

January 31, 1984

SUBJECT: INSURANCE

WITHDRAWN

CIRCULAR LETTER NO. 3 (1984)

January 31, 1984

TO: ALL INSURERS AUTHORIZED OR ACCREDITED TO TRANSACT FIRE, MARINE, CASUALTY AND SURETY INSURANCE OR REINSURANCE IN THIS STATE

RE: SPECIAL REPORT LOSS PORTFOLIO REINSURANCE TRANSFERS

Recent industry related news and trade reports indicate that increasing numbers of insurers may be entering into loss portfolio reinsurance transfers which result in an increase in the ceding company's surplus to policyholders on the basis of a portfolio loss reserve transfer at a cost or consideration less than the amount of loss and loss adjustment expense reserves ceded.

In specific situations coming to the Department's attention, the ceding insurer has been required to segregate unearned surplus by a write-in item on page 3 of the statutory statement in the amount of the surplus gain from the transfer. In those circumstances, the surplus gain from the transaction is not to be considered as retained profit until such time as the actual liabilities transferred resulting in the surplus gain, are being recovered, or have been eliminated.

In recognition of the Department's concern that such loss portfolio reinsurance transfers may be hazardous to policyholders, and citizens of this state, the Department is hereby requesting pursuant to Section 27 of the New York Insurance Law, a special report to be completed in the form of the attached Exhibit and returned with the signature of a principal officer of the insurer subscribed thereto. If no such loss portfolio reinsurance transfer has been entered into, so state on the attached Exhibit and return with the signature of a principal officer of the insurer subscribed thereto.

The Exhibit should be completed and returned to the attention of Mr. Mario Carfi, Chief Examiner, Property Companies Bureau, within forty-five days of the receipt of this letter.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

Superintendent of Insurance

enc.

Exhibit of Loss Portfolio
Reinsurance Transfers

	Ceded	Assumed
A. Initial Reserves Transferred		
Losses	\$ _____	\$ _____
Loss adjustment expenses	_____	_____
Total	\$ _____	\$ _____
 B. Consideration paid or received		
(amount) recorded as		
Premiums written ceded/assumed	\$ _____	\$ _____
Losses paid/payable	_____	_____
Total	\$ _____	\$ _____
 C. Remaining Reserves		
as of December 31, 1983:		
Losses	\$ _____	\$ _____
Loss adjustment expenses	_____	_____
Total	\$ _____	\$ _____

D. Incurred year(s) of

Losses transferred:

E. Lines of business subject

to Loss Portfolio Reinsurance Transfer

F. Identify the assuming insurer(s) under

each such Loss Portfolio Reinsurance Transfer entered into and the execution and effective date thereof.

G. Identify the ceding insurer(s) under

each such Loss Portfolio Reinsurance Transfer entered into and the execution and effective date thereof.

Signature _____

Principal Officer Title _____

Reporting Insurer _____