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Insurers Object To Higher Penalties Proposed By Spitzer

Gov. Eliot Spitzer's budget proposal would increase some fines for insurance agents as much as 20-fold - fines that could put some agents or firms out of business, an industry spokesman said Friday.

"Some of these are just draconian," said Tim Dodge of the Independent Insurance Agents of New York. "Sometimes agents quite innocently forget to renew a license. A \$10,000 fine seems like a pretty steep price to pay."

The 30 increased fines for insurance agents and companies are part of dozens of increases that Spitzer is counting on to raise about \$304 million next year to close a budget gap.

Overall, Spitzer wants to raise almost \$2 billion in what he calls "revenue actions" - mainly changes to the tax code and new and higher fees - while maintaining he is not raising taxes.

The Legislature is considering the proposed increases as part of the overall \$124 billion-plus budget Spitzer submitted this week. They're trying to get a spending plan done before the start of the new fiscal year April 1.

The fine for doing insurance business without a license would go up from \$5,000 to \$10,000, while fines for acting as an unauthorized insurer would go from \$500 to \$10,000, as would the fine for other unspecified "violation of the insurance law."

"Not only is he increasing the fines, but increasing the scope of the violations the fines are levied on," said Ellen Melchionni of the state Insurance Association. "We think the Insurance Department has enough existing regulatory authority already" to oversee the industry, she said. "We don't see the need for higher fines." A Spitzer spokesman played down the effect of the higher fines, pointing out that the state is anticipating raising only \$1 million more from them next year.

The (Insurance) Department does not anticipate that the proposed increases to 30 fines and penalties will have a negative impact on consumers of insurance products," said the spokesman, Jeffrey Gordon.

"Rather, the increased fines and penalties are designed to increase industry compliance with departmental regulations, thereby safeguarding the interests of consumers."

Melchionni said insurance-industry officials are also concerned about the four-fold increase Spitzer is proposing in auto-insurance fees to help pay for bridge repairs.

The fee would increase from \$5 to \$20, costing motorists a total of about \$145 million a year.

"The repairs are needed, but they shouldn't be put in the backs of insurance customers," She said.

Assembly Insurance Committee Chairman Joseph Morelle, D-Irondequoit, said he hadn't yet examined the fine-increase proposals. He said he has been looking at another Spitzer insurance proposal: to tax health-maintenance organizations like other insurance companies, resulting in a tax hike of \$250 million for them.

“My biggest concern is how that would affect rates,” he said. “If this has a net effect of raising premiums, obviously I’m concerned.”

Here are some other revenue-raisers Spitzer has proposed:

Subject	Current Fine or Tax	Proposed Fine or Tax	Anticipated Revenue
Food safety penalties	\$300-\$600	\$1,000-\$2,000	\$1.2 million
Patient-safety fines	\$2,000	\$10,000	\$500,000
Expanded bottle bill	n/a	n/a	\$100 million
Extend Quick Draw	n/a	n/a	\$60 million
Real property trans. fees	\$50-165	\$75-575	\$31 million
Malt beverages	11 cents per gal	2.54 per gal	\$18 million
Tax on illegal drugs	n/a	n/a	\$17 million
Fee on state vendors	0	005 percent of invoice	\$8 million
Enhanced drivers’ licenses	0	\$20	\$52.5 million
Assessment on power plants	n/a	n/a	\$11.7 million