

NEWS RELEASE

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LICONY commends Governor for signing bill that will Modernize Reserving for Insurers in NYS

Principle-Based Reserving will ensure New Yorkers have access to full spectrum of insurance products

December 10, 2018 – The Life Insurance Council of New York (LICONY) commends the Legislature and Governor for passing and signing into law a measure that will allow insurers doing business in New York to implement a principle-based reserving standard.

“We are very excited that principle-based reserving will finally be adopted in New York state,” said Mary Griffin, President of the Life Insurance Council of New York. “New York will join the 48 other states that have already adopted this modern reserving model and domestic life companies will no longer be at a competitive disadvantage associated with the state’s outdated model. The current model can cause over-reserving, add additional costs and also limit the selection of life insurance products that New York families rely on. Now that the bill is law, LICONY is eager to begin working with the Department of Financial Services on the implementation of the new regulation.”

LICONY also commends Superintendent Maria T. Vullo and Insurance Committee chairs Senator James L. Seward and Assemblymember Kevin A. Cahill for their work in bringing principle-based reserving to insurers in New York State.

Superintendent Vullo said, “I have been a supporter of the modernization of reserving practices through PBR since I arrived at DFS, and am pleased to have worked with LICONY on legislation that puts New York’s life insurance industry in line with national standards while ensuring that the Department of Financial Services (DFS) will continue to review and adjust reserves as necessary to protect New York’s policyholders. New York’s Insurance Law under this amendment maintains DFS’s leadership in strong reserving standards to protect both the industry and consumers.”

Senate Insurance Committee Chairman Senator James L. Seward said, “Taking this step to modernize New York’s insurance laws is in the best interest of policyholders and life insurance companies alike. Principle-based reserving is the norm in nearly every other state in the nation and is needed here to help our insurance companies, who employ thousands in New York State, remain competitive. Key consumer protection measures are also built in and the new law will expand the number of policy options available to New Yorkers.”

In the Assembly, Insurance Committee Chairman Assemblymember Kevin A. Cahill also lauded the legislation. “Today’s approval of principle-based reserving offers life insurance companies in New York the opportunity to use a modern mechanism for calculating reserves which promises to lower costs to consumers. The legislation also provides important consumer protection measures to allow the Legislature and the Department of Financial Services to monitor implementation and make any course corrections that might be necessary. It was the hard work and willingness of industry experts and government officials alike to understand New York’s unique place in the insurance market that resulted in this measure that can help to assure the continued pre-eminence of our state in world finance,” said Assemblymember Cahill.

Principle-based reserving (PBR) uses modern formulas to ensure that reserves more closely align with risks. The new system will be governed by a Regulation to be written by the Department of Financial Services (DFS), using the provisions of a national standard as the basis and allows deviations deemed appropriate. This new system will provide regulators with tools to properly monitor a life insurer’s reserve levels through annual reporting and data review.

Principle-Based Reserving was developed by the National Association of Insurance Commissioners (NAIC). The NAIC has adopted revised accreditation standards to become effective Jan. 1, 2020, and the passage of this legislation will ensure New York State will not lose its NAIC accreditation by that deadline.