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GOVERNOR AND LEGISLATURE SLAM NEW YORK INSURERS AND CUSTOMERS WITH \$180 MILLION “BACK-DOOR” TAX

ALBANY, N.Y.—The New York Insurance Association (NYIA), a trade association representing property and casualty insurance companies, criticized the Governor and Legislature for slamming New York insurers and their policyholders with a \$180 million “back-door” tax as part of the Deficit Reduction Plan passed this week.

“These new taxes on insurers will likely increase consumers’ premiums as companies attempt to recoup the additional money they are being forced to pay the state,” NYIA president Ellen Melchionni said. “The state’s tax increases may also lead to job loss in an industry that under normal circumstances is considered to be incredibly stable. The state’s actions are the reverse of an economic stimulus and are undermining any federal efforts related to New York.”

The Deficit Reduction Plan increases the New York State Insurance Department’s budget, funded by assessments on insurance companies, by a substantial 35 percent. Even more staggering is that nearly 60 percent of the Department’s \$520 million budget will go to fund programs not related to property and casualty insurance. The \$180 million increase has been slated for the 2008-09 budget as well as the 2009-10 budget, meaning insurers have to come up with an additional \$360 million in just over a year’s time.

Recent data shows that the property and casualty insurance industry is a major economic driver in New York, employing 35,000 New Yorkers, investing more than \$22 billion in New York municipal bonds, and in 2007 paying New Yorkers over \$20 billion in claims.

Melchionni pointed out that despite Governor Paterson’s pledge in his State of the State address to lower the cost of doing business in New York; the Legislature passed a Deficit Reduction Plan proposed by the Governor that does the exact opposite.

“Raising taxes on any business in the middle of a deep recession is a bad idea, but using a hidden tax in an era of supposed government transparency is despicable,” Melchionni said. “The state considers this to be a \$180 million savings per year, when in fact it is pushing a huge burden on one specific industry at a time when New York businesses are already suffering.”

The \$180 million increase is earmarked for funding Healthy NY, the HMO Direct Pay program and an entertainment industry employee pilot program. The three programs were previously funded through the Health Care Reform Act (HCRA) budget line.

The New York Insurance Association (NYIA[®]) is a state trade association that has represented the property and casualty insurance industry for over 125 years. For more information on NYIA, visit www.nyia.org.

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