November 24, 1964

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 9 (1964)

TO INSURERS LICENSED TO WRITE LIFE INSURANCE IN NEW YORK STATE

It has come to our attention that in recent years dividend accumulations, or dividends left on deposit, have been used increasingly for purposes of purchasing paid-up additions or to reduce the premium paying period in connection with life insurance contracts. Such amounts are taken as dividend deductions to reduce the taxable premium base to this State in the year in which they are accumulated or left on deposit.

Section 187 of the Tax Law and Section 552 of the Insurance Law allow, as a dividend deduction, the amounts applied to purchase paid-up additions or to shorten the endowment or premium paying period, only if such amounts have been reported and allocated as premiums on risks resident in this State. Therefore, such dividends accumulated or left on deposit, taken as a dividend deduction in prior years, must be included in the taxable base in the year in which applied. Our tax report, Form 36D, has been adjusted to show that these amounts should either be shown separately on Line 1 of Pages 2 and 3 as life premiums, or as a reduction of the dividends taken in accordance with Supplementary Schedule I on Page 4.

It is requested that you also review your records for the past five years, and advise us whether or not any dividends previously accumulated or left on deposit that had been taken as a dividend deduction, and had been so applied, were included in the taxable base, either through an increase in premiums or a decrease in the dividend deduction. In the event that they were not so included, the amounts for each year should be reported.

Address your reply to Mr. Robert J. Reedy, Director of Taxes and Accounts.

Your immediate attention to the above in requested.

Very truly yours,

[SIGNATURE]

Henry Root Stern, Jr.

Superintendent of Insurance