

September 19, 1986

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 17 (1986)

TO: ALL ARTICLE 43 CORPORATIONS

RE: STATUTORY RESERVE FUND

Section 4310 (d) (2) of the New York State Insurance Law has been revised by Chapter 266 of the Laws of 1986 to read as follows:

the statutory reserve fund at the end of any calendar year shall not exceed twelve and one half per centum of the net premium income of such calendar year.

Prior to the revision, which became effective July 8, 1986, the maximum reserve was 5% of the net premium income of such calendar year.

Section 4310(d) also provides that the statutory reserve fund shall be increased in an amount equal to at least one per centum of the net premium income during such whole calendar year. Thus, it is 'acceptable for a corporation to increase its statutory reserve fund at the end of each calendar year by an amount equal to 1% or more of the net premium income in that calendar year until the statutory maximum of 12 1/2% is attained. Once the 12 1/2% level is reached it must be maintained.

For example, a corporation with a statutory reserve fund equal to 5% of their net premium income for the calendar year 1985 might choose to increase that percentage as follows:

Year	Percentage of net premium income
1986	5 1/2%
1987	6 1/2%
1988	7 1/2%
1989	8 1/2%
1990	9 1/2%
1991	10 1/2%
1992	11 1/2%
1993	12 1/2%

After reaching the statutory maximum of 12 1/2% in 1993 the corporation would be required to maintain that level in 1994 and thereafter.

As a footnote to line 12 (a) of page 3 of the annual statement the following may be added: The current Statutory Reserve required for the protection of subscribers is § (% of net premium written). The Maximum Statutory Reserve of 12 1/2% would require a Reserve of § .

Please acknowledge receipt of this letter to Mr. Leo Morgillo, Associate Insurance Examiner, Health Care Finance Unit, Property Companies Bureau, New York State Insurance Department, 160 West Broadway, New York, N. Y. 10013.

Very Truly yours,

James P. Corcoran

Superintendent of Insurance