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**GOVERNOR'S BUDGET COULD LEAD TO JOB LOSS AND INCREASED COST OF  
INSURANCE FOR CONSUMERS, NYIA TO TESTIFY AT NEW YORK BUDGET HEARINGS**

**ALBANY, N.Y., February 2, 2009**—Ellen Melchionni, president of the New York Insurance Association, Inc. (NYIA), urged the New York State Legislature to dramatically cut spending in these tremendously difficult economic times by not passing the Governor's proposed budget that includes a \$1.4 billion increase in spending and higher taxes and assessments on insurers.

In testimony prepared for delivery tomorrow at the Senate Finance Committee and Assembly Ways and Means Committee Joint Legislative Hearing regarding the 2009-10 Executive Budget Proposal, Melchionni said that while the proposed budget responsibly decreases the majority of state agency budgets, the proposal significantly increases the New York State Insurance Department's budget.

Speaking on behalf of property and casualty insurance companies in New York State, she noted that in addition to paying many other taxes and assessments, insurance companies fund the Insurance Department, and this substantial increase could force insurers to share the burden of these cumbersome taxes and assessments with consumers through higher premiums.

Melchionni pointed to recent data that show the insurance industry employs 149,000 New Yorkers and pays \$16.4 billion in salaries and wages. In addition, property/casualty insurers invested more than \$22 billion in New York municipal bonds.

She said NYIA opposes expanding the premium tax to cooperative insurers writing in excess of \$25 million in annual direct premiums, drastically increasing the New York State Insurance Department's budget from \$340 million to \$542 million, and expanding the assessments to fund the Insurance Department to insurers chartered outside of New York.

The cooperative tax increase would be severely detrimental to underserved rural and inner city populations throughout the Upstate New York region and will result in higher premiums for consumers and possibly lead to job losses, according to Melchionni.

"The increased assessments in the Insurance Department's budget are not to 'defray the operating expenses of the Department' as law stipulates, but instead will fund sub-allocations to other state agencies for non-insurance programs," she said. "The proposal actually calls for over half of the Department's budget to fund sub-allocations," said Melchionni. "Furthermore, the proposal includes language to expand the definition of 'operating expenses of the Department' to expressly include sub-allocations to other state agencies, which raises serious constitutional questions regarding the use of regulatory fees for general state spending."

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“Raising taxes on any business in the middle of a deep recession is always a bad idea, but using a hidden tax, such as these sub-allocations, takes a bad idea and makes it even worse,” Melchionni said. The Governor even said in his State of the State address, “most importantly, we must lower the cost of doing business in New York.” NYIA wholeheartedly agrees with his statement and would like the Governor and the Legislature to make good on his pledge.

If the assessments to fund the Insurance Department are expanded to insurance companies chartered outside of New York, companies could choose to decrease their business in the state or pull out of the New York market all together, decreasing competition and resulting in fewer choices for consumers. In addition, there are retaliatory tax consequences for insurance companies chartered in New York State.

Melchionni said that the Legislature should have also held a public hearing for the Executive Deficit Reduction Plan that proposed a \$160 million hike in assessments on insurers for the Insurance Department’s budget for sub-allocations. NYIA was greatly disappointed that such a drastic measure, which may be considered by the Legislature as early as this week, was not publicly discussed and debated with alternative solutions considered.

The New York Insurance Association (NYIA<sup>®</sup>) 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](http://www.nyia.org).