Questions have been raised about exactly how to calculate required assets in the case of a charity that applies for a certificate of exemption rather than a permit in New York. Some charities do this temporarily until required reserves reach the threshold level when they must obtain a permit. In discussions with the New York Insurance Department, the methodology described below was confirmed:

Previously, a charity that obtained a certificate of exemption had to maintain in the segregated account assets equal to 125% of actuarially determined reserves.*

Now a charity that obtains a certificate of exemption must maintain in the segregated account assets equal to 125% of 115% of actuarially determined reserves. However, that 115% will be phased-in over three years – 105% in 2008, 110% in 2009, and 115% in 2010 and subsequent years.

Suppose that actuarially determined reserves are $100,000. Required assets would be:

2008: $100,000 x 105% x 125% = $131,250
2009: $100,000 x 110% x 125% = $137,500
2010: $100,000 x 115% x 125% = $143,750

*Actuarially-determined reserves represent the present value of the obligation using New York's prescribed discount rate and mortality tables.

The additional 15% that is being phased-in increases the reserve liability. The surplus is 10% of the reserve liability for permit holders and 25% of the reserve liability for those with a certificate of exemption.