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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

May 26, 1998

Mr. Neil D. Levin
Superintendent
New York State Insurance Department
25 Beaver Street, 3rd floor
New York, NY 10004

Re: Report 98-F-7

Dear Mr. Levin:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the New York State Insurance Department (Department), as of April 15, 1998, to implement the recommendation included in our audit report, *The Annual Commercial Property/Casualty Report* (Report 95-S-105). Our report, which was issued on October 30, 1996, concerned the question of whether a need still existed for the Department to continue producing an annual report summarizing certain aspects of the operations of the commercial and casualty insurers in New York State.

Background

The Department regulates insurance companies operating within the State of New York. In the early 1980s, many insurers cut premiums to increase sales and invested their increased cash flow in high-yielding securities (a practice known as cash-flow underwriting). In the late 1980s, an increase in the number of claims filed and a sudden decline in interest rates caused a severe commercial property/casualty insurance crisis, which led to dramatically-increased premiums and canceled coverage. Liability insurance for many government bodies, businesses, and professionals became scarce and costly. The public, alarmed by huge premium increases and policy cancellations, demanded more active State monitoring and regulating.

In 1986, in response to these problems, the State Legislature enacted Section 334 of the State Insurance Law, requiring the Department to prepare an Annual Commercial Property and Casualty Report (Annual Report) that would summarize certain activities of the commercial and casualty insurers operating in New York State. However, after ten years, Department officials asked the State Legislature to repeal this requirement because they said they no longer considered the Annual Report to be useful.

Summary Conclusions

During our prior audit, we evaluated the usefulness of the Annual Report and agreed with Department officials that it was not useful and should be eliminated. We noted that the Department provided information about commercial and property insurers in other forms that were more useful. We also determined that the Department could save more than \$130,000 annually by eliminating production of the Annual Report. In our follow-up review, we found that the Department has continued its efforts to request the repeal of Section 334 of the State Insurance Law.

Summary of Status of Prior Audit Recommendation

The prior audit contained a single recommendation, which the Department has fully implemented.

Follow-up Observations

Recommendation

The Department should continue its efforts to request the repeal of Section 334 of the State Insurance Law, which requires the Department to prepare the Annual Commercial Property and Casualty Report.

Status - Fully Implemented

Agency Action - Department officials have worked with a State Senator to prepare and introduce legislation (bill S4055) to repeal Section 334 of the State Insurance Law. As of April 15, 1998, the bill has been passed by the Senate and is in committee in the Assembly.

Major contributors to this report were Myron Goldmeer and Carole Siegall.

We would appreciate your written response to this report within 30 days. We also thank the management and staff of the Insurance Department for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Robert L. King
Phyllis A. Linker