

Exhibit

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ASSEMBLY STANDING COMMITTEE ON INSURANCE

NOTICE OF PUBLIC HEARING

SUBJECT: NYS Insurance Department Suballocations -- Sound Budgeting Practice or Insurance Consumer Rip-Off?

PURPOSE: To review the spending of suballocations from the State Insurance Department (SID) budget, and examine the practice with regard to its fiscal soundness and fairness to insurance consumers.

**Tuesday, December 20, 2005
11 AM
Roosevelt Hearing Room C - 2nd Floor
Legislative Office Building
Albany, NY**

The budget of the NYS Insurance Department (SID) is raised through assessments on and fees charged to licensees, primarily insurers, a practice that replaced general fund support in 1984. The assessments are prescribed in Section 332 of the Insurance Law and are based on a company's premium volume. Companies pass these assessments along to their customers as they do other business expenses in the form of higher premiums.

Since New York State Fiscal Year 1994-1995 (SFY 94/95), the SID budget has grown from \$87 M to \$177 M. But this 50% increase in budgeting authority cannot be traced to a concurrent increase in services for insurance consumers and licensees. Instead, the Pataki Administration, taking advantage of State Finance Law provisions which allow "suballocations" from an agency budget, has increasingly relied on the SID budget to fund personnel and programs in other state agencies. The SFY 94/95 SID budget suballocated \$4.45 M to other state agencies, about 5% of the overall agency budget. This year, the total reached \$64.8 M, a 1,500% increase. Suballocations now represent over 36% of the entire SID budget.

The purpose of this hearing is to determine how these suballocations are being spent by the agencies that receive them, and to examine the practice broadly in terms of its fairness to insurance consumers, and its fiscal soundness.

The SFY 05/06 budget included the following suballocations:

Banking Department

Holocaust claims processing office	\$447,000
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Department of State

Enforcement, development and maintenance of the state building code	\$ 6,221,000
Urban Search and rescue Program	512,000
Fire Prevention and Control Program, State Fire Reporting	10,575,000
Fires on state property, expenses incurred under the fire mobilization and mutual aid plan, training for NYC Fire Training Academy	1,036,000

Fire inspection and fire safety at private colleges and universities	1,044,000
Repair and Rehabilitation of state fire training academy	523,000

Division of Criminal Justice Services

Traffic and criminal software project	2,000,000
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Department of Health

Development of inpatient hospital rates for insurance payments	381,000
Approval of managed care implementation plans	300,000
Certification of managed care programs	300,000
Center for Community Health Program	13,000,000
Forge proof Prescription Program	16,900,000

Department of Law

Investigating broker/insurer practices in the insurance industry	3,000,000
Auto insurance fraud	5,030,000

Other State Agencies

Fire-safe cigarettes	1,080,000
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QUESTIONS WHICH WITNESSES SHOULD ADDRESS IN THEIR TESTIMONY:

1. What is the justification for New York insurance consumers, already paying some of the highest rates in the nation, to also pay for these suballocations through the Insurance Department Budget?
2. How were these funds spent?
3. What funding, if any, was replaced with the suballocations?
4. What are the benefits of these suballocations for insurance consumers?
5. How does this level of suballocations compare to other agencies' budgets?

Persons wishing to present pertinent testimony to the Committee at the above hearing should complete and return the reply form as soon as possible. It is important that the reply form be fully completed and returned so that persons may be notified in the event of emergency postponement or cancellation.

Oral testimony will be limited to 10 minutes' duration. In preparing the order of witnesses, the Committee will attempt to accommodate individual requests to speak at particular times in view of special circumstances. These requests should be made on the attached reply form or communicated to Committee staff as early as possible. In the absence of a request, witnesses will be scheduled in the order in which reply forms are postmarked.

Ten copies of any prepared testimony should be submitted at the hearing registration desk. The Committee would appreciate advance receipt of prepared statements.

In order to further publicize these hearings, please inform interested parties and organizations of the Committee's interest in hearing testimony from all sources.

In order to meet the needs of those who may have a disability, the Assembly, in accordance with its policy of non-discrimination on the basis of disability, as well as the 1990 Americans with Disabilities Act (ADA), has made its facilities and services available to all individuals with disabilities. For individuals with disabilities, accommodations will be provided, upon reasonable request, to afford such individuals access and admission to Assembly facilities and activities.

**Alexander B. Grannis, Chair
NYS Assembly Committee on Insurance**

PUBLIC HEARING REPLY FORM

Persons wishing to present testimony at the public hearing on NYS Insurance Department Suballocation Hearing are requested to complete this reply form as soon as possible and mail it to:

Renee Skorupski
Committee Assistant
Assembly Committee on Insurance
Room 520 - Capitol
Albany, New York 12248
Email: Skorupr@assembly.state.ny.us
Phone: (518) 455-4928
Fax: (518) 455-5182

- I plan to attend the following public hearing on NYS Insurance Department Suballocations to be conducted by the Assembly Committee on Insurance on December 20, 2005.
- I plan to make a public statement at the hearing. My statement will be limited to 10 minutes, and I will answer any questions which may arise. I will provide 10 copies of my prepared statement.
- I will address my remarks to the following subjects:

- I do not plan to attend the above hearing.
- I would like to be added to the Committee mailing list for notices and reports.
- I would like to be removed from the Committee mailing list.
- I will require assistance and/or handicapped accessibility information. **Please specify the type of assistance required:**

NAME: _____

TITLE: _____

ORGANIZATION: _____

ADDRESS: _____

E-MAIL: _____

TELEPHONE: _____

FAX TELEPHONE: _____

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