



# Business Law Information Memo

April 2011

Electronic Dispatch

[Go to BS&K Business Law and Transactions Practice Home Page](#)

## NY BANKING AND INSURANCE DEPARTMENTS CONSOLIDATED

As part of the approval of the budget bill on March 31, New York Governor Andrew M. Cuomo signed into law Chapter 62 of the Laws of 2011 which consolidates the Banking Department and the Insurance Department into a new Department of Financial Services.

### Consolidation/Insurance and Banking Divisions

The new law consolidates the Banking and Insurance Departments to establish the Department of Financial Services, which will have a Banking Division and an Insurance Division. There will be a Superintendent of Financial Services appointed by the Governor, by and with the consent of the Senate, and who shall hold office at the pleasure of the Governor. The Superintendent of Financial Services is granted enforcement and regulatory authority over financial products and services. The Superintendent of Financial Services shall appoint a Deputy Superintendent who shall be the head of the Banking Division and a Deputy Superintendent who shall be the head of the Insurance Division. The Superintendent of Financial Services may remove at will any Deputy Superintendent, except as may be otherwise provided by the New York Civil Service Law.

### Financial Frauds and Consumer Protection Unit

The law creates a new Financial Frauds and Consumer Protection Unit (within the Department of Financial Services) under the supervision of the Superintendent of Financial Services. The new Unit is the successor to the Banking Department's Criminal Investigations Bureau and the Insurance Frauds Bureau. According to a legislative declaration in the new law, the Unit has been established to more thoroughly uncover, investigate and eliminate financial frauds. The term "financial fraud" is not defined in the new law. (As part of the budget bill, a Consumer Protection Division in the Department of State has also been established to replace the Consumer Protection Board.)

### State Chartered Banks

The new law creates a State Charter Advisory Board (within the Department of State) which is to work on retaining state chartered banking institutions and encouraging federally chartered institutions to convert to a state charter.

### Insurance Company Examinations

In the executive budget agency presentations in connection with the new law, it was stated that there will be an increase in the number of onsite examinations of insurance companies.

### Working Group on Banking and Insurance Regulation

The new law requires the Governor to establish a working group by June 30, 2011 to examine ways to improve the efficiency and effectiveness of banking and insurance regulation, including opportunities to integrate certain regulatory activities prescribed by the Banking Law and the Insurance Law. The new Superintendent of Financial Services is required to issue a report of the working group to the Governor and the Legislature by January 1, 2012.

### Other States

New York is not the first state to consider the consolidation of its banking and insurance regulatory agencies. Recently, Illinois considered a similar merger. In 2003, the State of Florida merged its Department of Banking & Finance and its Insurance Department into a Department of Financial Services led by Florida's Chief Financial Officer, an elected position.

Bond, Schoeneck & King, PLLC

New York ▪ Albany Buffalo Garden City Ithaca New York Oswego Rochester Syracuse Utica Florida ▪ Naples Kansas ▪ Overland Park

## Effective Date

The new law will be fully effective on October 3, 2011. Until this date, the Banking Department and the Insurance Department headed by their respective Superintendents will continue.

If you have any questions regarding the new law or desire additional information, contact your Bond lawyer or one of the attorneys listed below.

In Buffalo / Niagara Falls call 716-566-2800 or e-mail:

Robert A. Doren                      rdoren@bsk.com

In the Capital District call 518-533-3000 or e-mail:

Gregory J. Champion              gchampion@bsk.com

In Central New York, call 315-218-8000 or e-mail:

Ronald C. Berger                    rberger@bsk.com

David M. Hayes                      dhayes@bsk.com

Edwin J. Kelley, Jr.                ekelley@bsk.com

Danielle M. McCann                dmccann@bsk.com

In the New York Metro Area, call 646-253-2300 or e-mail:

Louis P. DiLorenzo                ldilorenzo@bsk.com

In the Rochester Region, call 585-362-4700 or e-mail:

Robert H. Kirchner                 rkirchner@bsk.com

