



**STATE OF NEW YORK
INSURANCE DEPARTMENT
160 WEST BROADWAY
NEW YORK, NEW YORK 10013**

Circular Letter No. 1 (1994)
January 31, 1994

TO: All Carriers Licensed to Write Accident and Health Insurance in New York State, Including Article 43 Corporations and Public Health Law Article 44 Health Maintenance Organizations

RE: Chapter 501 of the Laws of 1992 - Accounting Treatment of Disbursements From or Payments to the New York Market Stabilization Pools

Regulation No. 146 (11 NYCRR 361) establishes two types of pools:

Demographic pools (Section 361.3) and the Specified Medical Conditions (SMC) pool (Section 361.4). This circular letter provides guidelines for the accounting treatment to be used for payments to or receipts from each pool.

Section 361.1(e)(1) of Regulation 146 states that each carrier which is expected to make payments to the Demographic pool should treat such payments as if they were claim expenses, while carriers which expect to receive disbursements from the pool should treat such disbursements as an offset to claims expenses.

Section 361.4(b) of Regulation 146 requires each carrier to remit quarterly payments to the SMC pool, beginning with the second quarter of 1993.

Commercial insurers and Article 43 corporations should report in the claims expense line of the Income Statement any adjustments to their underwriting accounts resulting from pool payments or disbursements. Public Health Law Article 44 Health Maintenance Organizations should report such adjustments to claims expense in appropriate write-in accounts in the Income Statement.

I. TREATMENT OF DEMOGRAPHIC POOL PAYMENTS/DISBURSEMENTS

Demographic pool payments and disbursements should be recorded as debits or credits to a segregated claims expense account. When amounts to be paid to the pool are calculated for a particular quarter such amounts should be booked by the carrier as a liability with a corresponding debit to claims expense. When actual payment is made to the pool the liability entry should be reversed and a cash account credited.

In the case of disbursements from the Demographic pool, Alicare, the pool administrator, will advise carriers which reported expected receipts from the pool of the amount in the pool available for disbursement and, at the same time, pay to the carrier its proportionate share of the amount available for disbursement. Since the pool administrator will not make disbursements until approximately 90 days after the quarter in which the disbursement was earned, a carrier expecting to receive a disbursement from the pool should establish a pool receivable for the estimated quarterly disbursement during the quarter in which the disbursement was earned and record a corresponding credit to claims expense. Quarterly reconciliations must be done when the pool

disbursement is received.

II. TREATMENT OF SPECIFIED MEDICAL CONDITIONS POOL PAYMENTS/REIMBURSEMENTS:

Since the SMC pool payment amount is determined and actual payment is due during the same calendar quarter, no pool payable should be established. The payment should be booked by debiting a segregated SMC pool expense account and crediting cash.

However, when requests for reimbursements from the SMC pool are made for either Table 1 medical care claims or Table 2 medical condition claims, an SMC pool receivable account should be debited and the SMC pool expense account credited. When cash reimbursement is actually received, the SMC pool receivable account should be credited and cash debited for the amount received.

III. RECONCILIATION OF AMOUNTS PAID TO/DISBURSED FROM THE DEMOGRAPHIC POOL IN ADDITION TO INITIAL AMOUNTS PAID TO/DISBURSED FROM SUCH POOL

Section 361.3(h) provides that in May of 1994 and each May thereafter, a carrier's initial payments to or from a demographic pooling fund shall be reconciled with actual payments determined in accordance with this Section of Regulation 146.

Carriers will be advised by June 30 of the actual additional amounts which are due to or from the pool for the preceding calendar year. Such additional payments to or disbursements from the pool shall commence in July and extend for the next twelve months until fully paid or disbursed.

Accordingly, commencing in the third quarter of 1994 and every third quarter thereafter, all carriers should establish a separate liability or receivable for this additional amount to be paid to or received from the pool. In every quarter after the third quarter of each year such liability or receivable shall be adjusted for payments made to or received from the pool during that quarter.

Appropriate internal segregated accounts must be maintained for demographic pool payments/disbursements and SMC pool payments/reimbursements in order to enable carriers to segregate the financial effects of pool operations from the actual claims experience generated by their respective in-force book of business.

Very truly yours,

SALVATORE R. CURIALE
SUPERINTENDENT OF INSURANCE