



**STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004**

**Circular Letter No. 6 (1998)
March 6, 1998**

TO: All licensed life insurers, fraternal benefit societies, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement companies, governmental supplemental annuity funds, savings bank life insurance departments, accredited life reinsurers, property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, reciprocal insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association and accredited property/casualty reinsurers, rate service organizations; all hereinafter referred to as "licensees".

RE: Year 2000

The Insurance Department continues to monitor the progress of licensees in addressing the Year 2000 problem. In response to Circular Letter No. 11 (1997), each licensee was requested to provide a Year 2000 plan overview with key milestones and a budget breakdown of the cost components of such plan. (Rate service organizations should refer to Mr. Presser's letter of December 3, 1997). The Department has reviewed these responses and requested additional information in certain instances as deemed necessary.

Pursuant to Section 308 of the Insurance Law, each licensee is hereby directed to provide quarterly reports apprising the Department of the ongoing status of the licensee's Year 2000 initiatives. The reports are due no later than 15 days after the end of each calendar quarter (April 15th, July 15th, October 15th, and January 15th) and will be required for every calendar quarter in 1998 and 1999 and the first quarter in 2000. The reports shall be signed by a senior technology officer (e.g., Chief Information Officer). Failure to provide the quarterly reports will result in further regulatory action. In addition, the Superintendent may make public the names of those licensees that fail to provide the quarterly reports in a timely manner.

You are also hereby advised that a review of licensees' Year 2000 compliance procedures will be included in the Department's regular examinations and the Department may conduct target reviews of licensees that, in its view, pose particular risks.

The quarterly reports shall provide the following information depending upon your organization's situation:

If you responded to Circular Letter No. 11 (1997) indicating that your organization was:

- already Year 2000 compliant and your organization continues to be compliant, please confirm same;
- already Year 2000 compliant and such is no longer the case, please explain. In addition, please provide a Year 2000 plan overview with key milestones and a budget breakdown of the cost components of such plan;
- not currently Year 2000 compliant and your organization provided a Year 2000 plan overview with milestones and a budget breakdown and your organization continues to be on target with its previously submitted plan, please confirm same. If your organization is on target with its plan but the budget has changed by more than

- 10%, please provide a revised budget breakdown of the cost components of your organization's plan;
- not currently Year 2000 compliant and your organization provided a Year 2000 plan overview with milestones and a budget breakdown and your organization is no longer on target with its previously submitted plan, please explain. In addition, please provide a revised Year 2000 plan overview with key milestones and a revised budget breakdown of the cost components of such plan;

If your organization does not fit into any of the above categories, please apprise the Department of the ongoing status of your organization's Year 2000 situation.

If a licensee submits a revised plan overview or budget breakdown in any quarterly report, the revisions in such report become the basis for subsequent quarterly reporting.

A licensee using outside vendors for services is responsible for determining that the vendor's products or services, including telecommunications networks, are Year 2000 compliant. The quarterly reports from such a licensee shall encompass the status of its vendor's information processing and delivery systems with respect to Year 2000 compliance. Outside vendors providing services include, but are not limited to, hardware and software providers, service providers, reinsurers, reinsurance intermediaries, asset managers, agents/brokers/producers, managing general agents, third party administrators, affiliates and telecommunication providers.

Since computer systems and system applications are constantly evolving, it is necessary for **all** licensees, including licensees that have previously indicated that there are no Year 2000 issues or problems within its organization, to provide quarterly reports.

With the first quarterly report due April 15, 1998, every licensee is also required to provide a discussion of:

- its contingency plan(s) in the event that Year 2000 compliance is not achieved. This discussion should indicate what actions will be taken by your organization to continue operations if it fails to achieve Year 2000 compliance. The discussion should also indicate how such actions are intended to mitigate any impact on the organization, policyholders, members, clients, business partners, and personnel, etc. If at any time a licensee becomes aware that it will not achieve Year 2000 compliance, such licensee shall immediately notify the Department and indicate what contingency plan(s) will be put into effect;
- the nature and extent of its communications to policyholders, shareholders and customers regarding the state of its Year 2000 readiness.

In addition, at the point all information processing and delivery systems are determined to be Year 2000 compliant, each licensee is directed to provide to the Department a certification from its chief executive officer attesting to such compliance. The certification shall be in the form attached hereto. A licensee that is currently Year 2000 compliant shall provide the required certification as soon as possible (including those licensees that reported to be Year 2000 compliant in response to Circular Letter No. 11 (1997)). After a certification has been provided, each licensee is to continue submitting quarterly reports indicating that its organization continues to be Year 2000 compliant or explaining any changes in the status of its Year 2000 compliance.

In order to encourage full and frank disclosure of an organization's efforts to address Year 2000 compliance, the Department has determined that it will treat all responses to the Circular Letter as confidential and exempt from disclosure under the Freedom of Information Law provisions dealing with imminent contract awards, trade secrets or involving information which if disclosed would cause substantial injury to the competitive position of the licensees submitting responses. Confidential treatment will be accorded to all responses without the need for the submitting licensees to claim such exemption(s).

The aforementioned exemption should not be construed as to prevent, limit or relieve any obligation of a licensee to appropriately disclose in management's discussion and analysis, the notes to the financial statements, or any other reporting or disclosure medium any items which have material or significant impact on its financial solvency or its ability to continue operations.

All licensed life insurers, fraternal benefit societies, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement companies, governmental supplemental annuity funds, savings bank life insurance departments and accredited life reinsurers are to send their reports and direct any questions relating to this Circular Letter to:

Mr. Michael Maffei, Principal Insurance Examiner
New York State Insurance Department
Life Bureau
25 Beaver Street
New York, New York 10004
Telephone (212) 480-4762

All licensed property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, title insurers, reciprocal insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations, the State Insurance Fund, the Medical Malpractice Insurance Association and accredited property/casualty reinsurers are to send their reports and direct any questions relating to this Circular Letter to:

Mr. Leroy Kaalund, Associate Insurance Examiner
New York State Insurance Department
Property Bureau
25 Beaver Street
New York, New York 10004
Telephone (212) 480-5198

All rate service organizations are to send their reports and direct any questions relating to this Circular Letter to:

Mr. Maurice Morgenstern, Supervising Insurance Examiner
New York State Insurance Department
Property Bureau
25 Beaver Street
New York, New York 10004
Telephone (212) 480-5583

Martin F. Carus
Assistant Deputy Superintendent
and Chief Examiner
Life Bureau

Mark Presser
Assistant Deputy Superintendent
and Chief Examiner
Property Bureau

State of _____ }

SS:

County of _____ }

Year 2000 Compliance Certification

_____, Chief Executive Officer, of the _____, being duly sworn, deposes and certifies that, to the best of his/her information, knowledge and belief, all information processing and delivery systems of the _____ and its vendors are Year 2000 compliant.

Chief Executive Officer

Subscribed and sworn to before me this

_____ day of _____ 199_

Year 2000 Information