

February 7, 1989

SUBJECT: INSURANCE

Circular Letter No. 4 (1989)

Dated: February 7, 1989

TO: ALL INSURANCE LAW ARTICLE 43 CORPORATIONS AND PUBLIC HEALTH LAW ARTICLE 44 HEALTH MAINTENANCE ORGANIZATIONS

Re: Reporting of Statutory or Contingent Reserve Fund

Pursuant to the provisions of Insurance Law Section 4310(d) and subdivision (d) of Section 98.11 of the Regulations of the Health Department (10 NYCRR 98) every Article 43 Corporation and every Article 44 Health Maintenance Organization (HMO) shall establish and maintain a reserve to be designated as the statutory reserve fund, in the case of an Article 43 Corporation or the contingent reserve fund, in the case of an Article 44 HMO.

In the past this Department has received numerous inquiries on the amount of the statutory or contingent reserve fund to be reported in the insurer's or HMO's financial statement. This question is further complicated by authorized reductions of the statutory or contingent reserve fund, in accordance with either Insurance Law Section 4310(e) or 10 NYCRR 98 11(d)(4).

The purpose of this Letter is to describe how the statutory or contingent reserve fund is to be reported on annual and quarterly statements filed with this Department and, in the case of an HMO, the Department of Health.

For an Article 43 Corporation, the amount of the statutory reserve fund to be reported in the balance sheet of such statements should be the amount calculated in accordance with the provisions of Section 4310(d) and Circular Letter No. 17 (1986). Any Insurance Department authorized reduction of the statutory reserve fund is to be shown as a footnote to the balance sheet of such statements. The footnote should indicate the date and dollar amount of the authorized reduction.

For an Article 44 HMO, the amount of the contingent reserve fund to be reported in its annual or quarterly statement will be in accordance with 10 NYCRR 98.11(d) and any authorized reduction should be reported by using the same footnote described above for an Article 43 Corporation. Every such Corporation or HMO will continue to footnote its balance sheet until the authorized reduction is restored in accordance with the applicable statute and the approved plan of restoration.

Kindly acknowledge receipt of this Letter to:

Mr. Edward H. Smooke, Principal Examiner  
Health Care Finance Unit, Property Companies Bureau  
New York State Insurance Department  
160 West Broadway  
New York, New York 10013-3393

Very truly yours,

[SIGNATURE]

James P. Corcoran

Superintendent of Insurance