



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

George E. Pataki  
Governor

Howard Mills  
Acting Superintendent

**Circular Letter No. 8 (2005)**  
**March 29, 2005**

**TO: All Authorized Insurers**

**RE: Finite Reinsurance**

**STATUTORY REFERENCE: Insurance Law §§ 309, 310**

The Department is concerned about the improper use of finite reinsurance to manipulate financial reporting results. While the Department recognizes there are legitimate uses of finite reinsurance (such as the transfer of interest rate risk and of timing risk), these transactions can distort the underwriting and surplus positions of insurers entering into them when there is no actual transfer of risk or the transaction is accounted for improperly.

Therefore the Department will now require as part of its examinations of insurers, the Chief Executive Officer to attest, under penalty of perjury, that with respect to cessions under any reinsurance contract, that:

(I) there are no separate written or oral agreements that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract; and

(II) for each such reinsurance contract, the reporting entity has an underwriting file documenting the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, which is available for review.

In addition, the Department will require increased disclosure of finite risk transactions in the annual statement, including the attestation described above.

If you have any questions relative to this Circular Letter, please contact Audrey Samers, Deputy Superintendent and General Counsel, at 212 480-5282.

Howard Mills  
Acting Superintendent of Insurance

