

June 15, 1979

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 14(1979)

June 15, 1979

TO: ALL AUTHORIZED PROPERTY AND CASUALTY INSURERS

RE: CREDIT FOR RETROSPECTIVE DEBITS DEVELOPED PURSUANT TO THE PROVISIONS OF REINSURANCE AGREEMENTS

The Department has concluded that certain accruals of additional premiums, developed in accordance with the provisions of reinsurance agreements, may be reported as admitted assets by the assuming insurer.

The premiums contemplated are those which are developed in respect of reinsurance agreements, pursuant to which the ultimate premium payable by the ceding insurer is determined by the loss experience developed in the course of the policy period. Favorable development results in a retrospective credit, which is a liability of the assuming insurer, while adverse development results in a retrospective debit, which is the subject of this Circular Letter.

It is the determination of the Department that accrued retrospective debits, developed in respect of reinsurance agreements, may be allowed as admitted assets of assuming insurers, although not billed and currently collectible, pursuant to the provisions of Section 70(11) of the New York Insurance Law.

Such allowance is subject to the following conditions:

1. A retrospective debit must arise from a calculation made in accordance with contractual provisions.
2. The reserve for unpaid losses and loss expenses used in the calculation, inclusive of provision for incurred but unreported losses, must be consistent with such reserves reported in the financial statement of the insurer, as of the calculation date.
3. Appropriate provision must be made for applicable liabilities, including provision for calculations which result in retrospective credits.

Retrospective debits meeting the foregoing requirements are admissible in full if the applicable reinsurance agreements are with insurers authorized in this State. Those applicable to reinsurance agreements with insurers not authorized in this State are admissible up to the amounts owed to such insurers in the form of losses, loss expenses, unearned premiums or other charges, provided there is a contractual right of offset against amounts due from the unauthorized insurers.

Receipt of this letter should be made to:

Mr. George L. Gould

Chief-Examinations Bureau
New York State Insurance Department
Two World Trade Center
New York, NY 10047

[SIGNATURE]

ALBERT B. LEWIS

SUPERINTENDENT OF INSURANCE