

DFS Report: Size and Content May Send Message

As a history buff and insurance business fan, one of my favorite features of *Insurance Advocate* has always been the “Looking Back” page, with its reminders of what we were reading about our industry 25 years ago or more. It helps provide perspective, continuity and understanding of the issues that we faced then and that often are still with us now. I have also had a fondness for the annual

receipts and disbursements by the “department,” and lists of insurers “organized, admitted, merged, withdrawn, or placed in liquidation, conservation or rehabilitation,” to identify just a few -- all designed to give the legislature and the public a full and complete review of the insurance business in NY.

The Banking Law has its own requirement for an annual report (Banking Law

section of the report:

NOTE: This annual report is organized differently than prior reports by the Insurance and Banking Departments. It begins with text describing the major accomplishments and responsibilities of the Department. The data tables included in prior reports have all been combined in a single appendix, which follows the text section. In addition, to reduce reproduction costs, data that is posted on the Department website in the normal course of business, and that has been included in prior reports, is referenced with a link to its location on the Department website, www.dfs.ny.gov. [*italics added*]

Fair enough, but reducing the annual report on the insurance business to roughly 1/5th of its former size while ostensibly maintaining the specific statutory requirements, seems like more than just economy of presentation, particularly where the banking part of the report is substantially the same in length and content as prior reports.

What has been eliminated? First and foremost, absent is anything but a perfunctory “general review of the insurance business,” and gone – even after considering the links referred to in the note -- are all of the descriptions and supporting data for each element of the business regulated by the major insurance bureaus: life, health and p/c. The extent of this downsizing is readily confirmed by a brief side-by-side review of DFS #1 v. DOI #152.

The narrative about the insurance division in DFS #1 is three pages short, including a grand total of 4 paragraphs on the property bureau, 7 paragraphs on the health bureau and 6 paragraphs on the life bureau, plus about 40 separate pages of statistical charts and tables. Compare these 3 pages to DOI #152’s more than 110 pages of narrative on the activities of these three bureaus including over 55 pages on the



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report of the superintendent of insurance filed with the legislature every spring, which has always been chuck-full of information and data about the business of insurance, its companies, brokers and agents. While it never varied much in form or the extent of its content, the report was always an interesting way to see shifts and trends in the business set out in a readable, understandable format. *Historically the superintendent’s annual report has been the regulator’s paeon to the importance of the business of insurance to the state!*

Of course, because of the merger of the insurance department into the new department of financial services, last year’s report -- the 152nd -- was the last stand-alone report by the superintendent of insurance. The statutory requirement for such a report, however, has not changed. NY Insurance Law §206 requires the superintendent (now the superintendent of financial services) to file a report providing “a general review of the insurance business” for the preceding year. The law also has some very specific requirements -- including such items as lists of reports on examination, a summary of regulations and circular letters issued, changes in the law,

§43), also with very specific required content. So it was with some interest to see how the combined report would look, including its content, length, approach, scope and organization. The first annual report of the superintendent of financial services (DFS #1) is now available from the DFS website at www.dfs.ny.gov along with archived copies of past reports by the separate insurance and banking departments. You might think that a report with specific statutory requirements for content, combining two formerly separate agencies, would be at least as comprehensive and full of information about the two businesses as the separate agency reports in the past.

For the insurance business it most definitely is not!

DFS #1 is a slim 118 pages (compared to the 235 pages of DOI #152), of which roughly one-third relates specifically to insurance, one-third to banking and one-third to the combined services of the DFS. In other words, the report covering both banking and insurance is half the size as last year’s report on insurance alone, and only a third of that relates to insurance. We all know that size does not necessarily matter, and as explained in the “Overview”

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property bureau alone, plus the charts and tables included as aides to understanding and enhancing the topical narratives.

Also, here are a few examples of items that I was unable to find anywhere in DFS #1 or its links that were regular features in DOI #152 and prior reports:

- Chart of insurance department staffing;
- Schedules of broker, agent and other licenses issued, examinations taken or renewed;
- Changes in authorized insurers (i.e., new licensees, changes in names, mergers, withdrawals, etc.);
- Examination Reports filed;
- Any discussion or data on excess lines;
- Any discussion or data on special risk insurance (Free Trade Zone).

Ultimately it is up to the recipient of the report and the body that sets its standards and requirements – the state legislature – to determine whether or not the report satisfies the statutory requirements and purpose.

Of course, it is possible that I could have missed some of these and other topics buried in one of the charts, tables or links. It would be interesting to hear from others that may have noticed any significant topic that they also note is missing from the new report.

Ultimately it is up to the recipient of the report and the body that sets its standards and requirements – the state legislature – to determine whether or not the report satisfies the statutory requirements and purpose. But I believe that the perspective brought by past reports has been invaluable, and the reports have traditionally provided one of the few places where anyone could go to get a current, comprehensive and meaningful assessment of our industry in the state.

I am sure there are many who would find that the emaciation of the report to be of little importance – who reads it anyhow? However, I believe it is yet another example of the continuing diminution of the status of the insurance business in the state. I sincerely hope that this long-standing window on the value and importance of the insurance industry to the state's economy and well being of its residents will not become another dusty relic lost in the name of efficiency and progress. [IA]

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