

August 24, 1989

SUBJECT: INSURANCE

Circular Letter No. 12 (1989)

To: All Licensed Property/Casualty and Reciprocal Insurers and Accredited Property/Casualty Reinsurers

RE: Revised Requirements to do Multiple Reinsurance

By means of this Circular Letter the Department advises all of the captioned insurers and reinsurers of recent amendments to the New York Insurance Law that may have a significant effect upon their New York license or certificate of recognition as an accredited reinsurer.

Chapters 48 and 89 of the Laws of 1989, which were effective May 14, 1989, established financial guaranty insurance as a new kind of insurance and provide that under certain conditions a mono-line financial guaranty insurance company may receive reinsurance credit for business ceded to an assuming property/casualty or reciprocal insurer which maintains a surplus to policyholders of at least \$ 35,000,000.

Chapter 517 of the Laws of 1989, to be effective September 1, 1989, sets forth conditions under which a mono-line mortgage guaranty insurance company may receive reinsurance credit for business ceded to an assuming property/casualty or reciprocal insurer which maintains a surplus to policyholders of at least \$ 35,000,000.

A property/casualty or reciprocal insurer which wants to reinsure financial guaranty and/or mortgage guaranty insurance must be licensed or accredited to reinsure risks of every kind or description ("multiple reinsurance"), as set forth in Insurance Law Section 4102(c). The current financial requirements to do "multiple reinsurance" were also amended by Chapter 517 as follows:

1. The minimum surplus to policyholders requirement of \$ 3,000,000 (\$ 1,500,000 for insurers initially licensed prior to July 1, 1982) will be increased to \$ 35,000,000. Moreover, pursuant to Insurance Law Section 1402, such an insurer will now be required to have qualifying minimum capital or surplus investments of \$ 35,000,000.

2. The minimum deposit requirement of \$ 500,000 (\$ 250,000 for insurers initially licensed prior to July 1, 1982) will be increased to \$ 3,000,000.

The authority to do "multiple reinsurance" permits a property/casualty insurer to reinsure kinds of insurance which it is not licensed to write in this State. For example, a property/casualty insurer which is licensed to write only glass insurance may by the terms of its license also reinsure only glass insurance. With the addition of "multiple reinsurance" authority in its New York license such an insurer would be empowered to reinsure all kinds of property/casualty insurance and, if it meets the requirements in Insurance Law Article 65 and/or 69, it could also reinsure financial guaranty and/or mortgage guaranty insurance. If such an insurer does not meet the new requirements for the "multiple reinsurance" authority it could amend its New York license to include only those types of property/casualty insurance which it intends to reinsure. For example, if a property/casualty insurer is licensed to do only glass insurance and wishes to reinsure credit insurance it could, upon meeting the applicable financial and statutory requirements, apply to add credit insurance to its New York license.

Chapter 517 also amended the financial requirements which must be met to insure property or risks of every kind or description located or resident outside of the United States, as set forth in Insurance Law Section 4102(c). Under this authority a property/casualty insurer licensed to do only glass insurance could write a fire insurance policy on a risk located outside of the United States. The revised financial requirements are identical to those outlined above for "multiple reinsurance".

The following steps must be taken before the Department may act upon a request by a domestic insurer to amend its license:

1. Company's charter must contain the authority to do the kinds of insurance for which the company will be licensed.
2. Board of Directors must adopt a resolution authorizing an officer to apply for an amended license.
3. Applicable financial, investment and statutory deposit requirements must be met.

The following steps must be taken by a foreign or U.S. Branch of an alien insurer before the Department may act upon a license or certificate of recognition amendment request:

1. Submission of a certificate of authority certified by the home state or country indicating that the insurer is licensed in such jurisdiction to do the kinds of insurance requested in New York.
2. Compliance with applicable financial, investment and statutory deposit requirements. A U.S. branch of an alien insurer must maintain a trusteed surplus of at least \$ 35,000,000 in order to be licensed to do "multiple reinsurance".

All amendment requests must be submitted in duplicate, the original to Associate Attorney Robert A. Ginnelly in the Department's Albany office and a copy to the Property Companies Bureau in our New York City office.

Affected insurers are advised to review the applicable statutory language which is set forth in the aforementioned newly enacted Chapters.

Any questions on this subject matter should be directed to:

Ms. Anna Lemecha  
Associate Insurance Examiner  
New York State Insurance Department  
Property Companies Bureau  
160 West Broadway  
New York, NY 10013-3393

Very truly yours,

[SIGNATURE]

James P. Corcoran

Superintendent of Insurance