NEW YORK STATE SENATOR

Neil D. Breslin

Senator Breslin Addresses Inequities in Investment Opportunities for Employees of the Insurance Department

NEIL D. BRESLIN March 5, 2010

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(Albany, NY)– The Senate passed legislation sponsored by Senator Neil D. Breslin (D-Delmar), Chair of the Insurance Committee that would allow employees of the Insurance Department to own shares of a mutual fund that may incidentally invest in the stock of a licensee of the Department. However, ownership of shares in mutual funds that invest primarily or exclusively in the shares of licensees of the Department would be prohibited.

When the Insurance department was first established nearly 150 years ago, laws were put in place to ensure that the Department and its employees invested in disinterested and ethical ways. Significant changes in the financial world and the nature of investments have changed since these laws were reenacted in 1939.

"In the 1990's mutual funds began to significantly emerge in investment markets. The original laws were not intended to prohibit passive investment in companies that incidentally invest in mutual funds that included companies with insurance operations," Senator Breslin said. “This legislation allows people employed by the Insurance Department to invest in these mutual funds by amending the original laws in a reasonable manner while maintaining the statutory intent.”

The growth of mutual funds exemplifies the changes in the economic landscape. The first mutual fund, established in 1924, served approximately 200 investors and managed $392,000 in assets. By contrast, the Investment Company Institute in April 2007 estimated that over 8,800 mutual funds exist, serving 93.9 million individual shareholders nationwide and managing over $10.4 trillion in investor assets.

The bill also provides an important safeguard in that it prohibits employees of the Insurance Department from investing in mutual funds that are designed to primarily or exclusively invest in the securities of licensees of the Department. Specialty funds, sometimes call "Sector Funds," may be designed to invest primarily in life insurance companies. An investment in such a fund by a Department employee would be prohibited by this bill.

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