

January 9, 1979

SUBJECT: INSURANCE

Circular Letter No. 5 (1979)

TO ALL COMPANIES AUTHORIZED TO WRITE DISABILITY BENEFITS LAW INSURANCE:

Re: Reserves To Be Held By Insurance Companies Against Future Assessments For The Sick Unemployed
[(Workers' Compensation Law, Section 214 (2))]

The current basis for the above reserve, to be reported in the annual statement of each carrier, has been unchanged since this Department's Circular Letter No. 6 (1972), was issued. A recent amendment to the Workers' Compensation Law, provides that the annual payroll base of such reserve is increased from \$ 4,200 to \$ 6,000 per employee, effective January 1, 1978. In order that such reserves shall not be excessive, it is necessary therefore, to reduce the reserve factors. Accordingly, the following instructions should govern the calculation of reserves to be reported in the annual statements as of December 31, 1978, and for subsequent years, unless changed.

Annual Statement as of December 31, 1978

The sum of .035 of 1% of covered payrolls for each of the years 1976 and 1977 plus .025 of 1% of covered payrolls for the year 1978, less the sum of two-thirds of the assessment for the sick unemployed levied in 1978 and one-third of such assessment levied in 1977.

Annual Statement as of December 31, 1979

The sum of .035 of 1% of the covered payrolls for the year 1977 and .025 of 1% of the covered payrolls for each of the years 1978 and 1979, less the sum of two-thirds of the assessment for the sick unemployed levied in 1979 and one-third of such assessment levied in 1978.

Annual Statement as of December 31, 1980, and as of December 31 of Subsequent Years

.025 of 1% of the sum of the covered payrolls for the year of report and the two immediately preceding years, less the sum of two-thirds of the assessment levied for the sick unemployed in the year of report and one-third of such assessment levied in the year immediately preceding.

It is intended that the same level of reserves will be produced as under the present procedures, as described in Circular Letter No. 6 (1972).

Very truly yours,

[SIGNATURE]

Albert B. Lewis

Superintendent of Insurance