requirements for placements by excess lines brokers, services to support its insurance business from an office in the state. Authorizes the Superintendent to promulgate regulations governing the conduct of such insurer’s operations.
- Adds a new subsection (i) to section 2117 of the Insurance Law to permit a licensed insurer to provide services to an unauthorized insurer with which it is affiliated.
- Amends section 1500(a) of the Tax Law to include an unauthorized insurer within the definition of “insurance corporation” as defined in the section.

20. Chapter 618 of the Laws of 1999 amends the Insurance Law as follows:

- Adds a new section 4237-a to the Insurance Law authorizing insurers licensed to write accident and health insurance and health service corporations to issue stop-loss insurance policies to employers who provide self-insured health benefit plans for their employees. Authorizes the Superintendent to promulgate regulations governing the financial requirements and standards for the form of such policies.

IV. Regulations Promulgated or Repealed

The following is a summary of Insurance Department Regulations promulgated or repealed in 1999. 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.

New Regulation 27A (11 NYCRR 185): Policy Provision and Rating Standards for Credit Life and Credit Disability Insurance (Promulgated 4/26/99; Effective 5/12/99)

New York Insurance Law §§ 4216 (McKinney 1999) and 4235 (McKinney 1999) authorize credit life insurance and credit accident and health insurance as permitted coverages in this state. Under the prior version of the regulation there had been an exodus of insurers willing to write credit insurance in this state. The new regulation streamlines some of the requirements applicable to insurers offering these products and generally provides for modest increases in rates with a resultant increase in the expense margins. The new regulation balances the dual legislative objectives of having the product available while ensuring that insured parties receive fair value for their premium dollar.

First Amendment to Regulation 35-C (11 NYCRR 64-2): Liability Insurance Covering All Terrain Vehicles (Promulgated 10/18/99; Effective 2/1/00)

New York Vehicle & Traffic Law §2407 (McKinney 1996) requires that all-terrain-vehicles ("ATV's") be covered by a policy of liability insurance, which includes No-Fault coverage mandated by Article 51 of the Insurance Law. The No-Fault insurance forms applicable to ATV's will be incorporated into Insurance Department Regulation 68 (11 NYCRR 65), which is being repealed and promulgated simultaneously to Regulation 35-C.

Third Amendment to Regulation 35-D (11 NYCRR 60-2): Supplementary Uninsured/Underinsured Motorists Insurance (Promulgated 6/12/98 as an emergency measure; Effective 6/12/98; Promulgated 9/3/98 as an emergency measure; Effective 9/3/98; Promulgated 11/23/98 as an emergency measure; Effective 11/23/98; Promulgated 1/12/99; Effective 1/27/99)

The Third Amendment to Regulation 35-D, which implements Chapter 568 of the Laws of 1997, increases the amounts of supplementary uninsured/underinsured motorists (SUM) coverage that must be offered to an insured. In addition, the amendment revises the specific information that must be included in the mandatory availability notices and retitles the mandatory SUM coverage endorsement.

Fourth Amendment to Regulation 41 (11 NYCRR 27): Excess Line Placements Governing Standards (Promulgated 3/18/98 as an emergency measure; Effective 3/18/98; Promulgated 6/11/98 as an emergency measure; Effective 6/11/98; Promulgated 9/3/98 as an emergency measure; Effective 9/3/98; Promulgated 12/1/98 as an emergency measure; Effective 12/1/98) Promulgated 2/22/99 as an emergency measure; Effective 2/22/99; Promulgated 5/3/99; Effective 5/19/99)

Chapter 225 of the Laws of 1997 amended N.Y. Insurance Law §§ 2117 (McKinney 1999) and 2118 (McKinney 1999) to provide that a licensed excess line broker may exercise binding authority and execute an authority to bind coverage on behalf of an insurer not licensed or authorized to do business in this State. Excess Line brokers are required to file an authority to bind coverage with the Excess Line Association of New York before they may exercise this new power.

The Fourth Amendment to Regulation 41 specifies the information that must be included in the authority filed by the excess line broker. In addition, this amendment requires the Excess Line Association to submit to the Insurance Department monthly reports including this information. It is necessary that the Insurance Department have the ability to review this information on a periodic basis

in order to prevent misuse of the binding authority and to protect the insuring public. These procedures were to be in place by January 17, 1998.

In addition, the Amendment contains a provision that permits the Superintendent, subject to certain factors, to lower the amount of monies required to be maintained in a syndicate's trusteed account.

Fifth Amendment to Regulation 41 (11 NYCRR 27): Excess Line Placements Governing Standards (Promulgated 5/14/99; Effective 6/2/99)

Prior to Chapter 498 of the Laws of 1996, N.Y. Insurance Law §2118 (McKinney 1999) required both the excess line broker and the insured to complete an affidavit affirming as true that the broker had advised the insured that coverage had been placed with an unauthorized insurer. Chapter 498 amended the statute to eliminate that requirement and replace it with specific requirements concerning information that must be disclosed by the broker to the insured prior to making a placement with an unauthorized insurer. Regulation 41 is amended to comply with the statutory change.

In addition, the amendment adopts trust deposit requirements for alien insurers that were adopted by the National Association of Insurance Commissioners at their September 1998 meeting. These requirements are intended to provide additional protection for New York policyholders whose insurance has been placed in the excess line market.

Twenty-Fourth Amendment to Regulation 62 (11 NYCRR 52): Minimum Standards for Form, Content and Sale of Health Insurance, Including Standards of Full and Fair Disclosure (Promulgated 4/22/99 as an emergency measure; Effective 4/22/99; Promulgated 7/20/99 as an emergency measure; Effective 7/20/99; Promulgated 9/15/99 as an emergency measure; effective 9/15/99; Promulgated 10/18/99; Effective 11/3/99)

42 U.S.C. §1395ss (1999) mandates federal statutory requirements for Medicare supplement insurance policies. States are required to establish a regulatory program that provides for the application and enforcement of standards with respect to such policies equal to or more stringent than the requirements described in such statute.

The Federal statutory requirements were amended in 1997, Balanced Budget Act amendments of 1997, Pub. L. No. 105-33. States were required to make conforming changes to their regulations by April 29, 1999 in order to maintain their accreditation from the National Association of Insurance Commissioners ("NAIC").

This amendment ensures that New York's Medicare Supplemental insurance program is in full compliance with the mandatory Federal standards as set forth in an NAIC model regulation to implement Medicare supplement minimum standards.

Twenty-Fifth Amendment to Regulation 62 (11 NYCRR 52): Minimum Standards for Form, Content and Sale of Health Insurance, Including Standards of Full and Fair Disclosure (Promulgated 11/18/99; Effective 12/8/99)

The Twenty-Fifth Amendment to Regulation 62 clarifies the fact that the dental exclusion permitted by the regulation for health insurance policies does not extend to dental care or treatment necessary due to congenital disease or anomaly.

Eighth Amendment to Regulation 64 (11 NYCRR 216): Unfair Claims Settlement Practices and Claim Cost Control Measures (Promulgated 8/26/99; Effective 9/15/99)

Chapter 360 of the Laws of 1997 amended N.Y. Vehicle and Traffic Law §429 (McKinney 1999) to require full disclosure of the applicable status of a motor vehicle to a potential purchaser of that vehicle.

Specifically, it must be disclosed when a vehicle being transferred is rebuilt salvage and imposes a civil penalty on any person who knowingly and intentionally defrauds a purchaser by failing to make such disclosure.

This amendment to Regulation 64 requires that, in certain instances, the insurer, when authorizing repair of a vehicle after a covered loss, must obtain the vehicle title from the owner and forward it to the Department of Motor Vehicles so it may be branded as "rebuilt salvage" and then returned to the vehicle owner.

Repeal and addition of a new Regulation 68 (11 NYCRR 65): Regulations Implementing the Comprehensive Motor Vehicle Insurance and Reparations Act (Promulgated 10/18/99; Effective 2/1/00)

Regulation 68 contains provisions implementing Article 51 of the Insurance Law, known as the Comprehensive Motor Vehicle Insurance Reparations Act, popularly referred to as the No-Fault Law. The prior existing regulation was repealed and a new regulation promulgated in order to eliminate certain obsolete provisions and to reorganize the regulation so that it will be easier to utilize. In addition, substantive changes were made relating to policy conditions, no-fault claim processing provisions, optional arbitration procedures, mandatory arbitration procedures, and no-fault forms.

Repeal and addition of a new Regulation 74 (11 NYCRR 53): Life and Annuity Cost Disclosure and Sales Illustrations (Promulgated 3/30/98 as an emergency measure; Effective 3/30/98; Promulgated 6/30/98 as an emergency measure; Effective 6/30/98; Promulgated 9/28/98 as an emergency measure; Effective 9/28/98; Promulgated 12/22/98 as an emergency measure; Effective 12/22/98; Promulgated 1/22/99; Effective 2/10/99)

Regulation 74, which supersedes the original Regulation 74 promulgated on December 30, 1982, establishes new rules for the form and content of the preliminary information documents, policy summaries and sales illustrations for life insurance policies and annuity contracts as required by Chapter 616 of the Laws of 1997.

Fifth Amendment to Regulation 96 (11 NYCRR 62-4): Anti-Arson Application (Promulgated 8/26/99; Effective 9/15/99)

The Fifth Amendment to Regulation 96 implements a new two-tier anti-arson application that includes questions to be answered by applicants for new or renewal policies or binders covering the perils of fire or explosion. Since the regulation was first adopted in 1981, other sections of law applicable to such coverage had been amended, and certain requirements in Regulation 96 became inconsistent with the related provisions. This amendment brings the regulation into conformity with other applicable statutes and regulations.

Twenty-Fifth Amendment to Regulation 101 (11 NYCRR 70): Medical Malpractice Insurance: Required Notices and Rate Modifications (Promulgated 10/14/98 as an emergency measure; Effective 10/14/98; Promulgated 1/8/99 as an emergency measure; Effective 1/8/99; Promulgated 3/22/99; Effective 4/7/99). This Amendment establishes physicians and surgeons medical malpractice insurance rates and appropriate surcharges for the policy year July 1, 1998 through June 30, 1999.

Regulation 131 (11 NYCRR 162) was repealed (Promulgated 4/13/99; Effective 4/28/99)

Regulation 131 had contained instructions to insurers regarding the type of statistical data and the form of submission for the annual report on commercial property/casualty insurance. Section 2 of Chapter 579 of the Laws of 1998 repealed the enabling legislation for this regulation and consequently the regulation was repealed.

Regulation 159 (11 NYCRR 74): Homeowner's Insurance Disclosure Information (Promulgated 8/10/98 as an emergency measure; Effective 8/10/98; Promulgated 9/10/98 as an emergency measure; Effective 9/10/98; Promulgated 12/7/98 as an emergency measure; Effective 12/7/98; Promulgated 3/1/99 as an emergency measure; Effective 3/1/99; Promulgated 3/10/99; Effective 3/31/99)

Chapter 44 of the Laws of 1998 added a new Section 3445 to the Insurance Law requiring the Superintendent to establish by regulation disclosure requirements with respect to the operation of any deductible in a homeowners' insurance policy or dwelling fire personal lines policy that applies as the result of a windstorm.

Regulation 159 provides standards for the uniform display of windstorm deductibles, which consist of hurricane and non-hurricane deductibles, in the policy declarations. The Regulation also provides the minimum provisions to be contained in the policyholder disclosure notice, which will explain the purpose and operation of the hurricane deductible and must accompany new and renewal policies containing such deductibles.

Regulation 160 (11 NYCRR 220): Holocaust Victims Insurance Claims and Reports (Promulgated 10/15/98 as an emergency measure; Effective 10/15/98; Promulgated 1/11/99 as an emergency measure; Effective 1/11/99; Promulgated 4/9/99 as an emergency measure; Effective 4/9/99; Promulgated 5/13/99; Effective 6/2/99)

This regulation implements the provisions of Chapter 259 of the Laws of 1998, entitled the Holocaust Victims Insurance Act of 1998, which added a new Article 27 to the Insurance Law to provide a framework for the expeditious and equitable resolution of insurance claims by Holocaust victims (as defined in N.Y. Insurance Law §2701(a) (McKinney 1999)). The regulation contains the standards for diligent and expeditious investigation of claims; reporting requirements imposed on insurers organized, registered, accredited or licensed to do business in New York; standards for the making and assessment of claims; provisions for the use of alternative documentation; and methods for computing interest on proceeds.

V. Circular Letters Issued in 1999*

NUMBER	DATE	ADDRESSED TO	SUBJECT
1	1/7/99	All Insurers Authorized to Write Automobile Insurance in New York State, All Insurers Authorized to Write Accident and Health Insurance in New York State, Including Article 43 Corporations, and All Health Maintenance Organizations	Annual Rankings of Automobile and Health Insurance Complaints
2	2/1/99	All Mortgage Guaranty Insurance Companies	Mortgage Guaranty Insurance Transactions and Lenders
3	1/25/99	All licensed life insurers, fraternal benefit societies, 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.	Year 2000 Disclosures in the Management Discussion and Analysis
4	1/28/99	All Article 43 Corporations and Public Health Law Article 44 Health Maintenance Organizations	Clarification of Insurer Duties and Responsibilities in the Rate Adjustment Process Pursuant to Insurance Law Section 4308
5	2/19/99	All Insurers Licensed to Write Accident & Health Insurance in New York State, Article 43 Corporations and Health Maintenance Organizations	Managed Care Grievance and Utilization Review Appeal Data
Supplement 1 to CL No. 18 (1998)	2/26/99	All Insurers Licensed To Write Motor Vehicle Insurance in New York State	Increased Minimum Limits for Bodily Injury Liability and Personal Injury Protection for Public Autos Subject to the Rules of the New York City Taxi and Limousine Commission

6	3/1/99	All Licensed Life Insurers, Property/Casualty Insurers, Reciprocal Insurers, Accident and Health Insurers, and Article 43 Corporations	Legal Services Insurance and Pre-paid Legal Services Plans
7	3/16/99	All Insurers Authorized to Write Life Insurance and Annuities, Including Life Insurers, Fraternal Benefit Societies, Charitable Annuity Societies, Savings Bank Life Insurance Departments, and All Licensed Viatical Settlement Companies	Life Insurance and Annuity Product Outlines Designed to Assist Insurers in Making Form and Rate Filings With The Department
8	3/12/99	All Insurers Authorized To Write Life Insurance and Annuities, Including Life Insurers, Fraternal Benefit Societies Charitable Annuity Societies, Savings Bank Life Insurance Departments, and All Licensed Viatical Settlement Companies	Procedural Changes in the Approval Process for Life Insurance and Annuity Policy Forms: I. Required Format for Policy Submission Letters II. Timely Responses to Comment Letters.
Supplement 1 to CL No. 15 (1998)	3/15/99	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, 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 and integrated delivery systems, municipal co-operative health benefit plans, accredited reinsurers, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association, the New York Property Insurance Association, the Motor Vehicle Accident Indemnification Corporation and rate service organizations	Procedures for Reporting Hyper-Links to the Department's Web site.
9	5/25/99	All Article 43 Corporations, Public Health Law Article 44 Health Maintenance Organizations and Insurers Licensed to Write Health Insurance in New York State	Adoption of Procedure Manuals
10	6/11/99	All Article 43 Corporations and Public Health Law Article 44 Health Maintenance Organizations (herein referred to as "plans")	Procedural Responsibilities of Plans Submitting Prior Approval Rate Applications Pursuant to Section 4308(c)

11	3/26/99	All licensed life insurers, property/casualty insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations and integrated delivery systems, fraternal benefit societies, municipal co-operative health benefit plans, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement licensees, governmental supplemental annuity funds, savings bank life insurance departments, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, reciprocal insurers, accredited reinsurers, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association, the New York Property Insurance Association, the Motor Vehicle Accident Indemnification Corporation and rate service organizations.	Update on Department's Electronic Initiatives
12	4/20/99	All Authorized Motor Vehicle Insurers and Insurance Producer Organizations	Driver Education Course Certificates Insurance Reductions.
13	5/17/99	All Public Health Law Article 44 HMOs, Insurance Law Article 43 Corporations, and Insurers Licensed to Write Accident and Health Insurance in New York State	Point-of-Service Products
15	4/27/99	All Licensed Life, Accident and Health, Property/Casualty, Financial Guaranty, Mortgage Guaranty and Co-operative Fire Insurers Operating on the Advance Premium Plan, Assessment Co-operative Companies, the State Insurance Fund, and United States Branches; Reciprocal Insurers; the Medical Malpractice Insurance Association; Fraternal Benefit Societies; Article 43 Corporations; Public Health Law Article 44 Health Maintenance Organizations; Title Insurers; Charitable Annuity Societies; Pension Funds; Retirement Systems; Viaticals and Accredited Reinsurers	Change in Procedure for the Mailing of Hardcopy Annual and Quarterly Statement Forms and Instructions
17	5/17/99	All Insurers Licensed to Write Life Insurance or Disability Benefits	Benefit Rates Under Volunteer Firefighters' Benefit Law and Volunteer Ambulance Workers' Benefit Law

18	5/18/99	All Insurers Authorized to Write Accident and Health Insurance in New York State, Including Article 43 Corporations and Health Maintenance Organizations	Procedural Changes in the Length of Time the Department Will Await Responses During the Approval Process for Accident and Health Insurance Policy Forms and Rates
19	6/10/99	All licensed life insurers, property/casualty insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations and integrated delivery systems, fraternal benefit societies, municipal co-operative health benefit plans, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement licensees, governmental supplemental annuity funds, savings bank life insurance departments, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, reciprocal insurers, accredited reinsurers, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association, the New York Property Insurance Association, the Motor Vehicle Accident Indemnification Corporation and rate service organizations.	Consumer Initiatives
Supplement 12 to CL No. 9 (1988)	6/25/99	All Property/Casualty Insurance Companies; Co-operative Property/Casualty Insurance Companies; Reciprocal Insurers; Financial Guaranty Insurance Corporations; and the Medical Malpractice Insurance Association	Property/Casualty Security Fund
20	7/13/99	All Insurers Authorized to Write Accident and Health Insurance, Including Corporations Licensed Under Article 43 of the Insurance Law and Corporations Issued A Certificate of Authority Under Article 44 of the Public Health Law	Information Available on the Department's Web site Designed to Assist Insurers and HMOs in Making Form and Rate Filings
21	5/21/99	All Insurers authorized to Write Life Insurance and Annuities, Including Life Insurers, Fraternal Benefit Societies, Charitable Annuity Societies, Savings Bank Life Insurance Departments and all Licensed Viatical Settlement Companies	Resubmission of Policy Form Filings Revised in Accordance With the Product Outlines
Supplement 1 to CL No. 31 (1998)	5/28/99	Same addressees as listed for CL No. 19 (2000) above	Insurance on the Internet

Supplement 2 to CL No. 18 (1997)	6/1/99	All licensed Property/Casualty Insurers Authorized to Write Workers' Compensation Insurance in New York State	Workers' Compensation Policies/Preferred Provider Organization Arrangements
22	6/1/99	All licensed life insurers, fraternal benefit societies, charitable annuity societies, property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations and integrated delivery systems, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association and municipal co-operative health benefit plans.	Suggested Best Practices Resulting From the Joint Department/Industry Working Groups on Form and Rate Filings
24	7/7/99	All Insurers Authorized To Write Motor Vehicle Insurance	Insurance Information and Enforcement System (IIES) of the New York State Department of Motor Vehicles (DMV)
Supplement 9 to CL No. 3 (1986)	8/9/99	All licensed Property/Casualty Insurance Companies and Insurance Producer Organizations	1999 Insurance Availability Survey
25	10/27/99	All Authorized Life Insurance Companies, Accredited Life Reinsurers, Fraternal Benefit Societies and Charitable Annuity Societies	Max. Reserve Valuation and Max. Life Policy Nonforfeiture Int. Rates
26	9/13/99	All Insurers and Self-Insurers	Revised Insurance Department Fraud Reporting Form (IFB-1 REV. 8/99)
27	11/1/99	All insurers Licensed to Write Accident & Health Insurance in New York State, Article 43 Corporations and Health Maintenance Organizations	Chapter 2 of 1998: Fraudulent Health Insurance Acts Pursuant to § 176.05(2) of the Penal Law and Healthcare Compliance Programs Pursuant to § 4414 of the Public Health Law
28	9/13/99	All Licensed Insurance Brokers; Excess Line Brokers; Excess Line Association of New York; and Insurance Producer Organizations	Ocean Marine Insurance Placements
29	10/21/99	All Insurers Authorized to Write Motor Vehicle Insurance Coverage in NYS	Title Branding – Eighth Amendment to Reg. 64

30	10/27/99	All Motor Vehicle Self-insurers and Insurers Licensed to Write Motor Vehicle Insurance in New York State	Transfer of the No-Fault Conciliation Function to the AAA.
31	11/1/99	All Article 43 Corporations And Public Health Law Article 44 Health Maintenance Organizations (herein referred to as "plans")	Rate Adjustment Applications To Be Effective On Or After January 1, 2000
32	11/22/99	All licensed life insurers, 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, MMIA and accredited property/casualty reinsurers, rate service organizations, municipal co-operative health benefit plans, and integrated delivery systems.	Post Year 2000 Reporting Requirements and Performing Data Archives
33	11/4/99	All licensed life insurers, fraternal benefit societies, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement licensees, governmental variable supplements funds, savings bank life insurance departments, property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, title insurers, reciprocal insurers, accident and health insurers, Article 43 corporations, municipal co-operative health benefit plans, and rate service organizations, State Insurance Fund; Medical Malpractice Insurance Association; New York Property Insurance Underwriting Association; Motor Vehicle Accident Indemnification Corporation; Excess Line Association of New York; registered risk retention groups, service contract providers, and Public Health Law Article 44 health maintenance organizations and integrated delivery systems; and accredited reinsurers.	The Use of Electronic Signatures and Records in Connection With the Marketing and Sale of Insurance By Means of Electronic Commerce
34	12/10/99	All insurers licensed to write fire insurance in New York State	Tax District Claims Against Fire Insurance Proceeds
Supplement 2 to CL No. 11 (1998)	12/20/99	All Authorized Property/Casualty Insurers and Rate Service Organizations	Procedures for the Filing of Policy Forms, Rules and Rates

35	11/24/99	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 "insurers".	Issues Regarding Liquidity and Asset/Liability Management
36	12/28/99	All Public Health Law Article 44 Health Maintenance Organizations (HMOs); Article 43 Corporations and Health Insurers Issuing Community-rated Contracts ("insurers"); Accident and Health Insurance Agents; and Insurance Brokers	Commission and Fee Payments

*** Circular Letters No. 14, 16, and 23 were not issued in 1999**

VI. Major Litigation

New York State Conference of Blue Cross Blue Shield Plans v. Muhl I New York State Conference of Blue Cross Blue Shield Plans v. Muhl II

Both cases in Supreme Court, Appellate Division, Third Department

Petitioners in these Article 78 proceedings are associations of Blue Cross and Blue Shield Plans and Health Maintenance Organizations and their constituent members throughout New York State. Pursuant to the Medical Malpractice Reform Act, Chapter 266 of 1986, the Superintendent of Insurance and the Commissioner of Health are charged with purchasing excess medical malpractice insurance policies for the benefit of hospital affiliated physicians and dentists. The cost of the premium payments for these policies is paid by the health insurers. Each year the Superintendent, by regulation and in accordance with Section 40 of the Reform Act, establishes such premium rates as a percentage of the premium rates which he approves for the Medical Malpractice Insurance Association's (MMIA) primary malpractice insurance.

The petitioners contended that the rates set for the 1995-1996 and 1996-1997 calendar years were excessive and unreasonable and requested a judgment granting certain relief, including a declaration that 11 NYCRR 70.17 and 70.18, which contain the rates, are null and void and an injunction preventing the Superintendent from implementing the regulation, imposing, collecting or enforcing the premium rates for those years.

In July 1997 the Supreme Court, Albany County issued a decision in the earlier case regarding the 1995-1996 rates. In that case the Court held that the determination made by the Superintendent in setting the rates was arbitrary and capricious and declared the rates null and void. Appeal was taken to the Third Department.

Relying on its reasoning in the earlier case, the Supreme Court, Albany County, concluded that the determination made by the Superintendent in establishing the 1996-1997 rates was arbitrary and capricious and declared the determination null and void and of no force and effect. A Notice of Appeal was filed.

On January 21, 1999, the Appellate Division handed down an opinion and order in the Department's appeal from the judgment of the Supreme Court, Albany County, which annulled the Superintendent's establishment of excess medical malpractice premium rates for the 1995-1996 policy year (Case I cited and discussed above). The Appellate Division, in a unanimous decision on the law, reversed the judgment of the Supreme Court, confirmed the determination of the Superintendent which established the rate levels and dismissed the petition.

On April 8, 1999 the Appellate Division handed down an opinion and order in the appeal from the Supreme Court decision which had declared the 1996-1997 rates established by the Superintendent as null and void. The Appellate Division order reversed the Supreme Court decision on the law on the same reasoning cited in the prior case.

Allstate Insurance Company v. Muhl GEICO v. Muhl

Both cases in United States District Court, S.D. NY

The plaintiffs in these two actions are property and casualty insurers. They are seeking declaratory judgments that Insurance Law §2610(a), relied upon by the Department to disapprove an endorsement submitted by GEICO that would have allowed it to designate automobile repair shops,

improperly restricts their commercial speech in violation of both the United States Constitution and the New York State Constitution. Discovery was completed in both actions.

On August 10, 1998 United States Magistrate Judge, Theodore H. Katz issued a memorandum opinion and order regarding the Department's claims of privilege for documents withheld during discovery. The Magistrate Judge ruled in favor of the Department and held that the withheld documents were subject to attorney-client and the deliberate process privileges and therefore would not have to be produced for inspection by plaintiffs.

Cross motions for summary judgment remain subjudice.

City of New York v. Aetna Casualty & Surety Company

City of New York v. Insurance Department

Both cases in Supreme Court, New York County

The Court in Aetna, a case in which the Department was not a party, determined that under the filed rate doctrine the City could not challenge automobile insurance rates approved by the Superintendent. The City filed a notice of appeal. Subsequently, the City brought an action against the Department for a judgment, pursuant to CPLR Article 78, directing the Department to review the automobile insurance rate filings of four insurers to ensure that the rates are neither excessive nor unfairly discriminatory and, upon such review to lower any rate that it found to be excessive or unfairly discriminatory. The petition alleges that the personal automobile rates approved by the Department for these four insurers do not reflect the drop in automobile theft losses in New York City or the lower rates needed to cover losses attributable to other automobile insurance coverages.

The City filed an additional petition wherein it challenged additional rating actions by the Department involving other insurers.

On October 8, 1999, Justice Louis B. York, (New York County Supreme Court) issued two decisions and orders in the first round of the subject litigations. The court ordered the petition severed and dismissed as to the challenge to the approvals of the rates of the following insurers: Allstate, GEICO, Nationwide, Travelers Indemnity Company of America (TIA), Travelers Insurance Company (Travco) and Charter Oak Fire Insurance Company (Charter Oak).

The court also dismissed the petition as to the challenge to the approvals of the rates of the following insurers: Liberty Mutual Fire Insurance Company, Liberty Insurance Corporation and The First Liberty Insurance Corporation.

The dismissals were based upon the fact that each of the insurers filed additional rate filings thereby rendering review of the approvals of the prior filings moot. Therefore, the court made no findings on the merits.

However, the court also ordered the Department to file the "records" with the Court, with service of copies on the petitioners, for the review of the rate filings made by Travelers Indemnity Company of Illinois, Travelers Indemnity Company of Connecticut, Marine Insurance Company, Travelers Indemnity Insurance Company, Phoenix Insurance Company and Nippon Fire and Marine Insurance Company, Ltd. (U.S. Branch).

Respondents Travelers Indemnity Company of Illinois, Travelers Indemnity Company of Connecticut and Travelers Home and Marine Company moved for an order dismissing the petition on the ground that each insurer had made new rate filings which rendered the review of the approvals of prior rate filings moot. The Department joined in that motion. The court has not yet ruled on the various matters.

VII. 2000 Legislative Recommendations

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

A. Governor's Program Bills for 2000

1. **Commercial Insurance Deregulation; Risk-Based Capital; Penalties; Various Improvements: Program Bill No. 46**

To amend Article 63 of the Insurance Law to establish guidelines for the exemption of policies written to insure large commercial risks from certain provisions of the Insurance Law, to amend Section 309 to provide for examination of insurers writing such policies; and to amend Section 1411 relating to the supervision of the investment practices of such insurers.

Section 1 of the bill amends Article 63 of the Insurance Law, which currently applies to special risk insurance. The bill expands the scope of this article by adding new provisions regarding insurance for all commercial risks. It also amends existing language by deleting references to special risks and other requirements that have been in effect since 1978. A summary of changes by section of the Insurance Law follows:

Section 6301 of the Insurance Law is amended to provide that a policy of insurance insuring commercial risks shall be exempt from certain provisions of the Insurance Law. The section also sets forth a list of kinds of insurance that are ineligible for such exemption.

Section 6303 (previously 6304), relating to special regulations, is amended to delete a reference to "licensing" which was previously applicable to special risks under the old law but is no longer relevant to the article as amended.

Section 2 of the bill amends Section 309 of the Insurance Law, relating to examinations of insurers, to provide that the Superintendent shall make an examination into the affairs of every authorized insurer that writes insurance pursuant to Article 63 of the Insurance Law at specified intervals that in the Superintendent's judgment may vary based upon the insurer's RBC level.

Section 3 of the bill adds a new subsection (i) to Section 1411 of the Insurance Law, relating to authorization of and restrictions on investments. Subsection (i) sets forth the various responsibilities of the board of directors of an authorized insurer (or of a committee thereof). Prior to writing insurance pursuant to Article 63, the board must authorize the writing of such insurance, assure the competence of the individuals responsible for such insurance, and approve a written plan for acquiring and holding investments and for engaging in investment practices. New subsection (i) also provides for additional oversight by the board of directors of various factors relating to the investment practices of insurers engaged in underwriting of commercial risks under Article 63, including the relationship between the insurer's products and pricing and its investment strategy. Moreover, new section (i) requires that the board of directors determine the validity of such insurer's investment practices at least quarterly, and exempts certain filings made with the Superintendent relating to an insurer's investment plan and practices from disclosure under the Freedom of Information Law.

This legislation will enhance the competitive environment for commercial insurance. Some commercial risks are currently insured by either the offshore, non-licensed market, or through alternative insurance mechanisms. New Article 63 will allow insurers to negotiate policy terms and prices for many commercial policyholders so that the licensed market can more rapidly respond to competitive forces, the needs of the buyer, global markets and conditions, as well as other economic forces. The bill also represents a paradigm shift with respect to the regulation of commercial risks in

New York State. The new model will permit the reallocation of finite public resources from intrusive and time-consuming supervisory activities, such as prior filing and review of rates and forms, to more effective supervisory efforts which stress the monitoring of insurer solvency and market conduct issues in the commercial risks market. The bill provides important new tools to assist the Insurance Department in achieving these regulatory goals.

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 enact RBC standards for health organizations licensed under Article 43 of the Insurance Law or granted a certificate of authority under Article 44 of the Public Health Law.

To create a new Section 1326 of the Insurance Law to authorize domestic property/casualty insurance companies and financial guaranty insurance corporations to issue capital notes within certain statutory limits upon approval by the Superintendent of Insurance.

To amend the penalty provisions of Section 109 of the Insurance Law by increasing the maximum amount thereof to \$5,000 per violation, and adding specific additional penalty provisions and procedures applicable to violations by insurers that write policies pursuant to Article 63.

To streamline the alternative policy form filing procedure set forth in Section 3201 of the Insurance Law and the policy form filing procedure set forth in Section 2307 of the Insurance Law.

To eliminate unnecessary/costly paperwork in connection with the renewal of property insurance policies, by adding a new subsection (h) to Section 3403 to allow the Superintendent to suspend or waive the requirements of subsection (f) of such section if substantially equivalent information is available by other means.

To amend Section 307 to provide more uniform requirements with respect to the filing by insurers of annual statements, by providing that the same requirements govern the filing by insurers of annual statements when they are filed with an agent designated by the Superintendent as when they are filed with the Superintendent's office itself.

Senate Bill 5525 (Sen. Seward); Assembly Bill 7686 (Mr. Grannis)

2. Modifying Criteria for Formation of Captive Insurance Company: Program Bill No. 14

To amend the Insurance Law to allow a broader range of sophisticated financial entities to form pure and group captive insurance companies in New York State, to clarify what entities are “affiliated” to the owner of a captive insurance company in order to determine which entities are eligible to be insured by a captive insurance company, and to permit captive insurance companies to write title insurance; to amend the Public Authorities Law and the Workers' Compensation Law to allow the State Dormitory Authority and the State Insurance Fund, respectively, to form a captive insurance company; and to amend the Tax Law to exempt from taxation captive insurance companies formed by public entities not subject to taxation.

Captive insurance companies (“captives”) 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 current provisions of Article 70 of the New York Insurance

Law only allow an entity to form a captive insurance company if the prospective parent (or an entity in its corporate structure) has a net worth in excess of \$100 million. In addition, the statute specifically allows the Metropolitan Transportation Authority (MTA) to form a captive insurance company in New York.

Captive insurance companies are subject to less stringent regulation than conventional insurance companies on the basis these insurers are established to self-fund the owner's risks and, as such, do not market or sell direct insurance to parties outside of their corporate structure. The net worth threshold contained in the law is intended to serve as a measurement of financial sophistication. The owner(s) of such captives currently have to maintain a net worth of \$100 million in order to ensure that such owner(s) have the financial strength and business acumen to self-fund its risks; and thus do not require the regulatory protection afforded other insureds.

The current threshold for owning a captive is somewhat arbitrary and may be too restrictive given the trend towards more self-funding of risk by entities in today's business world. First of all, the current statute does not permit the formation of captive insurers by public entities, except for the specific authority afforded the MTA. (This specific authority was provided due to the fact that during development of the legislation authorizing captive insurers, the MTA was exploring the feasibility of a self-insurance vehicle. At that time they could not form a captive insurer in New York and were forced to consider domiciling the entity outside of New York. In order to allow the MTA to self-insure in New York, they were given authority under the law to form a captive, and they did become the first licensed captive insurer in New York.) Other state authorities and public entities looking at options to better manage their risk have approached the Insurance Department in exploring the feasibility of forming captive insurers. Under current law, they are unable to do so in spite of the fact that some of these entities manage budgets that clearly evidence financial sophistication. The situation should be rectified by allowing equal treatment to all qualified public entities by permitting them to form a New York captive insurance company.

In addition to public entities, it has become evident since the enabling captive law passed in 1997 that many of the companies that meet the \$100 million threshold currently in the New York law for owning a captive insurer have either already formed a captive insurer elsewhere or are self-funding their risk without establishing a captive. Captives have been forming at a growing rate for the past two decades and most of the Fortune 500 companies have already incorporated their self-insurance mechanisms in their risk management strategy. The growth in the captive industry is at companies that, although sophisticated in the financial and risk management areas, do not meet the \$100 million net worth criteria. The current minimum may be too high for the entities, or group of entities, that are currently looking at self-insuring as part of an overall risk management strategy.

By amending Section 7002(e) to lower the threshold to \$50 million, allow revenues to act as an alternate to net worth as an barometer of financial sophistication and give the Superintendent discretion to allow or permit other scenarios as presented to him would greatly enhance the appeal of New York as a domicile for the new wave of captive insurers. The Department will be able to adequately regulate these insurers under the framework established by Article 70 of the Insurance Law. This bill can continue development of an appropriate regulatory environment in New York for the alternative insurance market.

The amendments in Section 4 and 5 of the bill amend the Public Authorities Law and the Workers' Compensation Law to enable the State Dormitory Authority and the State Insurance Fund, under their governing authority, to form a captive insurance company under Article 70. The other amendments in the bill (to Section 7002(a), (g), (h) and (i)) are needed to expand the authority to form captive insurers to include not only the MTA, but also other public entities, for all the reasons indicated above.

The amendment to Section 7002(a) also provides guidance as to what entities are deemed "affiliated companies" for the purpose of allowing a captive insurance company to directly insure such

risks. The amendment to Section 7002(f) clarifies that group captive insurance companies can insure companies affiliated with its owners.

The amendment to Section 7003()(3) allows captive insurance companies to self-insure their owners' title exposure.

Senate Bill 4694 (Seward); Assembly Bill 7685 (Mr. Grannis)

3. Administrative Supervision of Article 43 Corporations and Health Maintenance Organizations: Program Bill No. 63

To amend the Insurance Law, to authorize procedures for administrative supervision by the Superintendent of Insurance of certain corporations licensed pursuant to Article 43 of the Insurance Law or health maintenance organizations possessing a certificate of authority issued pursuant to Article 44 of the Public Health Law, in order to remedy the financial condition and management of such corporations or organizations.

The bill provides that an insurer may be subject to administrative supervision by the Superintendent if upon examination or at any other time it appears, in the Superintendent's discretion, that: (1) the insurer's condition renders the continuance of its business hazardous to the interests of its policyholders, creditors or the public; (2) the insurer has or appears to have exceeded its powers; (3) the insurer has failed to comply with the applicable provisions of the Insurance Law or Public Health Law of this state, any rules or regulations promulgated thereunder or any order of the Superintendent or the Commissioner of Health; (4) the business of the insurer is being conducted fraudulently; or (5) the insurer has consented to administrative supervision.

Existing provisions of law are sometimes not adequate or appropriate under all circumstances, to remedy the financial condition and the management of insurers that are corporations licensed pursuant to Article 43 of the Insurance Law or health maintenance organizations possessing a certificate of authority issued by the Commissioner of Health pursuant to Article 44 of the Public Health Law. The premature initiation, with respect to such insurers, of a proceeding pursuant to Article 74 of the Insurance Law may impair or diminish one or more of the following values or assets of the insurer: (a) the value of the insurance account or in-force business of the insurer, (b) the value of the insurer as a going concern, (c) the value of its marketing operations, and (d) the value of its other assets.

It is the purpose of this legislation to encourage the rehabilitation of such insurers by authorizing the additional facility of supervision by the Superintendent, to authorize action to resolve whether an attempt should be made to rehabilitate an insurer, and to avoid, if possible and feasible, initiating a proceeding under Article 74.

The bill would also provide for protection of the assets of such insurers pending determination of whether or not the insurer can be successfully rehabilitated. Rehabilitation will not be accomplished in every case, but it is the purpose of this legislation to provide a facility for attempting the rehabilitation without immediate resort to the harsher remedies under Article 74. In the event that the initiation by the Superintendent of an Article 74 proceeding ultimately becomes necessary, preliminary supervision is preventive of a dissipation of assets and will thus benefit policyholders, creditors and owners.

Senate Bill S.5744 (Mr. Seward); Assembly Bill (n/a)

4. Miscellaneous Regulatory Improvements: Program Bill No. 39

To make a number of amendments of the Insurance Law that address miscellaneous regulatory issues, including proposals to:

-- amend Article 66 to increase the authority of cooperative P/C insurers to invest in certificates of deposit;

-- amend Section 1320 to impose a \$500,000 minimum deposit requirement on licensed alien insurers that do two or more lines of insurance, which is the same minimum that presently applies to alien insurers authorized to do only one kind of insurance;

-- amend Section 1110 to expand the authority of charitable annuity societies to make or issue annuity contracts without having to have first obtained a special permit, by increasing the reserves threshold from \$80,000 to \$500,000;

-- amend Section 7907(a)(6) to eliminate the requirement that service contract providers include with their registration applications to the Insurance Department, copies of each form of service contract they propose to use in New York State;

-- amend Section 3211 regarding authorization for a senior citizen insured under a long-term care policy to designate a third party to receive premium notices;

-- amend Section 1112 to change the calculation of the amount of estimated tax payments by insurers subject to retaliatory taxes;

-- amend Section 2324 and Section 4224 to prohibit the inclusion of certain goods and services in the sale of certain insurance policies without the insured's informed consent, and to provide an enhanced penalty for violation of such provisions;

-- amend Section 3201(c) to permit the Insurance Department to approve long-term care policy forms for general use rather than on a case by case basis;

-- amend Section 1113(a)(28) to include indemnity insurance to benefit service contract providers;

-- amend Section 4230 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; and

-- amend Section 4233 to revise information required to be reported regarding salaries for life insurers filing annual statement forms.

The need for the amendment to Section 6623 was occasioned by a 1992 amendment of Section 1409(a). When Section 1409(a) was amended by Chapter 324 of the Laws of 1992 (effective January 1, 1993), some small assessment corporations were forced to reduce their Certificates of Deposit in local banks to 10% of admitted assets. As these companies are located in rural areas, their investment/banking opportunities were thus significantly decreased by the 1992 amendment. The amendment of Section 6623 proposed in Section 1 of the bill will make it easier for assessment corporations to comply with investment statutes; improve their investment yields as interest rates tend to be higher on larger investments; decrease their investment costs as larger investments result in fewer transactions; and increase their local investment/banking opportunities.

The current Section 1320(a)(2) requirement of a minimum deposit from a licensed alien insurer doing two or more kinds of insurance, of the lesser of the capital to be maintained by a domestic stock insurer licensed to do the same kinds of insurance or \$1 million, may result in a deposit amount below the \$500,000 minimum amount required by Section 1320(a)(1) for a alien insurer licensed to do only one kind of insurance in this State. The amendment in Section 2 of the bill will correct that anomaly.

The current \$80,000 threshold in Section 1110(d) for reserves of a charitable annuity society was adopted nearly fifty years ago, and in view of the inflation that has taken place over the last fifty years this amount appears unrealistic. The change proposed in Section 3 of the bill to \$500,000 would

exempt the smaller charitable annuity societies from the expenses of examination and annual statement filing.

The Department is not required to review or approve service contract forms, although the requirement in Section 7907 that the forms be filed with the Department (eliminated by Section 4 of the bill) might be misconstrued as a Department sanction similar to the approval of policy forms filed by insurance companies. A significant number of Service Contractor Registration applications must be returned because of the applicant's failure to submit all of the forms listed on its application, delaying the issuance of Registrations and increasing the time and resources required to be devoted to these applications. Should a complaint arise regarding contract compliance by a Service Contract provider registered with the Department, a copy of the contract could be obtained from the registered provider and the customer.

The proposed provisions in Section 3111 (added by Section 5 of the bill) regarding long-term care policies are patterned after existing provisions which similarly protect senior citizens insured under other types of policies. The amendment of Section 1112(a) which is proposed by Section 6 of the bill would have the effect of reducing the large number of instances in which insurers are presently required to pay large estimated tax payments of retaliatory taxes, only to later receive refunds of overpayments. The new calculation would avoid many of these overpayments.

The amendments proposed in Sections 7 through 10 of the bill address the Department's most recent experience with the sale of products and services coupled with insurance products. The level of complaints indicates that this activity warrants enhanced penalties.

Section 11 of the bill repeals paragraph 11 of Section 3201(c) (and Section 12 makes conforming amendments), concerning the requirement of approval of a long term care policy for a specifically identified policyholder. Section 3201(c)(11) was added by Chapter 689 of the Laws of 1989 as part of the Life Care Community legislation. The concept of the 1989 legislation was that by requiring single case approvals, the Department could monitor proposed policyholders to prevent entities that might seek to emulate life care communities and avoid the requirements of the legislation through the purchase of long term care insurance. Legislative amendments to the Life Care Community legislation which have been enacted since 1989, such as recognition of Life Care Communities and Continuing Care Retirement Communities as eligible group policyholders, have reduced the need to review such policyholders on a case by case basis. Repeal of Section 3201(c)(11) would place long term care policies on the same footing as other types of group accident and health insurance which can be issued to any group recognized under Section 4235(c)(1) once the policy forms are approved. Repeal of Section 3201(c)(11) would also remove the burden imposed upon both licensees and the Department to review and extend one case approvals each and every time an insurer seeks to issue group long term care insurance to a new policyholder.

By expanding the scope of service contract reimbursement insurance under Section 1113(a)(28) to include the indemnification for service contract providers, such persons will be able to protect themselves against losses arising from service contracts which they insured.

With respect to the amendment of Section 4230 by Section 14 of the bill, the current legislation to restrict employment contracts originated as part of old Section 214, dating back to 1909. Old Section 214 imposed numerous restrictions on compensation to officers and employees of life insurance companies. Many of these restrictions have been repealed and there appears to be no reason at this time to maintain this remaining restriction.

The provisions of Section 4233(b) regarding reporting of salaries go back many years without any significant revision. The bill updates certain salary amounts to take cognizance of the effect of inflation. *Senate Bill 5119 (Sen. Seward); Assembly Bill 7687 (Mr. Grannis)*

5. Motor Vehicle No-Fault Insurance Managed Care Alternatives: Program Bill No. 58

To reduce the 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 permitting managed care alternatives for delivery of such services.

Section 1 of the bill adds a new Section 5109 to the Insurance Law, permitting insurers to establish relationships with Preferred Provider Organizations or Utilization Review Agents in order to effectively evaluate health care services compensable under the No-Fault law. It also contains licensing standards for Preferred Provider Organizations, which will be licensed by the Commissioner of Health. It provides for approval by the Superintendent of Insurance of insurer Preferred Provider Organization programs and Utilization Review programs.

Section 2 of the bill amends Section 2330 to enable appropriate premium reductions for cost savings attributable to Preferred Provider Organization or Utilization Review programs.

Section 3 of the bill adds a new subsection (i) to Section 5103 permitting insurers to provide Preferred Provider Organization programs or Utilization Review programs for personal injury protection (No-Fault) medical and other health care services in the event that certain covered persons are injured as a result of a motor vehicle accident.

Section 4 of the bill amends subsection (b) of Section 5108 to provide that payments under Preferred Provider Organization programs shall not exceed amounts otherwise payable by application of the fee schedules established by the Superintendent of Insurance or the Chair of the Workers' Compensation Board.

Due to the increasing medical and health care costs, it has become necessary to address these unabated costs before No-Fault motor vehicle insurance becomes unaffordable. The bill would allow appropriate programs for providing or reviewing health care treatment in order to help contain costs while enhancing the quality of health care delivery. Implementation of Preferred Provider Organization or Utilization Review programs will preserve the goal of providing reasonable and meaningful health care protection at an affordable price. This bill provides a measure of accountability of providers of health care services that does not exist today. Insurers that establish Preferred Provider Organizations will also be able to improve insurance cost containment efforts through the negotiation of medical fees and payments with health care providers.

To some degree, New York's No-Fault system has become a target for those who would engage in abuse. Essentially an unmanaged reparations system, No-Fault insurance has been targeted by some unscrupulous health care providers as an easy source of business. The result is an increasingly adversarial climate between health care providers and insurers. The establishment of one of the alternative approaches provided by this bill would help to solve the problems in the present system. It should result in a more cooperative approach that would bring better order and control to the No-Fault reparations system. At the same time, costs should be reduced, resulting in lower auto insurance costs for New York's consumers.

This bill is designed, to a significant degree, to allow insurers to develop programs similar to those now permitted under the Workers' Compensation Law. These programs have been effective in reducing costs for workers' compensation insurers and those savings have been passed on to policyholders in the form of lower workers' compensation insurance premiums. This bill will allow New York's auto insurance consumers to realize similar, if not greater, savings.

Senate Bill No. 5584 (Sen. Seward)

6. Health Care Reform Act 2000 Technical Amendments; (Chapter 23 of the Laws of 2000)

This bill clarifies language as requested by the State Comptroller directing the portion of Tobacco Settlement Fund receipts dedicated to the New York Health Care Reform Act of 2000 into the Tobacco Control and Insurance Initiatives Pool.

Section 1 ensures the appropriate flow of tobacco settlement fund moneys to the Tobacco Control and Insurance Initiatives Pool. Section 2 provides that the bill shall be effective immediately, and shall be deemed to be in force on and after April 1, 2000.

The enactment of this clarifying language is necessary to maintain continuity in State services and financial management in the absence of an enacted Budget for the 2000-01 fiscal year and to maintain balance in the 2000-01 Financial Plan. Moreover, the Comptroller has requested that this clarification be made.

Senate Bill S.7395 (Rules); Assembly Bill (Rules)

7. Make NYPIUA Permanent; Program Bill No. 13

This bill would repeal Sections 5411 and 5412(g) of the Insurance law, thereby making New York Property Insurance Underwriting Association (NYPIUA) permanent. The bill would also make permanent certain provisions which were included in Chapter 42 of the Laws of 1996 and which currently have an April 30, 1999 expiration date (Section 2351 and Section 3425(o) and (n)).

Sections 1 and 2 of the bill repeal Sections 5411 and 5412(g) of the Insurance law, thereby making NYPIUA permanent.

Section 3 makes permanent certain provisions of Chapter 42 of the Laws of 1996. The provisions are Section 2351 (pertaining to multi-tier programs for homeowners' insurance policies) and amendments to Section 3425 (subsections (o) and (n) pertaining to withdrawal from the homeowners insurance market) which would otherwise expire on April 30, 1999. Section 3 also makes a conforming amendment to reflect the permanent status of NYPIUA (as proposed in Sections 1 and 2 of the bill).

Section 4 repeals Section 12 of chapter 42 of the Laws of 1996, which created the Temporary Panel on Homeowners' Insurance Coverage.

Sections 5411 and 5412(g) of the Insurance Law set forth an April 30, 1999 expiration date for Article 54 pertaining to NYPIUA and the standby powers of the Association.

Section 2351 and Section 3425(o) of the Insurance Law have an April 30, 1999 expiration date.

Section 12 of Chapter 42 of the Laws of 1996 created a Temporary Panel on Homeowners' Insurance Coverage.

NYPIUA, a joint underwriting association made up of insurers writing property insurance in New York, affords the following coverages to commercial and residential policyholders unable to obtain such coverage in the voluntary market: Fire and extended coverage (such as windstorm); vandalism and malicious mischief; sprinkler leakage; loss of rent; and business interruption insurance. Rates are generally 20%, 30% or 40% higher (according to class of business) than voluntary rates.

The continuation of NYPIUA is important to continue its original purpose of orderly community development in inner-city areas by providing the needed property insurance protection for dwellings and business concerns, and in continuing its stand-by authority to write in several commercial markets. The insurance provided by the Association, therefore, assists in attracting the investment of private capital in such areas and helps prevent economic deterioration.

Chapter 220 of the Laws of 1986 added a new Section 5412 to the Insurance Law and granted standby powers to the Association to write commercial risk insurance, public entity insurance, and professional liability insurance. The Association will write these coverages only if the Superintendent determines, after a public hearing, that it is necessary due to the unavailability of meaningful coverage in a particular voluntary market. If meaningful insurance coverage thereafter becomes readily available in the voluntary marketplace, the Superintendent is empowered to direct the Association to suspend writing such business. However, the Superintendent has never deemed it necessary to invoke these additional powers under Section 5412. Insurance market conditions in New York State have improved partly as a result of legislative and regulatory efforts and partly as a result of cyclical progressions in the insurance marketplace. Yet because of the specter of past market cycles, the Insurance Department must be able to effectively deal with restrictive market conditions as they arise. The existence of the Superintendent's authority to invoke NYPIUA aids substantially in accomplishing this result.

The continuation of NYPIUA is also critical as it is now also serving to provide coverage in New York's coastal areas. Over the past several years, NYPIUA increased the number of fire insurance policies it issues to coastal homeowners because these residents were unable to obtain needed homeowners' insurance. It should be noted that while NYPIUA has the power to assess members, the process is, by nature, slow, in that it is not geared toward the immediacy of response that may arise out of a catastrophic situation. NYPIUA should have the ability to draw on resources such as letters of credit, or a line of credit in such instances. However, its limited life span precludes the entity from establishing that credit base. This magnifies the need to make NYPIUA a permanent entity.

Chapter 42 of the Laws of 1996 also added Section 2351 to the Insurance Law, permitting insurers to have multi-tiered programs for homeowners insurance. It amended Section 3425(o) of the Insurance Law to require a homeowners' insurer that intends to materially reduce the volume of such policies it issues in New York, as specified in the statute, to file a plan with the Department (for approval), at least 60 days in advance. It further requires that the plan must evidence that the withdrawal will be done in a manner which will minimize market disruption.

The legislation also amended Section 3425(n) to require that where an insurer materially reduces its volume of homeowners' policies issued in New York, commissions shall be payable for an additional year beyond the required policy. These mechanisms were created to enhance the availability of homeowners' insurance in New York, and to address the problems faced in attempting to properly insure structures in coastal areas. All of these provisions are due to expire on April 30, 1999. These measures have proven to be useful and should be made permanent.

The Temporary Panel on Homeowners' Insurance Coverage has been in existence since 1996 and produced a number of special reports for the Governor and the Legislature, the most recent of which was issued in May 2000.

Senate Bill (N/A); Assembly Bill A.6842-A (Mr. Grannis)

8. Civil Authority Insurance; Program Bill No. 140

This bill would enhance the insurance protections available to business owners, including small businesses in New York State, by permitting the authorization of "civil authority" insurance and to provide further that if the New York Property Insurance Underwriting Association provides coverage for business interruption insurance it also shall offer to cover economic loss due to acts of civil authority upon a determination of necessity made by the Superintendent of Insurance.

Section 1 adds a new paragraph (30) to section 1113(a) defining "civil authority insurance" as insurance for the loss of use and occupancy, rents, and profits resulting from an order of civil authority with or without the threat of loss of or damage to property or actual loss of or damage to property.

Sections 2 and 3 amend section 4101(b) to add civil authority insurance to the list of "non-basic kinds of insurance" that are permitted under section 1113.

Section 4 amends section 4102(b)(2) to add civil authority insurance to the kinds of insurance that a property and casualty company may write if it is also licensed to write fire insurance.

Section 5 amends section 4103(a)(1) Table One, Group A to add civil authority insurance to the kinds of insurance a stock property/casualty insurance company may be licensed to write upon meeting the applicable paid-in capital requirement and additional paid-in surplus requirement for the kinds of insurance listed in the section.

Section 6 amends section 4107(b) Table Three, Group C to add civil authority insurance to the kinds of insurance domestic mutual companies may be licensed to write, provided the company is also licensed to write insurance under Group A of the section and meets the specified initial surplus requirement specified.

Section 7 adds a new subsection (h) to section 5402 to provide that if business interruption insurance is provided through the New York Property Insurance Underwriting Association, then NYPUA shall also offer civil authority insurance pursuant to a determination of necessity made by the Superintendent under section 5412.

Section 1113 (a)(4) lists fire insurance as one of the kinds of insurance permitted in New York State, and any company licensed to write fire insurance may also write business interruption insurance. Insurance for loss of business income due to the actions of civil authorities resulting in physical loss or damage at a location other than the covered business is not listed in the law, but is permitted as a coverage variation at extra expense to the policy.

Business Interruption Insurance provides businesses with coverage for loss of income and the extra expenses they may incur when they are forced to close because of damage to the premises or as a result of action by a civil authority following such damage. This coverage can be critical to the survival of businesses forced to remain closed for a period of time due to catastrophic conditions or circumstances beyond their control.

Recent natural disasters and other life endangering situations have provided evidence of the need for the development of enhancements to bridge the gaps in coverage that exist under the terms of policies currently available in the marketplace.

Senate Bill S.7576 (Mr. Seward); Assembly Bill (N/A)

B. Insurance Department Bills for 2000

1. Risk-Based Capital Requirements; Capital Notes

(a) 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.

(b) To also enact similar RBC standards for health organizations licensed under Article 43 of the Insurance Law or granted a certificate of authority under Article 44 of the Public Health Law.

(c) To create a new Section 1326 of the Insurance Law to authorize domestic property/casualty insurance companies and financial guaranty insurance corporations to issue capital notes with the approval of the Superintendent of Insurance within certain statutory limits.

The insurance industry is regulated to ensure that insurers maintain sufficient capital to fund policyholder obligations. In the past, the solvency of the property/casualty industry has raised concerns among consumers, legislators and regulators. In 1993, the New York Legislature applied RBC standards to life and accident and health insurers through the enactment of Section 1322 of the Insurance Law.

The amendments set forth in Sections 1, 4 and 5 will extend RBC standards to the property/casualty insurance industry. The new Section 1324 incorporates the use of a RBC formula that has been designed by regulators to establish minimum capital requirements based upon the risks applicable to the operations of individual insurers. It takes into consideration industry performance, individual insurer characteristics and the allocation of reserves and premiums in the property/casualty insurance industry.

Section 2 of the bill enacts a new Section 1325 containing similar provisions regarding health organizations. The proposal embraces the RBC standards contained in the NAIC's recently adopted Health Organization RBC Model Law. The health insurance marketplace has undergone a transformation over the past ten years from predominantly traditional indemnity based insurance carriers to predominantly pre-paid managed care organizations. As these organizations (NYIL Article 43 Insurers and PHL Article 44 health maintenance organizations) have increased their share of the health market, solvency concerns have been heightened among consumers legislators and regulators. In 1993, the New York legislature applied RBC standards to commercial health insurers through the enactment of Section 1322 of the Insurance Law. By adding the new Section 1325, Section 2 will extend these standards to the remainder of the health insurance industry. The new Section 1325 incorporates the use of an RBC formula that has been designed by regulators to establish minimum capital requirements based upon the risks applicable to the operations of individual organizations. It also takes into consideration the arrangements by which these organizations share risk with the providers of health services. Conforming amendments with respect to health organizations are also included in Sections 5 and 6 of the bill.

The structure and methodology of the formula used to calculate the RBC have been developed by the National Association of Insurance Commissioners ("NAIC") and may be revised by that Association from time to time. However, the proposed bill would give the Superintendent the discretion to adopt or reject those changes when applying RBC to New York property/casualty insurers and health

organizations, consistent with New York law, as was previously done in the legislation enacted in 1993 in Section 1322.

The bill also corrects an inadvertent error in Section 1322. Subsequent to the enactment of Section 1322 in New York in 1993, it came to the attention of the persons who developed the National Association of Insurance Commissioners Model Act, on which Section 1322 was based, that "regulatory" should be replaced with "company". The NAIC Model Act was corrected and, accordingly, the New York statute should also be corrected at this time.

The bill will require property/casualty insurers licensed in New York and health organizations licensed or issued a certificate of authority in New York to calculate their RBC and, in addition, will provide the Superintendent with appropriate remedies as an authorized insurer's or health organization's financial condition deteriorates (i.e. its capital falls below RBC standards). The revisions provide a new minimum level of capital at which the Superintendent must act to place an insurer under his or her control. The proposal effectively raises the statutory capital level from its current arbitrary and generally low fixed dollar amounts to a more flexible and realistic base that changes in relation to the size of the insurer and the level of risk inherent in an insurer's operations. In the case of health organizations, the proposal effectively changes the statutory capital level from its current flat percentage based calculation to a more flexible and realistic base that changes in relation to level of risk inherent in a health organization's operations.

RBC is intended to strengthen the safety net that statutory surplus currently provides for policyholder obligations. While RBC provides a threshold amount of capital, it does not set the precise amount of capital a property/casualty insurer or a health organization needs to operate in a competitive, dynamic and uncertain marketplace. It cannot address all the risks associated with the operations of an insurer or health organization. Accordingly, an excess of capital over the amount produced by the RBC requirements contained in this bill is desirable in the business of insurance, and insurers and health organizations should seek to maintain capital well above the RBC levels required by this bill. Furthermore, since RBC is not a precise amount of capital to be maintained, the proposed legislation specifically prohibits its use for ranking and advertising, or as a standard for the establishment of premium rates.

The proposed legislation provides the Superintendent with a powerful and effective new tool to measure capital adequacy of property/casualty insurance companies and health organizations. The proposed capital standard will enable the Superintendent to more effectively employ statutory remedies and, in conjunction with the array of other solvency tools, hasten intervention into troubled situations. RBC will not preclude in any way other powers and duties of the Superintendent. It will only supplement those powers. These standards will greatly enhance New York's strong, effective regulation of insurers companies and health organizations.

Section 3 of the bill expands the means by which property/casualty insurance companies and financial guaranty insurance corporations can raise capital. This section mirrors legislation enacted in 1996 for life insurers in New York. Like mutual life insurers, this authority can be important to mutual property/casualty insurance companies. Currently mutual property/casualty insurance companies can raise capital from investors only through surplus notes issued pursuant to Section 1307, which is a limited and costly capital raising mechanism. The ability to issue capital notes under the proposed new Section 1326 would give mutual and stock property/casualty insurance companies and financial guaranty insurance corporations additional flexibility to create a sound, diversified capital structure. That flexibility would still be disciplined by the limitation that the insurer generally cannot use capital notes, surplus notes and comparable financing to raise more than 25% of its total adjusted capital. These limits are intended to prevent a precipitous reduction in the insurer's capital when a capital note matures and has to be repaid. In addition, further protection is provided by requiring the insurer to start eliminating the effect of the capital notes on its total adjusted capital either five or ten years prior to maturity, depending on the term of the capital note. Also, payment of principal and interest can be

suspended by the Superintendent if the insurer's total adjusted capital does not meet a multiple of its minimum required capital as calculated by the risk-based capital formula. In applying the foregoing limits to financial guaranty insurance companies, limits are based upon the existing capital requirements under Article 69 of the Insurance Law rather than the proposed new risk based capital limits under proposed new Section 1324.

Senate Bill 3584-A (Sen. Seward); Assembly Bill 8121 (Rules at request of Mr. Grannis)

2. Life Insurance Products

(1) 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 which provide for cash surrender benefits determined using market-value adjustment formulae which permit only downward adjustments to such benefits or using other such formulae which are acceptable to the Superintendent.

(2) 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.

(3) 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.

Section 4221 (n-2) currently provides for restrictions on the form of market-value adjustment formulae that may be used in individual life insurance policies. Such restrictions do not necessarily allow an insurer to protect itself against economic losses upon termination of a large number of policies simultaneously, as could be the case with corporate owned or bank owned life insurance where one employer may control many policies. In such cases, significant economic losses could occur since the insurer could be forced to sell assets such that the amount of cash paid out to the policyowner would exceed the market value of the supporting assets. This could occur if the market-value adjustment formula in a policy did not accurately provide for a reflection of the true market value of the assets supporting a policy due to the formula's simplified nature as required by the current law.

The bill would permit insurers to use market-value adjustment formulae, which provide more protection for insurers against economic losses due to the termination of a large case. It would allow the same types of market-value adjustment formulae currently used by insurers for group life business. The bill is supportive of business since it should lead to the increased availability of corporate owned or bank owned life insurance policies since more insurers would be willing to enter this market. The bill would also benefit employees since these types of life insurance programs are often used to fund employee benefit plans.

Insurers issuing variable annuity contracts and variable life insurance policies have begun to design products, which would reward contractholders and policyholders who heavily fund their contracts and policies. When these products are heavily funded, leading to higher returns for the insurer, it is only equitable for the insurer to return a portion of those earnings back to the contractholders and policyholders. Insurers, however, may want to utilize retrospective formulas, i.e., looking back at the performance of a policy during the prior year in order to determine eligibility for the enhancement. Such a retrospective formula currently has the effect whereby the policyholders would be participating in the company's profits, thereby making the contract or policy participating under Section 4231 of the Insurance Law.

Insurers which are stock companies and wish to offer these types of enhancements are unable to do so without applying for and obtaining a permit from the Superintendent authorizing such insurer to issue participating products. Many insurers are reluctant to go through this process.

The bill would allow New York contractholders and policyholders to be eligible for product enhancements and facilitate the offering of such enhancements by insurers in New York.

Under current law, licensed insurers cannot market group annuity certificates in the individual market under group annuity contracts delivered in this state unless the group is specifically described in Section 4238(b). As such, a licensed insurer cannot market such certificates under a group annuity contract issued to one of the new proposed groups situated in this state. However, the same licensed insurer can market such certificates if the group annuity contract is delivered outside of New York in a state in which the insurer is licensed to do business. Some licensed insurers are not licensed in other states and must either incur the additional expense of licensing in another state or forego marketing such annuity coverage through an increasingly common marketing option.

It makes no sense to force group business out of the state when the certificates covering New York residents under such groups would be subject to in state approval standards. Section 4238 already recognizes two non-true groups in Section 4238(b)(6) and (7) (i.e., IRA Groups and the Non-Taft Hartley Trust Groups) and no public policy is served by prohibiting the three other commonly recognized non-true groups. Section 4 of the bill would address this anomaly by specifically permitting such group cases to be written in this state.

Section 3 of the bill is needed to prohibit unlicensed insurers from engaging in transactions, such as issuance of a certificate of insurance, in New York when New York residents are covered under group annuity contracts issued out-of-state to non-true groups including the three proposed groups. The deletion of the phrase "providing a plan of retirement annuities" is necessary to conform to changes made to Section 4238(b) (former Section 223(2)) by Chapter 172 of the Laws of 1982 and to recognize that individual pay-all programs are savings vehicles as well as retirement programs.
Senate Bill 3559 (Sen. Seward); Assembly Bill 8089 (Rules at request of Mr. Grannis)

3. Technical Corrections

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.

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 Lloyd's underwriters;

To amend Section 6116 of the Insurance Law to delete subsections (a), (b) and (d), which grandfathered any Lloyd's 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 "Lloyd's underwriters" to reflect the fact that the only Lloyd's underwriter grandfathered under Section 6116 has since converted to a property/casualty insurance company and that the formation of other Lloyd's underwriters are prohibited, making these references obsolete.

Sections 1 through 10 of the bill correct spelling errors or renumber or reletter various provisions of the Insurance Law. In each instance, the amendments are technical in nature and eliminate confusion in the law. Due to changes to Article 14 enacted in Chapter 324 of the Laws of 1992, the cross-references to provisions of Article 14 which are set forth in Section 6507 require a technical conforming revision (section 2 of the bill).

The ambiguities in Section 2335 that Section 11 of the bill seeks to correct have caused confusion for both the Department and the industry. These items slow down the filing process as well. First and foremost of these items, are paragraphs (a)(3) and (a)(14) of Section 2335. Read together, these paragraphs cause some ambiguity and create confusion over meaning and interpretation. Most insurers' merit rating (surcharge) plans are structured so that any two or more violations, other than those listed in paragraphs 1 through 13, will result in a surcharge. Yet, one interpretation of the section would only permit a surcharge for violations for operating a motor vehicle in excess of the speed limit, or reckless driving, or any combination thereof, on a minimum of three or more occasions. Such an interpretation would set in place a situation where a driver who has two convictions for relatively minor infractions, such as an improper turn, would be surcharged, whereas another driver with two major offenses, such as reckless driving, would not be surcharged. This result would be detrimental to consumers and to highway safety. It also seems to be contrary to the original legislative intent, which may have been overlooked when subsequently the Legislature transported what were previously grounds for nonrenewal into bases for surcharges. Additionally, Section 2335 contains a number of words and phrases which conflict with the rest of the section, and therefore should be replaced.

Section 1104(c) is currently applicable to Lloyd's underwriters. However, the only Lloyds underwriter operating in New York at the time of the enactment of Section 1104(c) converted into a property/casualty insurance company in 1992. Furthermore, subsection (c) of Section 6116 prohibits the organization or licensing of any other Lloyd's underwriters. Accordingly, the reference to Lloyd's underwriters in Section 1104(c) is obsolete.

Section 1104(c) of the Insurance Law should be made applicable to monoline financial guaranty insurance companies. This subsection, which authorizes the Superintendent to suspend the license, restrict the license authority or limit the premium writings of a property/casualty insurance company, co-operative property/casualty insurance company, title insurance company, mortgage guaranty insurance company, reciprocal insurer or Lloyds underwriter upon a determination that the insurer's surplus to policyholders is inadequate in relation to its outstanding liabilities or financial needs, was enacted in the same 1989 session as the enabling legislation that authorized the formation of monoline financial guaranty insurance companies. As Section 1104(c) is applicable to property/casualty insurance companies which wrote financial guaranty insurance prior to the enactment of Article 69, and to other types of monoline insurance companies such as title and mortgage guaranty insurance companies, it is consistent that this authority should apply to financial guaranty insurance companies authorized under Article 69. Such authority is critical when the Superintendent has made a determination that an insurer's surplus to policyholders is not adequate in relation to the insurer's outstanding liabilities or to its financial needs.

As indicated above, the only Lloyds underwriter operating in New York converted into a property/casualty insurance company in 1992. Thus, the exemption in Section 6116(a) and (b), which allows any Lloyd's underwriters authorized prior to January 1, 1940 to continue to do an insurance business in New York, is no longer needed. In addition, the New York Insurance Exchange is no longer operational, negating the need for the affirmation in Section 6116(d) that this section does not affect the authority of the Exchange to operate under Article. The provision contained in Section 6116(c) prohibiting any other Lloyd's underwriters from being organized or doing business in New York will remain as the sole provision in Section 6116 under the bill.

Due to the conversion of the only Lloyd's underwriters to a property/casualty insurer in 1992, many of the references in the Insurance Law to "Lloyd's underwriters", where such references are meant to include a Lloyd's underwriter in the same standing as other types of authorized insurers, are no longer relevant and should be deleted.

Senate Bill 3516-A (Sen. Seward); Assembly Bill 8090-A (Rules at request of Mr. Grannis)

4. Staggered License Renewals for Life and Accident and Health Agents

This bill would reduce administrative burdens on licensed entities and the Insurance Department by providing staggered expiration dates for life/accident and health agents in lieu of one common date for all such licensees.

Section 1 would amend several paragraphs of Section 2103(j) of the Insurance Law to provide that each life/accident and health license currently scheduled to expire on June 30, 2001, upon renewal, will be allocated an expiration date of either February 28, 2003, June 30, 2003, or October 31, 2003. New licenses also will be allocated either a February 28, June 30, or October 31 expiration date. All such allocations will be made in such manner as the Superintendent deems reasonable. The goal is to maintain approximately equal numbers of licenses in force with expirations on each such date. On and after July 1, 2001 licenses will be issued for two year terms expiring on February 28, June 30 or October 31, as applicable, in odd numbered years. The provisions governing other agent licenses are not affected.

Section 2103(j)(2) currently provides that all life/accident and health agent licenses are valid for two year terms expiring on June 30 in odd numbered years.

The Insurance Department issues sixteen classes of licenses, fifteen of which must be renewed periodically. More than half of all license renewals, approximately 105,000, is attributable to one class of licensees, life/accident and health agents. Under current law, all life/accident and health licenses expire on the same date, June 30 of each odd numbered year. The sheer number of renewal applications has caused problems for life insurers and agencies with large numbers of life agents. In addition, this bulge makes it harder for the Department to efficiently process the renewal of these applications. Therefore, Section 2103(j) of the Insurance Law should be amended to provide that life/accident and health licenses will be divided into three groups, renewable on February 28, June 30 and October 31, respectively, in each odd numbered year.

Senate Bill 7082 (Mr. Seward); Assembly Bill 9904 (Mr. Grannis)

5. Authorize Writing of Directors and Officers Insurance

This bill would facilitate the writing of directors and officers insurance in New York by authorizing the Superintendent of Insurance to promulgate a regulation modifying certain liability insurance provisions that do not accommodate the unique characteristics of directors and officers insurance.

Section 1 would add a new subsection (k) of Section 3420 of the Insurance Law to provide that the Superintendent may by regulation modify provisions of Section 3420(a) with respect to directors and officers insurance written pursuant to Section 726 of the Business Corporation Law, Section 726 of the Not-For-Profit Corporation Law, or Section 7023 of the Banking Law, or with respect to directors and officers of a corporation that, if it were a New York corporation, would be subject to one of such sections. The bill also provides that the Superintendent shall consider the unique characteristics of directors and officers insurance and the prevailing policy standards applicable to it, and shall limit any modifications as necessary and proper to enhance the availability of such coverage while protecting the interests of persons covered by such policies.

Section 726 of the Business Corporation Law, Section 726 of the Not-For-Profit Corporation Law, and Section 7023 of the Banking Law each authorize a corporation to purchase directors and officers insurance in specified situations.

Directors and officers insurance is not a separate kind" of insurance under Section 1113(a) and is considered by the Insurance Department to be a type of personal injury liability insurance as specified in Section 1113(a)(13). Section 3420(a) contains provisions applicable to liability insurance policies which do not address the unique characteristics of directors and officers insurance.

Section 726 of the Business Corporation Law, Section 726 of the Not-For-Profit Corporation Law and Section 7023 of the Banking Law authorize corporations subject to those sections to purchase and maintain insurance for the purpose of indemnifying their directors and officers and to indemnify themselves for obligations that the corporations incur as a result of the indemnification of directors and officers pursuant to such laws. However, Section 1113(a) of the Insurance Law does not explicitly recognize directors and officers indemnification insurance in New York as a specific kind of insurance. The Insurance Department has considered this type of insurance to be personal injury liability insurance as specified in paragraph 13 of Section 1113(a), and thus subject to the minimum requirements for liability policies contained in Section 3420 of the Insurance Law.

The Insurance Department has long interpreted Section 3420(a) of the Insurance Law as precluding liability policies from being written on an indemnification basis. Accordingly, directors and officers liability insurance could not be made available by authorized insurers or excess line insurers as contemplated under the Business Corporation Law, Not-For-Profit Corporation Law and Banking Law and insurers could not meet the needs of many corporations, especially for-profit corporations, impeding the development of directors and officers insurance in New York. As a result, many of these corporations have purchased insurance out-of-state, or relied on alternative insurance mechanisms.

The purpose of this legislation is to permit the Superintendent, by regulation, to modify the applicability of those provisions of Section 3420(a) which hamper the availability of directors and officers liability policies, while maintaining those provisions which are appropriate. The Department anticipates that these modifications may reflect the type and size of the corporations. In this manner, policyholders' protections will be facilitated, while the specialized needs of these markets will be accommodated. Moreover, insurers will be permitted to sell these policies in this state, thus allowing them to compete with unauthorized insurers and alternative insurance mechanisms.

Senate Bill 7006 (Mr. Seward); Assembly Bill 9967 (Mr. Grannis)

6. Increase Civil Monetary Penalties

This bill would amend the penalty provisions of Section 109 of the Insurance Law by increasing the maximum amount thereof to \$1,000 for each offense and to permit such penalties to be imposed in addition to any monetary penalty otherwise provided in the Insurance Law.

Section 1 of the bill amends Section 109(c) of the Insurance Law which currently provides for a penalty not in excess of \$500 for each willful violation of the Insurance Law by any authorized insurer, representative of such insurer, licensed insurance agent, licensed insurance broker or licensed adjuster. In addition, paragraph (3) is repealed which provides that no penalty shall be imposed pursuant to Section 109(c) if a monetary penalty is otherwise provided in the Insurance Law.

Section 109 currently provides for a \$500 maximum penalty for each violation of the Insurance Law. Penalties cannot be imposed pursuant to Section 109 if monetary penalties for the violation in question are provided for elsewhere in the Insurance Law. Chapter 521 of the Laws of 1966 enacted the predecessor provision to Section 109 of the Insurance Law and established the maximum \$500 generic civil money penalty for violations of the Insurance Law. Chapter 521 was introduced at the request of the Insurance Department. After 34 years the increase is needed in order to provide a credible, effective maximum civil money penalty for violations of the Insurance Law.

Paragraph (3) of section 109 should be repealed because it is neither efficient, nor practical to seek to amend the myriad individual penalty provisions scattered throughout the Insurance Law.

Senate Bill 6989 (Mr. Seward); Assembly Bill 9905 (Mr. Grannis)

VIII. Regulatory Activities

A. OPERATING STATISTICS

1. Results of Examinations for Licenses

Table 58
RESULTS OF EXAMINATIONS FOR LICENSES
Adjusters, Agents, Brokers and Consultants
1998 and 1999

<u>Type of Examination</u>	<u>1999</u>		<u>1998</u>	
	<u>Number Taking Examination</u>	<u>Percent Passing</u>	<u>Number Taking Examination</u>	<u>Percent Passing</u>
Total	44,960	52%	42,138	55%
Public Adjusters.....	63	32	60	33
Independent Adjusters - Total.....	1,644	62	1,552	66
Accident & Health.....	83	60	30	27
Automobile.....	258	67	268	55
Aviation.....	0	0	1	100
Casualty.....	445	52	355	50
Fidelity and Surety.....	15	80	42	76
Fire.....	85	44	70	39
General (All Lines).....	363	45	236	50
Health Service Charges.....	25	40	21	57
Inland Marine.....	5	40	5	40
Limited Auto (Damage or Theft Appraisals only).....	365	92	524	95
Agents - Total.....	40,717	51	37,888	52
Accident & Health.....	18,491	48	16,220	50
Life and SBLI.....	19,170	54	18,440	54
Mortgage Guaranty.....	5	20	3	67
General Agent (P&C).....	3,046	52	3,202	51
Bail Bond.....	10	60	23	35
Credit.....	0	0	0	0
Brokers.....	2,546	57	2,638	55
Consultants - Total.....	0	0	0	0
General.....	0	0	0	0
Life.....	0	0	0	0

2. Licenses Issued During Year

Table 59
LICENSES ISSUED DURING YEAR
1998 and 1999

	1999	1998
Total	110,217	76,219
Adjusters ^a		
Independent.....	4,070	670
Public.....	404	115
Agents ^b		
Life and Accident & Health.....	94,403	16,562
Savings Bank Life Certificate Holders.....	1,790	396
Property and Casualty.....	5,593	24,787
Rental Vehicle.....	2	53
Mortgage Guaranty Insurance.....	1	2
Bail Bond.....	70	31
Limited Lines.....	24	22
Brokers ^c		
Regular.....	3,373	32,634
Excess Line (Regular).....	169	344
Excess Line (Limited).....	0	2
Viatical Settlement.....	13	13
Consultants ^d		
Life.....	183	20
General.....	28	338
Reinsurance Intermediaries ^e	40	197
Service Contract Registrants ^f	78	55

Footnotes to Table 59:

^aAdjuster licenses issued pursuant to Section 2108 are renewable biennially as of January 1 of odd numbered years.

^bLife/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.

^cBroker 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.

^dConsultant 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.

^eReinsurance Intermediary licenses issued pursuant to Section 2106 are renewable biennially as of September 1 of even numbered years.

^fService Contract Registrations issued pursuant to Section 9707 are renewable biennially as of March 1 of odd numbered years.

3. Changes in Authorized Insurers During 1999

a. Life Insurance Companies

Domestic Companies Incorporated

United Healthcare Life Insurance Company of New York, Suffolk County, NY.....	July 14
Investors Partner Life Insurance Company of New York, Kings County, NY.....	July 20
SBLI Mutual Life Insurance Company of New York, Inc., New York, NY.....	Aug. 30
Medical Liability Mutual Insurance Company, New York, NY.....	Oct. 25
Zurich Kemper Life Insurance Company of New York, New York, NY.....	Oct. 25

Domestic Companies Licensed

SBLI Mutual Life Insurance Company of New York, Inc., New York, NY.....	Dec. 28
--	---------

Foreign Company Licensed

Pacific Life & Annuity Company, Phoenix, AZ.....	June 9
---	--------

Restated Charters Filed

Farmers & Traders Life Insurance Company, Syracuse, NY.....	July 22
MONY Life Insurance Company New York, NY.....	Oct. 22

Amendments to Charter

Unity Mutual Life Insurance Company Syracuse, NY.....	Mar. 10
Trans-General Life Insurance Company of New York New York, NY.....	Apr. 1
Old Republic Life Insurance Company of New York New York, NY.....	Apr. 2
Bankers American Life Assurance Company Pearl River, NY.....	Apr. 8

Farm Family Life Insurance Company Bethlehem, NY.....	Apr. 20
New York Life Insurance Company, New York, NY.....	Apr. 30
INA Life Insurance Company of New York, New York, NY.....	July 19
CU Life Insurance Company of New York, Buffalo, NY.....	Nov. 1
First Investors Life Insurance Company, New York, NY.....	Nov. 18
Sun Life Insurance and Annuity Company of New York, New York, NY.....	Dec. 20
Allstate Life Insurance Company of New York, Farmingville, NY.....	Dec. 29

Changes in Capital

MONY Life Insurance Company, New York, NY (from \$2,000,000 to \$2,500,000).....	Oct. 22
Allstate Life Insurance Company of New York, Farmingville, NY (\$2,000,000 to \$2,500,000)	Dec.29

Changes of Name

“American Foundation Life Insurance Company” to “Protective Life and Annuity Insurance Company,” Birmingham, AL.....	Jan. 8
“Trans-General Life Insurance Company of New York” to “Highmark Life Insurance Company of New York,” New York, NY.....	Apr. 1
“Old Republic Life Insurance Company of New York” to “Great American Life Insurance Company of New York,” New York, NY.....	Apr. 2
“INA Life Insurance Company of New York” to “CIGNA Life Insurance Company of New York,” New York, NY.....	July 19
“CU Life Insurance Company of New York” to “CGU Life Insurance Company of New York,” Buffalo, NY.....	Nov. 1

b. Accident and Health Insurance Companies

Domestic Company Licensed

Horizon Healthcare Insurance Company of New York,
New York, NY..... Feb 22

Amendments to Charter

Fiduciary Insurance Company of America,
New York, NY..... Jan. 12

Empire Healthchoice Assurance, Inc.,
New York, NY..... Apr. 9

United Concordia Insurance Company of New York,
Lake Success, NY..... Sept. 17

United Concordia Insurance Company of New York,
Tarrytown, NY..... Dec. 16

Change in Capital

United Concordia Insurance Company of New York,
Tarrytown, NY
(\$1,000,000 to \$300,000)..... Dec. 16

c. Savings Bank (Life Insurance Department)

Conversion

Savings Bank Life Insurance Fund,
New York, NY
Converted to a mutual life insurance company
known as SBLI Mutual Life Insurance Company of New York, Inc..... Dec. 28

d. Property and Casualty Insurance Companies

Domestic Companies Incorporated

Home Site Insurance Company of New York,
County of Westchester..... Jan. 25

American Horizon Insurance Company of New York,
County of New York July 20

XL Capital Assurance, Inc.,
County of New York..... Sept. 27

Domestic Companies Licensed

Long Island Insurance Company,
Melville, NY..... Apr. 1

New York Professional Liability Insurance Company, Smithtown, NY.....	June 14
Homesite Insurance Company of New York, White Plains, NY.....	July 22
TM Casualty Insurance Company, New York, NY.....	Sept. 23
XL Capital Assurance, Inc., New York, NY.....	Nov. 9

Foreign Companies Licensed

Starnet Insurance Company, Wilmington, DE	Feb. 28
CIM Insurance Corporation of Michigan, Detroit, MI.....	Mar. 25
Motors Insurance Corporation of Michigan, Detroit, MI.....	Mar. 25
Kemper Auto & Home Insurance Company, Long Grove, IL.....	April 12
Kemper Independence Insurance Company, Long Grove, IL.....	April 12
Bay Colony Insurance Company, Norristown, PA.....	April 28
T.H.E. Insurance Company, Metairie, LA.....	May 17
Hallmark Insurance Company, Inc., Bala Cynwyd, PA.....	May 17
Mercury Casualty Company, Brea, CA.....	May 25
Rutgers Casualty Insurance Company, West Orange, NJ.....	June 15
Nationwide Insurance Company of America, Madison, WI.....	June 22
Infinity National Insurance Company Birmingham, AL.....	July 7
Preferred Professional Insurance Company, Omaha, NE.....	July 8
Avomark Insurance Company, Indianapolis, IN.....	Aug. 10

Victoria National Insurance Company, Cleveland, OH.....	Aug. 11
American Deposit Insurance Company, Oklahoma City, OK.....	Aug. 30
X.L. Risk Solutions, Inc., Connecticut.....	Nov. 9
Williamsburg National Insurance Company, Cerritos, CA.....	Nov. 18
National Farmers Union Standard Insurance Company, Aurora, CO.....	Nov. 23
American Fire and Casualty Company, Hamilton, OH.....	Dec. 20
Ohio Security Insurance Company, Hamilton, OH.....	Dec. 20
Livingston Mutual Insurance Company of Pennsylvania, Lititz, PA.....	Dec. 31

Amendments to Charter

Hansa Reinsurance Company of America, Nanuet, NY.....	Jan. 11
Sun Insurance Office of America, NY, NY.....	Jan. 19
Winterthur Reinsurance Corporation of America, New York, NY.....	Mar. 1
Swiss Reinsurance America Corporation, New York, NY.....	Apr. 1
Insurance Company of Greater New York, New York, NY.....	Apr. 9
X.L. Insurance Company of America, Inc., New York, NY.....	Apr. 9
Miix Insurance Company of New York, Rochester, NY.....	Apr. 20
Arista Insurance Company, New York, NY.....	Apr. 21
Chubb Indemnity Insurance Company, New York, NY.....	Apr. 26
Vigilant Insurance Company, New York, NY.....	Apr. 26

Chubb Indemnity Insurance Company, New York, NY.....	Apr. 26
Westchester Fire Insurance Company, New York, NY.....	Apr. 29
American Credit Indemnity Company, New York, NY.....	May 28
Graphic Arts Mutual Insurance Company, New Hartford, NY.....	June 1
Utica Mutual Insurance Company, New Hartford, NY.....	June 1
Utica National Assurance Company, New Hartford, NY.....	June 1
Mastercare Insurance Company of New York, New York, NY.....	June 3
TIG Insurance Company of New York, Mineola, NY.....	July 14
Compass Insurance Company New York, NY.....	Sept. 9
Utica Mutual Insurance Company, New Hartford, NY.....	Sept. 10
Graphic Arts Mutual Insurance Company, New Hartford, NY.....	Sept. 10
Atlas Assurance Company of America, New York, NY.....	Sept. 28
Providence Washington Insurance Company of New York, Garden City, NY.....	Oct. 12
American Guarantee and Liability Insurance Company, New York, NY.....	Nov. 1
Zurich American Insurance Company, New York, NY.....	Nov. 1
American Agents Insurance Company, Melville, NY.....	Nov. 4
AXA Nordstern Art Insurance Corp., New York, NY.....	Nov. 4
Capital Mutual Insurance Company, Sand Lake, NY.....	Nov. 15
Liberty Marine Underwriters, Inc., New York, NY.....	Nov. 23

Hansa Reinsurance Company of America, Nanuet, NY.....	Nov. 30
Atlantic Mutual Insurance Company, New York, NY.....	Dec. 3
Atlantic Specialty Insurance Company, New York, NY.....	Dec. 3
Spirit Insurance Company, East Meadow, NY.....	Dec. 6
Centennial Insurance Company, New York, NY.....	Dec. 8
Frontier Insurance Company, Rock Hill, NY.....	Dec. 8
First Community Insurance Company, Bedford, NY.....	Dec.15
Fulcrum Insurance Company, New York, NY.....	Dec. 21
Rampart Insurance Company New York,NY.....	Dec. 21
Fulcrum Insurance Company, New York, NY.....	Dec. 23
Changes in Capital	
Miix Insurance Company of New York, Rochester, NY (from \$1,200,000 to \$4,000,000).....	April 20
Arista Insurance Company New York, NY (from \$300,000 to \$200,000.....	April 21
Mastercare Insurance Company of New York, New York, NY. (from \$600,000 to \$952,380).....	June 3
Compass Insurance Company, New York, NY (from \$1,696,800 to \$1,253,480).....	Sept. 9
American Agents Insurance Company, Melville, NY (from \$700,000 to \$1,500,000).....	Nov. 4
AXA Nordstern Art Insurance Corp., New York, NY (from \$2,500,000 to \$3,000,000)	Nov. 4

Fulcrum Insurance Company,
New York, NY
(from \$4,500,000 to \$3,165,000)..... Dec. 23

Restated Charters

Constitution Reinsurance Corporation,
New York, NY..... July 13

Gerling Global Reinsurance Corporation of America,
New York, NY..... July 13

Empire Insurance Company,
New York, NY..... Nov. 17

Merchants Mutual Insurance Company,
Buffalo, NY..... Dec. 23

Changes of Name

“Industrial Indemnity Company” to
“Fremont Industrial Indemnity Company,”
Glendale, CA..... Jan. 1

“Sun Insurance Office of America” to “Royal & SunAlliance
Personal Insurance Company,
New York, NY..... Jan. 19

“Business Insurance Company” to “Centre Insurance
Company,”
Wilmington, DE..... Jan. 20

“Managedcomp National Insurance Company” to
“ Advantage Workers Compensation Insurance
Company,”
Indianapolis, IN..... Jan. 22

“Industrial Indemnity Company of the Northwest”
to “Fremont Indemnity Company of the Northwest”
Seattle, WA..... Feb. 1

“Guidant Elite Insurance Company” to
“GuideOne Elite Insurance Company,”
West Des Moines, IA..... Feb. 1

“Guidant Specialty Mutual Insurance Company” to
“GuideOne Specialty Mutual Insurance Company,”
West Des Moines, IA..... Feb. 1

“Industrial Indemnity Company of the Northwest”
to “Fremont Indemnity Company of the Northwest”
Seattle, WA..... Feb. 1

“Leader National Insurance Company” to “Leader Insurance Company,” Independence, OH.....	Feb. 11
“Starnet Casualty Company” to “Starnet Insurance Company,” Wilmington, DE.....	Feb. 28
“Winterthur Reinsurance Corporation of America” to “PartnerRe Insurance Company of New York,” New York, NY.....	Mar. 1
“Automobile Club Insurance Company” to “American Commerce Insurance Company,” Columbus, OH.....	Mar. 19
“Pennsylvania Millers Mutual Insurance Company” to “Penn Millers Insurance Company,” Wilkes-Barre, PA.....	Apr. 1
“X.L. Insurance Company of America, Inc.” to “XL Insurance Company of New York, Inc.,” New York, NY.....	Apr. 9
“American Credit Indemnity Company” to “Euler American Credit Indemnity Company,” New York, NY.....	May 28
“CIM Insurance Corporation of Michigan” to “CIM Insurance Corporation,” Detroit, MI.....	June 21
“Motors Insurance Corporation of Michigan” to “Motors Insurance Corporation,” Detroit, MI.....	June 21
“The First Reinsurance Company of Hartford” to “Deerfield Insurance Company,” Avon, CT.....	July 1
“Constitution Reinsurance Corporation” to “Gerling Global Reinsurance Corporation of America,” New York, NY.....	July 13
“Gerling Global Reinsurance Corporation of America” to “Constitution Insurance Company,” New York, NY.....	July 13
“Northbrook National Insurance Company” to “Discover Property & Casualty Insurance Company,” South Barrington, IL.....	Aug. 4
“Caledonian Insurance Company of America” to “USAgencies Direct Insurance Company,” New York, NY.....	Aug. 9

“PG Insurance Company of New York” to “CGU Insurance Company of New York,” Melville, NY.....	Aug. 9
“Colonia Insurance Company of Wisconsin” to “Nationwide Assurance Company,” Madison, WI.....	Aug. 13
“Gan National Insurance Company” to “Rampart Insurance Company,” New York, NY.....	Aug. 25
“Albany Insurance Company” to “Liberty Marine Underwriters Inc.,” New York, NY.....	Aug. 30
“Bay Colony Insurance Company” to “GE Auto & Home Assurance Company,” Norristown, PA.....	Sept. 2
“Pennsylvania General Insurance Company” to “General Accident Insurance Company,” Philadelphia, PA.....	Sept. 23
“General Accident Insurance Company of American” to “CGU Insurance Company,” Philadelphia, PA.....	Sept. 23
“European Reinsurance Corporaiton of America” to “North American Elite Insurance Company,” Manchester, NH.....	Sept. 27
“CIGNA Indemnity Insurance Company” to “ACE Indemnity Insurance Company,” Philadelphia, PA.....	Nov. 1
“CIGNA Insurance Company” to “ACE American Insurance Company,” Philadelphia, PA.....	Nov. 1
“CIGNA Property and Casualty Insurance Company” to “ACE Property and Casualty Insurance Company,” Philadelphia, PA.....	Nov. 1
“CIGNA Reinsurance Company” to “ACE American Reinsurance Company,” Philadelphia, PA.....	Nov. 1
“CIGNA Fire Underwriters Insurance Company” to “ACE Fire Underwriters Insurance Company,” Philadelphia, PA.....	Nov. 1
“Allendale Mutual Insurance Company” to “Factory Mutual Insurance Company,” Johnston, RI.....	Nov. 4

“Gan North American Insurance Company” to “Western Continental Insurance Company,” Houston, TX.....	Nov. 8
“Camden Fire Insurance Association” to “CGU Insurance Company,” Cherry Hill, NJ	Nov. 15
“Liberty Marine Underwriters, Inc., to “Liberty Insurance Underwriters, Inc., New York, NY.....	Nov. 23
John Hancock Property and Casualty Insurance Company” to AXA Re Property and Casualty Insurance Company,” Wilmington, DE.....	Nov. 23
“Hansa Reinsurance Company of America” to “Suecia Insurance Company,” Nanuet, NY.....	Nov. 30
“Livingston Mutual Insurance Company of Pennsylvania” to “Livingston Mutual Insurance Company,” Lititz, PA.....	Dec. 31

Withdrawn

United Republic Insurance Company, Houston, TX.....	Jan. 26
--	---------

Conversion

Penn Millers Insurance Company Wilkes-Barre, PA From a mutual company to a stock company.....	April 1
---	---------

Redomestications Filed

Foremost Property and Casualty Insurance Company, Indiana to Michigan.....	Jan. 12
U.S. Speciality Insurance Company, Maryland to Texas.....	Mar. 30
American Alliance Insurance Company, Arizona to Ohio.....	Apr. 21
First Reinsurance Company of Hartford Connecticut to Illinois.....	July 1
National Casualty Company, Michigan to Wisconsin.....	Aug. 9
Atlanta Casualty Company, Illinois to Ohio.....	Aug. 24

Merger Agreements Filed

Starnet Insurance Company New York, NY into Starnet Casualty Company Wilmington, DE.....	Feb. 28
CIM Insurance Corporation Yonkers, NY into CIM Insurance Corporation of Michigan Detroit, MI.....	Mar. 25
Motors Insurance Corporation Yonkers, NY into Motors Insurance Corporation of Michigan Detroit, MI.....	Mar. 25
Arkwright Mutual Insurance Company, Waltham, MA into Factory Mutual Insurance Company, Johnston, RI.....	Nov. 4
Protection Mutual Insurance Company, Park Ridge, IL into Allendale Mutual Insurance Company, Johnston, RI.....	Nov. 4
X.L. Risk Solutions, Inc., Hartford, CT into XL Capital Assurance, Inc., New York, NY	Nov. 9

In Liquidation

Illinois Insurance Company, Oakbrook, IL.....	July 15
--	---------

e. Co-operative Property and Casualty Insurance Companies

Conversions

The Alliance Mutual Insurance Company, Albion, NY From an assessment co-operative property/ casualty company to an advance premium Property/casualty company.....	July 1
Livingston Mutual Insurance Company, Dansville, NY from an advance premium property/casualty to a mutual property/casualty company.....	Dec. 31

Merger Agreements

The Alliance Mutual Insurance Company, Albion, NY Merged into United Frontier Mutual Insurance Company.....	July 1
Livingston Mutual Insurance Company Dansville, NY Merged into Livingston Mutual Insurance Company Of Pennsylvania.....	Dec. 31

Charter Amendments

Colonial Cooperative Insurance Company Kingston, NY.....	Mar. 2
Wayne Cooperative Insurance Company, Clyde, NY.....	Nov. 23
Chautauqua Patrons Insurance Association, Jamestown, NY.....	Nov. 26
Commercial Mutual Insurance Company, Catskill, NY.....	Dec. 8

Restated Charter

Livingston Mutual Insurance Company, Dansville, NY.....	Dec. 31
--	---------

g. Mortgage Guaranty Companies

Amendment to Charter

Capital Mortgage Reinsurance Company, New York, NY.....	May 19
--	--------

Name Change

“Commonwealth Mortgage Assurance Corporation” to “Radian Guaranty, Inc.,” Philadelphia, PA.....	June 11
---	---------

Redomestication Filed

United General Title Insurance Company, Baton Rouge, LA From Louisiana to Colorado.....	Aug. 11
---	---------

Change in Capital

Capital Mortgage Reinsurance Company, New York, NY (from \$2,500,000, to \$4,500,000).....	May 19
--	--------

g. Financial Guaranty Insurance Company

Restated Charter Filed

Financial Security Assurance, Inc.,
New York, NY..... Nov. 26

h. Charitable Annuity Societies

Permits Issued

Guiding Eyes for the Blind, Inc.,
Yorktown Heights, NY..... Jan. 5

American Baptist Foundation..... Jan. 14
Valley Forge, PA

Asbury Theological Seminary,
Wilmore, KY..... Jan. 26

Sisters of Mercy of the Americas, Regional
Community of Buffalo,
Orchard Park, NY..... Feb. 10

Amnesty International of the U.S.A., Inc.,
New York, NY..... Feb. 11

The Province of St. Mary of the Capuchin Order,
White Plains, NY..... Feb. 11

American Associates, Ben-Gurion University of the Negev,
New York, NY..... Feb. 17

The Museum of Modern Art,
New York, NY..... Feb. 17

World Wildlife Fund, Inc.,
Wilmington, DE..... Feb. 24

Lawrence Hospital,
Bronxville, NY..... Mar. 5

Skidmore College,
Saratoga Springs, NY..... Mar. 5

Drew University,
Madison, NJ..... Mar. 9

Barnard College,
New York, NY..... Mar. 11

The Children's Aid Society,
New York, NY..... Apr. 2

The Nature Conservancy of Connecticut,
Arlington, VA..... Apr. 2

American Parkinson Disease Association, Inc., Staten Island, NY.....	June 2
The Trustees of Princeton University, Princeton, NJ	June 3
The Trustees of Hamilton College, Clinton, NY.....	June 25
The Association of Graduates of the United States Military Academy, West Point, NY.....	June 29
The College of New Rochelle, New Rochelle, NY.....	July 6
Alfred University, Alfred, NY.....	Aug. 4
Diocese of Rochester, Rochester, NY.....	Aug. 4
Trustees of the Stevens Institute of Technology, Hoboken, NJ.....	Aug. 4
The Province of St. Joseph of the Capuchin Order, Inc., Detroit, MI.....	Sept. 16
International House, New York, NY.....	Sept. 24
Muscular Dystrophy Association, Inc, Tuscon, AZ.....	Oct. 15
Xavier Society for the Blind, New York, NY.....	Nov. 5
The Trust for Public Land, San Francisco, CA.....	Dec. 10
United Way of Greater Rochester, Inc., Rochester, NY.....	Dec. 13

Name Change

“Israel Histadrut Foundation, Inc.,” to “Israel Humanitarian Foundation, Inc.,” New York, NY.....	July 12
---	---------

i. Accredited Reinsurers

Recognized

Maryland Netherlands Credit Insurance Company, Baltimore, MD.....	Jan. 15
Madison National Life Insurance Company, Inc. Madison, WI.....	Mar. 25

Withdrawn

Bay Colony Insurance Company, Norristown, PA.....	April 28
--	----------

Name Changes

“ITT Hartford International Life Reassurance Corporation” to “Hartford International Life Reassurance Corporation,” Hartford, CT.....	Jan. 1
“Cologne Life Reinsurance Company” to “General & Cologne Life Re of America” Stamford, CT.....	Mar. 2
“Colonial Penn Life Insurance Company” to “Conseco Direct Life Insurance Company” Philadelphia, PA.....	Apr. 2
“Kemper Reinsurance Company” to “GE Reinsurance Corporation,” Long Grove, IL.....	Apr. 8
“Mercantile and General Life Reassurance Company of America” to “Sun Life of Canada Reinsurance Company (U.S.),” Lansing, MI.....	Apr. 28
“Zurich Reinsurance (London) Limited” to “Zurich Specialties London Limited,” London, England.....	May 18
“Odyssey Re (London) Limited” to “Sphere Drake Insurance Limited,” London, England.....	Nov. 5
“TMG Life Insurance Company” to “Clarica Life Insurance Company-U.S.,” Fargo, ND.....	Dec. 1

Merger Agreement Filed

Reliastar United Services Life Insurance Company Arlington, VA, Into ReliaStar Life Insurance Company Minneapolis, MN.....	Jan. 12
--	---------

j. Viatical Settlement Companies

Change of name

“Accelerated Benefits Capital, L.L.C.” to
“Enhance Life Benefits LLC”
Oak Park, MI..... Feb. 12

Amendment to Charter

Accelerated Benefits Capital, L.L.C.
Oak Park, MI..... Feb. 12

Redomestications

Enhance Life Benefits LLC
Michigan to Delaware..... Apr. 1

License Expired

Dedicated Resources, Inc.,
Delray Beach, FL..... Nov. 30

k. Health Maintenance Organizations

Authorized

GHI HMO Select, Inc.
New York, NY..... June 1

Change of Names

“United Healthcare of New York, Inc.” to
“UnitedHealthcare of New York, Inc.,
New York, NY..... Sept. 16

“United Healthcare of Upstate New York, Inc.” to
“UnitedHealthcare of Upstate New York, Inc.,
New York, NY..... Sept. 16

In Liquidation

Aetna Health Plans of NewYork, Inc.
All obligations transferred to
U.S.Healthcare,Inc..... Dec. 7

I. Reciprocal Insurers

Foreign Companies Licensed

Lumbermens Underwriting Alliance,
Boca Raton, FL May 7

Auto Club Insurance Association,
Dearborn, MI..... May 28

4. Examination Reports Filed During 1999**Domestic Life Insurance Companies**

Name of Company	Made as of	Date Filed
Allstate Life Insurance Company of New York	12/31/97	7/20/99
American Life Insurance Company	12/31/96	11/17/99
Bankers Life Insurance Company Of New York	12/31/97	8/24/99
Bankers American Life Assurance Company	12/31/96	8/20/99
Church Life Insurance Corporation	12/31/97	7/21/99
Combined Life Insurance Company Of New York	12/31/97	11/29/99
Companion Life Insurance Company	12/31/97	4/16/99
First Central National Life Insurance Company of New York	12/31/97	5/18/99
First Security Benefit Life Insurance and Annuity Company Of New York	12/31/97	5/25/99
First Reliance Standard Life Insurance Company	12/31/97	10/5/99
First UNUM Life Insurance Company	12/31/97	11/29/99
INA Life Insurance Company of New York	12/31/96	3/19/99
Manhattan Life Insurance Company	12/31/97	8/6/99
Monitor Life Insurance Company of New York	12/31/97	7/27/99
Mutual of America Life Insurance Company	12/31/96	11/16/99
Northstar Life Insurance Company	12/31/97	9/7/99
Phoenix Life and Reassurance Company	12/31/97	12/24/99
Prudential Insurance Company of America	12/31/97	9/2/99

Name of Company	Made as of	Date Filed
Security Equity Life Insurance Company	12/31/97	12/31/99
Thomas Jefferson Life Insurance Company	12/31/96	7/19/99
Phoenix Life and Reassurance Company	12/31/97	11/16/99
Unity Mutual Life Insurance Company	12/31/96	5/10/99
Utica National Life Insurance Company	12/31/97	6/14/99
Washington National Life Insurance Company of New York	12/31/97	7/7/99

Domestic Accident and Health Insurance Company

Arista Insurance Company	12/31/94	4/8/99
--------------------------	----------	--------

Fraternal Benefit Society

Workmen's Benefit Fund of the United States of America	12/31/97	4/7/99
--	----------	--------

Savings Banks (Life Insurance Department)

Apple Bank for Savings	12/31/98	9/15/99
Troy Savings Bank	12/31/95	6/17/99
Savings Bank Life Insurance Fund	12/31/95	5/28/99
Queens County Savings Bank	12/31/98	9/21/99

Domestic Property and Casualty Insurance Companies

Name of Company	Made as of	Date Filed
Albany Insurance Company	12/31/96	10/19/99
Alliance Assurance Company of America	12/31/97	9/21/99
Atlantic Specialty Insurance Company	12/31/97	3/3/99
Atlas Insurance Company of America	12/31/96	10/19/99
Caledonian Insurance Company of America	12/31/96	7/30/99
Chiyoda Fire and Marine Insurance Company of America	12/31/97	5/17/99
Chubb Indemnity Insurance Company	12/31/96	4/20/99
Colonial Indemnity Insurance Company	12/31/97	7/1/99
Dowa Fire and Marine Insurance Company	12/31/97	8/30/99
Erie Insurance Company of New York	12/31/97	4/16/99
Fortress Insurance Company Of America	12/31/97	7/7/99
Homesite Insurance Company of New York	On Organization	7/21/99
Koa Fire and Marine Insurance Company, Ltd.	12/31/97	10/19/99
London Assurance of America, Inc.	12/31/97	9/21/99
Long Island Insurance Company	On Organ.	3/26/99
Marine Indemnity Insurance Company Of America	12/31/97	9/21/99

Name of Company	Made as of	Date Filed
New York Professional Liability Insurance Company	3/31/99	5/19/99
Nova Casualty Company	12/31/98	11/12/99
Oriska Insurance Company	12/31/98	8/26/99
Sea Insurance Company of America	12/31/97	9/21/99
Selective Insurance Company of New York	12/31/97	8/16/99
Sumitomo Marine and Fire Insurance Company, Limited	12/31/96	3/22/99
Sun Insurance Office of America, Inc.	12/31/97	9/21/99
SwissReinsurance America Corporation	6/30/95	12/27/99
TIG Insurance Company of New York	12/31/97	11/1/99
TM Casualty Insurance Company	On Organ.	9/22/99
Transatlantic Reinsurance Company	12/31/93	4/22/99
Transcontinental Insurance Company	12/31/93	10/13/99
Unione Italiana Reinsurance Company Of America, Inc.	12/31/98	11/16/99
United Americas Insurance Company	12/31/97	11/3/99
United International Insurance Company	12/31/96	3/22/99
Vigilant Insurance Company	12/31/96	4/20/99
Yasuda Fire & Marine Insurance Company of America	12/31/97	7/7/99

Assessment Co-operative Property and Casualty Insurance Companies

Name of Company	Made as of	Date Filed
Franklin Fire Insurance Company	12/31/98	10/13/99
Genesee Patrons Cooperative Insurance Company	12/31/97	3/23/99
Sauquoit Valley Insurance Company	12/31/97	3/11/99

Advance Premium Co-operative Property and Casualty Insurance Companies

Dryden Mutual Insurance Company	12/31/98	9/20/99
Ontario-Yates Insurance Company	12/31/98	8/12/99

Domestic Title Insurance Companies

First Atlantic Title Insurance Corporation	12/31/97	11/16/99
Washington Title Insurance Company	12/31/97	9/7/99

Charitable Annuity Societies

American Tract Society	12/31/97	3/19/99
Cancer Care	12/31/97	3/19/99
Catholic Near East Welfare Association	12/31/98	10/5/99
Colgate University	12/31/98	12/30/99
College of Mount Saint Vincent	12/31/97	6/22/99
Colleges of the Seneca	12/31/97	6/22/99
Columbia University	12/31/98	10/6/99
Cornell University	12/31/97	3/19/99
Covenant House	12/31/98	10/6/99
Crouse Health Foundation, Inc.	12/31/97	3/19/99
Environmental Defense Fund, Inc.	12/31/98	12/30/99
Fellowship of Reconciliation, Inc.	12/31/98	12/30/99
Fredonia College Foundation	12/31/97	3/19/99
Genesco Foundation, Inc.	12/31/97	6/22/99

Name of Company	Made as of	Date Filed
Hadassah, The Women's Zionist Organization of America, Inc.	12/31/97	3/18/99
Houghton College	12/31/97	3/19/99
Independent Order of Foresters	12/31/96	4/29/99
International Rescue Committee, Inc.	12/31/97	5/14/99
New York State Association of Independent Schools	12/31/97	5/17/99
New York University	12/31/98	12/30/99
Philharmonic – Symphony Society Of New York, Inc.	12/31/97	3/19/99
Planned Parenthood Federation of America, Inc.	12/31/97	6/22/99
Polytechnic University	12/31/97	3/19/99
Roman Catholic Diocese of Ogdensburg, New York	12/31/97	5/14/99
Rockefeller University	12/31/98	12/30/99
Salesian Missions	12/31/97	3/19/99
Sudan Interior Mission Inc.	12/31/97	3/19/99
Union College	12/31/97	6/22/99
United Church Board for Homeland Ministries	12/31/97	5/14/99
United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc.	12/31/98	12/30/99
Wells College	12/31/97	3/19/99

Health Maintenance Organization

Name of Company	Made as of	Date Filed
Wellcare of New York, Inc.	12/31/95	3/ 6/99

Non-Profit Corporations

Blue Cross and Blue Shield of Utica-Watertown, Inc.	12/31/94	8/26/99
Group Health Incorporated	12/31/95	3/25/99
Health Care Plan, Inc.	12/31/96	10/07/99
Healthnow New York, Inc.	Market 3/15/99	11/10/99

Retirement Systems

Board of Education Retirement System	6/30/94	5/28/99
Board of Pensions of the Reformed Church in America	12/31/97	3/18/99
Church Pension Fund	3/31/97	9/20/99
Police Officers' Variable Supplements Fund	6/30/97	9/23/99
Police Superior Officers' Variable Supplements Fund	6/30/97	9/23/99

Underwriting Organization

Associated Commercial Property Insurers	11/30/98	10/8/99
--	----------	---------

Viatical Settlement Companies

Legacy Benefits Corporation	12/31/98	12/22/99
Life Benefactors, L..P.	12/31/98	12/22/99

5. Rehabilitation, Liquidation, Ancillary Receivership and Conservation Proceedings

The insurance entities under the Liquidation Bureau's jurisdiction during 1999 were as follows:

Rehabilitations

- Commenced:** Contractors Casualty & Surety Company
Rochdale Insurance Company
- Continued:** Executive Life Insurance Company of New York
- Terminated:** Contractors Casualty & Surety Company (converted to liquidation)

Liquidations

- Commenced:** Aetna Health Plans of New York
Contractors Casualty & Surety Company
- Continued:** American Consumer Insurance Company
American Fidelity Fire Insurance Company
Consolidated Mutual Insurance Company
Cosmopolitan Mutual Insurance Company
Dominion Insurance Company of America
First Central Insurance Company
Galaxy Insurance Company
Heartland Group, Inc. (New York Insurance Exchange Syndicate)
Home Mutual Insurance Company of Binghamton, NY
Horizon Insurance Company
Ideal Mutual Insurance Company
Interamerica Reinsurance Company
Long Island Insurance Company
Midland Insurance Company
Midland Property and Casualty Insurance Company
Nassau Insurance Company
Nem Re Insurance Corporation
New York Merchant Bakers Insurance Company
New York Surety Company
Northumberland General Insurance Company (U.S. Branch)
Pan Atlantic Investors, Ltd.
Professional Insurance Company of New York
Realex Group, N.E. (New York Insurance Exchange Syndicate)
Transtate Insurance Company
Union Indemnity Insurance Company of New York
United Community Insurance Company
U. S. Capital Insurance Company
Whiting National Insurance Company
- Completed:** New York Insurance Exchange, Inc.
Pine Top Syndicate
Professional Insurance Company
Resources Insurance Company

Ancillary Receiverships – In the case of a New York licensed foreign (i.e., not domiciled in New York) insurer 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.

Commenced: None

Continued: American Druggists' Insurance Company
American Mutual Insurance Company of Boston
American Mutual Liability Insurance Company
Employers Casualty Company
Great Atlantic Insurance Company
Integrity Insurance Company
MCA Insurance Company
Mission Insurance Company
Mission National Insurance Company
Mutual Fire, Marine and Inland Insurance Company
Oil & Gas Insurance Company
Transit Casualty Company
Warwick Insurance Company
Western Employers Insurance Company
Yorktown Indemnity Company

Completed: Abington Mutual Insurance Company
Imperial Insurance Company
Millers National Insurance Company
Proprietors 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: Belvedere Insurance Company, Ltd.
Sovereign Fire & Marine Insurance Company, Ltd.

Continued: Anglo American Insurance Company, Ltd.
Municipal General Insurance, Ltd.
National Colonial Insurance Company
Njord Insurance Company, Ltd.
Northumberland General Insurance Company – 41 Trust
Pacific and General Insurance Company

Completed: Latino Americana De Reaseguros
Orion Insurance Company, Ltd.
Pine Top Insurance Company, Ltd.
Scan Re Insurance Company, Ltd.
Trinity Insurance Company, Ltd.

a. Insurance Companies

During 1999, four proceedings commenced while fifty insurance company proceedings continued. Thirteen proceedings were completed and closed. The 54 active insurance company proceedings were classified as follows:

2	Rehabilitations
28	Liquidations
16	Ancillary Receiverships
8	Conservations

As of December 31, 1999, assets, liabilities and current insolvency of the fifty-four active insurance company proceedings, taken as a group, were as follows:

Total Assets	\$3,530,205,224
Total Liabilities	\$6,759,761,817
Current Insolvency	\$(3,229,556,593)

During 1999, cash payments received from the New York State security funds on allowed claims totaled \$121,903,184 for claims, \$4,516,951 for return premiums, and \$43,412,772 for expenses. Payments by other states' guaranty funds are excluded from these numbers.

During 1999, cash distributions paid to the New York State security funds from domestic estates totaled \$16,475,026. Distributions to the New York State security funds from other states' guaranty funds totaled \$2,089,639 for a combined total \$18,564,665.

b. Fraternal Benefit Societies in Liquidation

As of December 31, 1999, there were 203 pending liquidation proceedings. During 1999, twenty-eight proceedings were terminated and nine proceedings were commenced.

As of December 31, 1999, the remaining assets of the 203 liquidation proceedings totaled \$1,453,050. During 1999, assets of \$510,969 were distributed to former members of fraternal benefit societies.

c. Welfare and Pension Funds in Liquidation

As of December 31, 1999, 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, 1999, the remaining assets of the six liquidation proceedings totaled \$329,924. During 1999, 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 12/31/99*. Copies may be obtained through the Public Affairs & Research Bureau at the Department's New York City Office. For earlier developments on rehabilitation, liquidation, ancillary receivership and conservation 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 60
DEPARTMENT RECEIPTS
Fiscal Year Ended March 31, 1999**

Taxes Collected Under the New York State Insurance Law:	
Taxes collected by reason of retaliation under Section 1112	\$824,283.98
Excess Line - Section 2118	13,949,224.15
Organization Tax - Section 180, Tax Law	<u>33,470.36</u>
Total taxes collected	\$14,806,978.49*
Fees Collected Under Section 1112 of the NYS Insurance Law:	
Filing Annual Statements and Certificates of Authority to Companies	\$208,004.93
Agents' Certificates of Authority	397,894.14
Admission Fees	<u>13,630.00</u>
Total	\$619,529.07
Licensing and Accreditation Fees:	
Agents' Licenses - Section 2103	\$2,978,728.45
Adjusters' Licenses - Section 2108	516,100.00
Brokers' Licenses - Section 2104 and 2105	1,915,217.57
Bail Bond Agents' Licenses - Section 6802	4,750.00
Insurance Consultants' Licenses - Section 2107	31,855.00
Reinsurance Intermediary Licenses - Section 2106	177,000.00
Special Risk Licenses - Section 6302	187,000.00
Accredited Reinsurers - Section 107(a)2	142,026.44
Limited License	3,200.00
Duplicate License Fees	15,289.00
Viatical Licenses	31,000.00
Continuing Education Provider Fee	136,520.00
Savings Bank Licenses	24,330.00
No-Fault Managed Care Organization Certification Fee	<u>2,500.00</u>
Total	\$6,165,516.46
Assessments and Reimbursement of Department Expenses:	
Section 313 - Company Examinations	\$8,582,788.81
Section 332 - Assessment	87,691,320.09
Section 9104/9105 - Tax Distribution	142,288.40
Administrative Expense Security Funds	33,849.00
Reimbursement of Expenses - Other Bureaus	<u>9,210.50</u>
Total	\$96,459,456.80

(table continues on next page)

Table 60
DEPARTMENT RECEIPTS
Fiscal Year Ended March 31, 1999
(continued)

Other Fees and Receipts:	
Regulation 68 - Health Services Arbitration Expenses	\$125,800.00
Section 9107 - Certification & Filing Fees	141,265.25
Section 9108 - Fire Insurance Fee	7,969,359.57
Section 205 – Publications	278.25
Section 1212 - Summons and Complaints	293,968.00
Fines and Penalties	3,681,328.03
Arbitration Fees	1,587,680.00
FOIL Requests	61,983.96
Miscellaneous	14,049.48
Regulation 134	4,300.00
Motor Vehicle Law Enforcement Fee	12,240,662.34
Continuing Education Filing Fees	521,170.00
CAPCO Application Fees	1,000.00
Section 7902 – Service Contract Registration Fee	<u>40,000.00</u>
Total	\$26,682,844.88
Total Departmental Receipts	\$144,734,325.70

*This amount is in addition to the \$615.1 million collected by the Department of Taxation and Finance under Article 33 of the Tax Law.

Table 61
INSURANCE TAX RECEIPTS*
(in millions)

Fiscal Year	Net
1994-95	\$487.0
1995-96	502.5
1996-97	671.5
1997-98	620.7
1998-99	615.1

*Collected by the Department of Taxation and Finance under Article 33 of the Tax Law.
Source: State of New York, Annual Budget Message, 2000-01

Table 62
DEPARTMENT DISBURSEMENTS
Fiscal Year Ended March 31, 1999
Paid in the First Instance from Appropriations

Chapter 050 - 1997-98*	\$1,593,620.30
Chapter 050 - 1998-99*	\$45,372,718.32
Personal Service	
Employee salaries	\$46,966,338.62
Maintenance and Operation	
General office supplies	\$598,297.65
Travel expense	2,141,899.11
Rental equipment	5,651.30
Repair and maintenance of equipment	241,623.99
Real estate rental	4,780,671.25
Postage and shipping	514,423.85
Printing	230,198.42
Telephone	1,144,767.64
Miscellaneous contractual services	3,878,858.01
OGS Computer Rental	20,250.12
OGS Interagency courier	22,215.85
Equipment	2,313,647.30
Employee fringe benefits/indirect cost	14,707,234.04
Total maintenance	\$30,599,738.53
Total disbursements from Special revenue appropriations for fiscal year ended 3/31/99	 \$77,566,077.15
Total Department receipts for fiscal year ended 3/31/99	 \$144,734,325.70
Excess of Department receipts over Department disbursements	 \$67,168,248.55

* Chapter 050 – General Government Budget Appropriation Bill

7. Security Funds Income and Disbursements

Table 63
PROPERTY/CASUALTY INSURANCE SECURITY FUND^a
Income and Disbursements
April 1, 1999

	To and Including 3/31/98	4/1/98 to 3/31/99	As of 4/1/99
Paid into the Fund	\$ 540,303,002.77	\$ 30,035,857.61	\$ 570,338,860.38
Interest income - net	421,963,565.28	6,599,678.21	428,563,243.49
Recoveries from companies in liquidation	347,905,536.04	49,778,050.23	397,683,586.27
General Fund Reimbursement	106,524,204.00	6,157,735.00	112,681,939.00
Total	\$1,416,696,308.09	\$ 92,571,321.05	\$1,509,267,629.14
Less disbursements:			
Administrative expenses	\$ 1,014,997.67	\$ 72,462.88	\$ 1,087,460.55
Awards and expenses of companies in liquidation	1,123,501,287.29	79,612,222.90	1,203,113,510.19
Refunds and credits to companies	44,440,739.54	-0-	44,440,739.54
Transfers to other funds ^b	136,562,280.96	-0-	136,562,280.96
Total	\$ 1,305,519,305.46	\$ 79,684,685.78	\$1,385,203,991.24
Total of Fund	\$ 111,177,002.63	\$ 12,886,635.27	\$ 124,063,637.90
Cash in bank and U.S. securities (at par)	\$ 111,177,002.63		\$ 124,063,637.90
Total of Fund	\$ 111,177,002.63		\$ 124,063,637.90

^a Monies collected under Sections 7602 and 7603 of the Insurance Law

^b 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 64
PUBLIC MOTOR VEHICLE LIABILITY SECURITY FUND*
Income and Disbursements
April 1, 1999

	To and Including 3/31/98	4/1/98 to 3/31/99	As of 4/1/99
Paid into the Fund	\$ 70,596,991.80	\$ 7,190,771.19	\$ 77,787,762.99
Interest income - net	26,160,618.48	851,343.62	27,011,962.10
Recoveries from companies in liquidation	25,478,166.22	2,747,664.72	28,225,830.94
Transfers	2,000,000.00	-0-	2,000,000.00
Total	\$ 124,235,776.50	\$ 10,789,779.53	\$ 135,025,556.03
Less disbursements:			
Administrative expenses	\$ 430,441.36	\$ 12,135.88	\$ 442,577.24
Awards and expenses of companies in liquidation	91,256,144.76	19,684,647.77	110,940,792.53
Refunds to companies	13,471,307.02	107,597.28	13,578,904.30
Total	\$ 105,157,893.14	\$ 19,804,380.93	\$ 124,962,274.07
Total of Fund	\$ 19,077,883.36	\$ (9,014,601.40)	\$ 10,063,281.96
Cash in bank and U.S. securities (at par)	\$ 19,077,883.36		\$ 10,063,281.96
Total of Fund	\$ 19,077,883.36		\$ 10,063,281.96

* 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 65
WORKERS' COMPENSATION SECURITY FUND*
Income and Disbursements
April 1, 1999**

	To and including 3/31/98	4/1/98 to 3/31/99	As of 4/1/99
Paid into the Fund	\$ 127,603,843.79	\$ -0-	\$ 127,603,843.79
Interest income - net	116,190,905.31	1,020,694.93	117,211,600.24
Recoveries from companies in liquidation	73,970,656.99	10,248,700.91	84,219,357.90
Total	\$ 317,765,406.09	\$ 11,269,395.84	\$ 329,034,801.93
Less disbursements:			
Administrative expenses	\$ 772,048.67	\$ 20,209.40	\$ 792,258.07
Awards and expenses of companies in liquidation	198,838,069.26	11,754,195.80	210,592,265.06
Refunds to companies	27,381,071.74	-0-	27,381,071.74
Transfers	67,000,000.00	-0-	67,000,000.00
Total	\$ 293,991,189.67	\$ 11,774,405.20	\$ 305,765,594.87
Total of Fund	\$ 23,774,216.42	\$ (505,009.36)	\$ 23,269,207.06
Cash in bank and U.S. securities (at par)	\$ 23,774,216.42		\$ 23,269,207.06
Total of Fund	\$ 23,774,216.42		\$ 23,269,207.06

* 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 66

NEW YORK STATE INSURANCE DEPARTMENT Number of Filled Positions by Bureau (as of 3/00)

Bureau	Examiners	Attorneys	Actuaries	Other Professionals	Investigators	Support Staff	Total
New York City Office:							
Executive	1			5		5	11
Life	96		11	4		10	121
Health	50		4	1		4	59
Administration*	1			12		22	35
Consumer Services	34					18	52
Frauds	4			1	23	7	35
OGC		26		4		10	40
Public Affairs & Research				3		3	6
Property	183		16			31	230
Systems	5			17		6	28
Capital Markets	1			1			2
NYC Total	375	26	31	48	23	116	619
Albany Office:							
Executive				4		2	6
Life		12	20			6	38
Health	1	20	7	1		9	38
Administration*	1			10		17	28
Consumer Services	34					15	49
Frauds	1				4		5
OGC		3				1	4
Property	12					1	13
Systems				24		14	38
Licensing	2			7		47	56
Albany Total	51	35	27	46	4	112	275
Buffalo Office:							
Health	1						1
Consumer Services	3					1	4
Frauds					2		2
Mineola Office:							
Consumer Services	3					1	4
Frauds					9		9
Oneonta Office:					1		1
Rochester Office:					1		1
Syracuse Office:							
Life	3						3
Health	1						1
Frauds					2		2
All Other Total	11				15	2	28
Department Total	437	61	58	94	42	230	922

*includes HRM & Office Services

C. NEW YORK STATE INSURANCE DEPARTMENT

Publications* as of 5/1/2000

Consumer Guides, Annual Reports, Directories, etc.

- Annual Health Insurer Complaint Ranking**
(includes Commercial Health Insurers, Health Maintenance Organizations and Nonprofit Indemnity Health Insurers; also includes grievances and utilization review appeals closed by 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
- Directory of Regulated Insurance Companies
- A Consumer's Guide to the New York State Insurance Department**
- 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
- External Review: Your Rights as a Health Care Consumer**
- 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
- Welcome to the NYS Insurance Department Frauds Bureau**
- Freedom of Information Law, List of Department Records**

* New or substantially revised in 1999-2000 (all annual reports are revised each year)

** 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).