



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

**Circular Letter No. 3 (1999)  
January 25, 1999**

**TO: All licensed life insurers, fraternal benefit societies, accredited life reinsurers, property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, reciprocal insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association and accredited property/casualty reinsurers; all hereinafter referred to as "licensees".**

**RE: Year 2000 Disclosures in the Management Discussion and Analysis**

The Management Discussion and Analysis (MD&A) due April 1, 1999 is a supplemental schedule to the 1998 Annual Statement. The instructions for completing the MD&A state, in part, "...The discussion and analysis shall also focus specifically on material events known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial position (e.g., the occurrence of a recent catastrophe). This would include descriptions and amounts of: (i) matters that would have an impact on future operations and have not had an impact in the past, and (ii) matters that have had an impact on reported operations and are not expected to have an impact upon future operations." It is the Department's position that these guidelines clearly encompass Year 2000 issues.

The Securities and Exchange Commission (SEC) issued a release regarding Year 2000 (Number 33-7558) during July 1998 that includes guidance for public companies for making full and fair disclosure in the Management Discussion and Analysis. The guidance indicates that full and fair disclosure encompasses the following:

- The company's state of readiness;
- The costs to address the company's Year 2000 issues;
- The risks of the company's Year 2000 issues; and
- The company's contingency plans.

If a licensee, that is also required to file an MD&A as part of its annual statement, does not file an analysis of the licensee's Year 2000 issues as part of the MD&A, the filing will not be considered adequate or complete. Licensees should use the guidelines contained in SEC Release Number 33-7558 regarding the types and form of disclosures required. Section III (A) of the release provides the pertinent guidance. Members of an affiliated insurance group that have a single Year 2000 plan, may use the same disclosure statements in the MD&A.

SEC Release Number 33-7558 can be found at the following internet address: <http://www.sec.gov/rules/concept/33-7558.htm>. The Release can also be accessed through the Department's website (<http://www.ins.state.ny.us>).

All licensed life insurers, fraternal benefit societies, and accredited life reinsurers may direct any questions relating to this Circular Letter to:

Mr. Michael Maffei, Principal Insurance Examiner  
Telephone (212) 480-4762

All licensed property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, title insurers, reciprocal insurers, the State Insurance Fund, the Medical Malpractice Insurance Association and accredited property/casualty reinsurers may direct any questions relating to this Circular Letter to:

Mr. Leroy Kaalund, Associate Insurance Examiner  
Telephone (212) 480-5198

All licensed accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations may direct any questions relating to this Circular Letter to:

Ms. Kalo Daisy Wong, Senior Insurance Examiner  
Telephone (212) 480-5244

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and Chief Examiner  
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