



**Kaitlin Asrow, Acting Superintendent of Financial Services**  
**New York State Department of Financial Services**

Joint Legislative Public Hearing on FY 2027 Executive Budget – Economic Development  
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Good morning, Chairs Krueger, Pretlow, Bailey, Weprin, Baskin, Serrano, Stirpe, Buttenschon, and Kim; Ranking Members O’Mara, Palmesano, Murray, Tedisco, Friend, Norber, and Gray; and all distinguished Members of the New York State Senate and Assembly.

My name is Kaitlin Asrow, and I am the Acting Superintendent of the New York State Department of Financial Services (DFS). Thank you for inviting me to address you at today’s Joint Legislative Budget Hearing. I appreciate the opportunity to discuss Governor Hochul’s fiscal year 2027 (FY27) Executive Budget. I also am proud to highlight the Department’s work over the past year, thanks to the support of the Governor and the Legislature.

Before I begin, I want to thank Governor Hochul for trusting me to lead DFS into its next chapter. Since taking on the role of Acting Superintendent, I have had the opportunity to meet with some of you. I look forward to meeting and working with those of you who I have not yet had the chance to meet, and I am hopeful that my participation in this year’s Joint Legislative Budget Hearings will provide you with some important background on who I am and my priorities for the Department – affordability, innovation, and stability.

I look forward to sharing how we will continue to advance these priorities through Governor Hochul’s FY27 Executive Budget.

I have been fortunate to work across the financial services industry in public and private sector roles for more than 15 years. I started my career working in the Middle East supporting economic development projects. Through the introduction of new products to markets, such as crop insurance, I saw the impact of financial services helping families and small businesses directly. I then moved on to do consulting and research at what is now called the Financial Health Network, the nation’s leading authority on consumer financial health.

Before joining DFS, I served as a Senior Policy Advisor for both the Bank of San Francisco and the Board of Governors within the Federal Reserve System. In this role, I led novel supervision and innovation policy initiatives across the 12 district banks and the Federal Reserve Board, coordinating closely with the other federal regulators, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. During my time at the Federal

Reserve, I focused on addressing emerging risks as it related to fintechs, data governance and management, artificial intelligence, and data privacy.

I brought all of these experiences to DFS in 2022, serving as the head of the Research and Innovation Division for four years. During this time, I led Department-wide work in innovation policy, economic research, financial inclusion, and data governance. I was also responsible for the licensing and supervision of virtual currency companies. In this oversight work, I was intentional about building the right infrastructure to support comprehensive and efficient regulation and policy. Under my leadership, we tripled the headcount of our virtual currency regulatory team, revamped and strengthened supervision, issued 11 pieces of nation-leading guidance, and collected more than \$200 million in enforcement actions. Today, New York's virtual currency regime is regarded as the strongest in the world.

I was deeply honored when Governor Hochul entrusted me to lead DFS last October. As a member of the Department's executive team for four years, I came into this position with a deep understanding of our staff, our systems, our needs, and our biggest challenges. Every day since I began in this role, I have worked to advance our mission to protect and empower our fellow New Yorkers.

### *Affordability*

Core to the work we do is ensuring that regulation creates more affordable and accessible financial services for New Yorkers. Consistent with Governor Hochul's affordability agenda, DFS is focused on ensuring access to affordable, quality financial products and delivering meaningful cost savings for the people of New York.

DFS has adopted a proactive approach to expanding consumer access to safe, affordable banking products and services, particularly in underserved communities. Under Governor Hochul's leadership, the Department has approved nine new Banking Development Districts and branches, including three credit unions, to bring affordable banking services to the communities where New Yorkers live and work. In the past year, DFS has expanded New York's Community Reinvestment Act to non-bank mortgage lenders to ensure they provide fair and equitable access to home loans and issued guidance encouraging continued investment into Community Development Financial Institutions that expand access to affordable housing, small business financing, and other vital services within communities. We also returned more than \$134 million directly to new Yorkers through restitution.

My initial focus in this role – and the first meeting I convened – was on addressing the cost and availability of insurance in New York. At that time, I directed my team to update the DFS website and develop a campaign on insurance discounts available to New Yorkers, so that policyholders can take advantage of programs that can lower their premiums and access incentives that put money back in their pockets. This website is now live, and I look forward to

partnering with you on this initiative. The Governor's Executive Budget builds on this foundational work.

DFS was proud to support and implement actions by Governor Hochul and the Legislature to eliminate out-of-pocket costs for insulin, inhalers, and lung cancer screenings, and to protect critical vaccine access across New York State. Furthering these efforts to keep New Yorkers safe, Governor Hochul will advance legislation to ensure New York can set its own immunization standards based on accepted medical science and public health needs.

With health care costs continuing to place pressure on family budgets, DFS has taken targeted action to reduce barriers to care and eliminate unnecessary out-of-pocket expenses. In 2025, the Department adopted and implemented new rules to increase access to mental health care and substance abuse treatment. New Yorkers are now entitled to an initial appointment for mental health or substance use disorder care within 10 days of request. Where those standards cannot be met with in-network providers, insurers must offer out-of-network coverage at in-network prices. To expand on this work, the Department, in coordination with the Office of Mental Health, has launched a consumer education campaign to ensure New Yorkers are aware of their rights under the state's behavioral health regulations.

Last year, the Department also adopted regulations requiring commercial insurers to collect voluntarily disclosed demographic data from policyholders. This data will be a powerful means to develop long-term policy solutions to combat discrimination, address health inequities, and direct resources where they are most needed to ensure New Yorkers have access to the care they are entitled to. Another tool for reducing long-term health costs is access to preventive and primary care to improve overall health outcomes and avoid high cost services. To that point, in January, DFS issued a formal request to insurers for data on primary care spending and to identify effective incentives, programs, and methods that increase utilization of these services.

A key part of the Governor's affordability focus is around auto and homeowners' insurance.

Across the country, auto insurance premiums are increasing. Nationwide, the total value of personal auto claims increased approximately 60% for auto liability and collision coverage between 2020 and 2024. New Yorkers pay some of the highest car insurance rates in the nation, driven by a combination of factors, including increasing cost of repairs, frequent litigation, and persistent fraud. Governor Hochul has proposed a comprehensive approach to lower insurance rates by taking on trends that are driving rate increases. She is proposing expanding access to and adoption of loss mitigation tools like telematics, dashboard cameras, and defensive driving courses that reduce losses and will directly and immediately lower New Yorker's insurance rates. She is also proposing significant reforms for law enforcement and insurers to better stop insurance fraud and limit damages paid out to bad actors. Together, these proposals will prevent avoidable costs that are passed on to New Yorkers in their premiums.

The Governor's agenda includes safeguards to ensure that savings from these reforms are passed on to New Yorkers – not insurers. The Governor has directed the state to commission a study to update the methodology used to measure excess auto insurer profits and return any excess profits back to policyholders. DFS will also use its existing authority to closely monitor insurers and hold them accountable for their rates as losses are reduced.

Nationwide, homeowners' insurance markets are facing extreme uncertainty and rising risks, which is increasing premiums for policyholders. In the U.S., total claims costs have increased 45 percent from 2012 to 2022 and claim severity has increased by 107 percent. This is driven by a combination of factors: the increasing frequency and severity of catastrophes due to climate change, the rising costs of materials and repairs driven by inflation, and the effects of social inflation. These pressures are reshaping the residential property insurance landscape nationwide, including here in New York.

I have engaged with several of you on this issue – including recently at a Senate hearing on the topic – because affordability and continued access to coverage are critical to New York homeowners. As we all discussed then and in follow-up meetings, there are no easy fixes, but we will continue to dig in together.

While state insurance regulators cannot directly address external factors driving claims, DFS plays a critical role in ensuring that rates are actuarially sound, that markets remain competitive, and that New Yorkers receive every discount and protection they are entitled to under law.

Last year, DFS issued guidance to insurers reminding them of their obligation to provide discounts to homeowners who install storm shutters and hurricane-resistant glass and encouraging discounts for the installation of additional loss mitigation devices. Incentivizing retrofits or the adoption of other risk reduction tools is a proven way to reduce losses to the benefit of policyholders and insurers. As part of her FY27 agenda, Governor Hochul will expand upon these mandatory premium discounts. The Executive Budget proposes new mandated discounts for homeowners and commercial policyholders who implement measures to reduce the risk of roof damage from wind-related weather events and property damage from fire, theft, and water leakage.

In order to build a central location for New Yorkers to find all available discounts and compare plans, the Governor has also proposed that insurers file information with the Department on the discounts they offer, provide utilization data showing how often these discounts are applied, and include information on available discounts in their policies. Expanding on the foundational information my team developed, DFS will launch a public education campaign to help homeowners understand how to reduce their costs through discounts and savings. This transparency and education initiative is critical to empowering consumers and ensuring that cost-savings measures translate into real affordability.

To ensure the money saved from these reforms goes to homeowners, and not insurers, the Governor has introduced an initiative to establish a first-in-the-nation profitability benchmark loss ratio for determining excess insurance company profits. This policy establishes clear standards to reassure New Yorkers that rates are tied to real risk and costs, and would provide direct financial relief to consumers by ensuring that homeowners' rates do not include excess profits.

These policy proposals build upon a series of actions DFS has taken under Governor Hochul to address market challenges and improve affordability in the property insurance market. In 2021, the Department issued guidance to insurers on managing material financial and operational risks associated with climate change. We are currently analyzing how to effectively incorporate climate and catastrophe data into filings to better model credible and actuarially sound loss projections in light of increasingly frequent and severe climate events.

DFS also worked with the Governor and the Legislature to develop solutions to help address the increasing costs of insurance for affordable housing developments, including guidance prohibiting discrimination in insurance based on tenants' source of income or the existence of affordable dwelling units within a building.

Moving forward, meaningful solutions will continue to require coordinated action across local, state, and federal government, as well as engagement with the private sector. We at DFS are committed to continuing this important conversation with the Legislature and other stakeholders to find sustainable solutions to insurance affordability and access for New Yorkers.

### *Innovation*

Even as we advance affordability, we are mindful that the challenges facing New Yorkers and the entities we regulate are growing more complex, and more interwoven with technology. Traditional regulatory tools and approaches are no longer sufficient to keep pace with evolving financial services, emerging risks, and consumer expectations. To ensure stability and affordability, DFS must continue to evolve how we regulate, supervise, and engage with the industries we oversee and the New Yorkers we are responsible for protecting. That brings me to my second priority: innovation.

My approach to innovation and technology oversight is grounded in a respect for what existing systems have taught us, combined with iterating, and pushing teams to find new approaches and efficiencies.

Staying abreast of emerging technologies and their deployment by financial institutions is essential to effective regulation, and a key educational tool in technology is deploying it ourselves. To that end, I have accelerated our modernization efforts, prioritized the recruitment of

subject matter experts, and updated the Department's internal policies so that our teams can responsibly use and understand the very technologies we are charged with regulating.

A key component of our modernization effort is DFS Connect, a modern interface that is making DFS a more streamlined and effective regulator. DFS Connect reduces administrative burdens on regulated entities, improves transparency for consumers, and equips DFS with real-time data to identify and respond to risks and better protect financial markets in New York and around the world.

In 2025, we expanded DFS Connect to allow consumers to file and track complaints related to prescription drug prices and pharmacy benefit managers in real time. We also introduced the tool to the insurance industry, enabling insurers to submit filings, manage license renewals, and communicate directly with the Department. This week, we launched banking and virtual currency exams through DFS Connect, providing a single portal for entities to engage with our teams. Across the Department, we also continue to make progress in our data governance and entity risk management efforts which will uplift our supervision and research efforts across teams.

At the end of 2025, I introduced the Department's first ever AI use policy. This policy paves the way for us to responsibly use AI internally – from supervision, to research, to investigatory work – while maintaining critical safeguards around data protection, accountability, and risk. Through our review and approval process, we are enabling the DFS team to test and use AI in for our own process uplifts, which in turn is helping us to understand its risks and limitations to better set policy in this area. The adoption of this policy builds on work I did previously to stand up an internal AI Steering Committee focused on the policy implications of AI.

Through supervision, DFS has also set clear expectations of how regulated entities should use AI. AI presents tremendous opportunities for operational efficiency but also creates risks that could harm consumers. DFS has made clear that entities must adapt their risk frameworks to address AI risks. In 2024, I developed three pieces of guidance on the use of AI in underwriting and pricing, virtual currency customer service and complaints processing, and cybersecurity risks.

Cybersecurity remains another critical area of innovation for the Department. In November 2025, DFS completed the two-year roll out of amendments to our first-in-the-nation cybersecurity regulation, ensuring entities incorporate the most effective cybersecurity standards, controls, and practices to address new and increasing threats. We also issued new guidance addressing the cybersecurity risks associated with reliance on third-party service providers – an area of growing importance as financial service companies become increasingly interconnected. This is a space DFS will be closely monitoring as the financial ecosystem evolves.

Finally, I want to emphasize that innovation must always be paired with strong consumer protections. As fintech shapes how New Yorkers save, spend, and borrow their hard-earned

income, DFS remains focused on ensuring new financial products do not create new harms. To that point, last year, the Legislature and Governor enacted a licensing and supervision regime for Buy Now, Pay Later (BNPL) loans at DFS. This week, the Department introduced comprehensive regulations to implement the law, establishing nation-leading consumer protections around BNPL interest rates, disclosure requirements, dispute resolution, late fee limits, consumer data privacy standards, and underwriting guidelines.

Protecting consumers also means protecting them online. New Yorkers should be able to trust technology and the online tools they use to work, pay bills, and connect with friends and family. An initiative in the FY27 Executive Budget expands on Governor Hochul's commitment to online safety by establishing the Office of Digital Innovation, Governance, Integrity, and Trust (DIGIT) to serve as a central, authoritative body for digital safety and technological governance. This will be a stand-alone office supported by DFS that will protect New Yorkers, while reinforcing New York's position as a state that values and invests in cutting edge innovation.

By modernizing our tools, adapting our oversight, and setting clear expectations, DFS can support innovation while maintaining a stable and fair financial system. I look forward to continuing that work in FY27 through the initiatives being outlined today.

### Stability

Ultimately, my foremost priority for the Department and for the people of New York is stability. At a time of sustained change across the financial services and health care sectors, maintaining continuity and confidence is critical. The Department's mission explicitly states our responsibility to "protect the stability of the global financial system." This mandate informs how we operate, how we regulate the industries under our supervision, and how we partner across government to serve New Yorkers. I am committed to ensuring the Department remains strong, focused, and forward-looking with clear emphasis on market stability and consumer protections.

Despite challenges and uncertainty at the federal level, we will remain a stable presence. While changes at the federal level may require a response from New York, from a regulatory perspective, entities can feel confident that our expectations will not waver and New Yorkers can rest assured knowing their protections will remain in place.

In the United States, the property insurance market is at an inflection point. Central to stabilizing this market is addressing insurance fraud, which drives up costs for consumers and undermines confidence in the system. Over the past year, DFS has transformed its approach to combating financial fraud by rebuilding and modernizing our Insurance Frauds Bureau. We have hired new, experienced leadership and subject-matter experts, increasing headcount by 28% over the past 6 months. This team is investing in modern technology solutions, securing essential resources, and strengthening partnerships with law enforcement statewide.

Combating insurance fraud will remain a top priority in the year ahead. As part of an all-of-government approach to addressing auto insurance fraud, Governor Hochul's Executive Budget enhances the state's capacity to investigate and prosecute these crimes. These initiatives include convening a dedicated cross-agency task force that brings together DFS, the Department of Motor Vehicles, the Division of Criminal Justice Services, the New York State Police, and district attorney's offices across New York to stop insurance and vehicle registration fraud; strengthening insurers' anti-fraud programs; and additional measures to deter fraudulent activity.

The Governor's Executive Budget also advances key initiatives to ensure New Yorkers have a stable health care provider through insurance coverage changes. The Executive Budget proposes expanding New York's continuity of care protections to ensure that New Yorkers who change carriers can continue seeing their existing provider for 90 days, or through the completion of post-partum care, for all health care services regardless of health condition or stage of pregnancy.

In addition, the Department is focused on simplifying processes so New Yorkers can access care when they need it. The Executive Budget includes a proposal to eliminate frequent and repetitive prior authorizations for medically necessary treatments for chronic conditions requiring ongoing care. DFS will also launch a public education campaign to help consumers better understand the health insurance claims process, exercise their rights, reduce avoidable disputes, and promote more timely and efficient resolution of claims.

The Department remains committed to preserving stability across the broader financial services landscape. In light of recent federal changes to student loan repayment options, New York State is stepping up to protect borrowers. The Executive Budget includes several initiatives to that end, including enhanced refinancing disclosures, strengthened co-signer release protections, expanded grant funding to the Education Debt Consumer Assistance Program, and increased education and outreach on student loan protections.

In addition to the policies outlined in the Executive Budget, stability depends on the dedication and shared purpose of the public servants charged with carrying out this work. This requires an institution grounded in expertise, collaboration, and a responsibility to the people we serve. In leading DFS, I am focused on fostering that sense of community and uplifting our roles as public servants.

The Department's history dates back to 1851 with the establishment of the Banking Department, followed by the creation of the Insurance Department in 1859. Today, every member of the DFS team carries forward that long-standing legacy of public service. That responsibility is especially meaningful at a time when many New Yorkers are struggling to afford basic necessities from housing to health care. Our work, and our commitment to stability, has never been more important.

### Conclusion

Affordability, innovation, and stability are not separate goals. They are mutually reinforcing, and central to how DFS serves New Yorkers. Thank you again for the opportunity to highlight these priorities today.

I look forward to discussing the Governor's FY27 Executive Budget in greater detail and answering any questions you have about the Department's work and my priorities in leading DFS. I am also eager to hear about your areas of focus for the year ahead and how we can work together on behalf of the people and businesses of New York State. Thank you.