

MIA BULLETIN NO. 99-5

To: All Maryland Domestic Insurers, Health Maintenance Organizations, and
Managed Care Organizations

Re: Management Discussion and Analysis Disclosures on Year 2000 Issues

Date: March 18, 1999

The instructions for completing the Management Discussion & Analysis (MD&A) letter states, 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." Clearly these guidelines encompass Year 2000 issues.

Domestic insurers filing annual statements for calendar year 1998 with this department that include an MD&A must include within the MD&A letter an analysis of their Year 2000 issues. Members of an affiliated insurance group that have a single Year 2000 plan, may use the same disclosure statements in the MD&A. These disclosure statements should include at a minimum, 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.

Domestic insurers may be guided regarding the types and form of disclosures by the Securities and Exchange Commission's Release Number 33-7558. Section III(A) of the release which is attached to this bulletin provides the pertinent guidance.

Steven B. Larsen, Insurance Commissioner