

March 24, 1969

SUBJECT: INSURANCE

Circular Letter # 1 (1969)

TO ALL DOMESTIC STOCK LIFE INSURANCE COMPANIES

Re: Regulation No. 48 (11 NYCRR 10)

Gentlemen:

This letter supersedes circular letters dated March 16, 1966 and February 27, 1967, regarding the preparation of material to be submitted pursuant to Regulation No. 48 (11 NYCRR 10).

I. Schedule A of Part 10 of Regulation, Item 7

Where the information in Item One of Schedule SIS under the heading "Information Regarding Management and Directors" is required in the proxy statement, the aggregate direct remuneration for each director should be shown, regardless of the amount.

II. Section 10.6 of Part 10 of Regulation No. 48

Where the proxy provides for the person to be solicited to specify by ballot a choice between approval or disapproval of one or more matters referred to therein, and also provides for elections to the board of directors, the proxy should also provide a choice between granting authority to vote for the proposed slate of directors, or withholding of such authority.

III. Annual Reports to Stockholders

1. Financial statements:

a. The annual report should contain the following financial statements for the current year and the preceding year:

- (i) Assets, Liabilities, Surplus and Other Funds
- (ii) Summary of Operations
- (iii) Surplus Account

There should be shown in conjunction with these statements: (a) the number of shares of each class of stock outstanding and their par values, and (b) the surplus allocated to participating policies and not available for dividends to stockholders. All references to Surplus should show separately the amounts of Paid-in Surplus, Unassigned Surplus or Deficit, and any other Surplus component.

The terminology used should be the same as in the annual statement, or such other terminology as will accurately describe the nature of the items.

b. The annual report should contain a comparison of the principal financial statement items for the current year and

at least the four preceding years. The comparison should include at least the following items:

- Total Admitted Assets
- Total Liabilities
- Capital
- Surplus
- Premium Income
- Investment Income
- Benefits to Policyholders
- Increases in Reserves
- Commissions
- General Insurance Expenses
- Net Gains or Losses from Operations (separately for ordinary, group life and annuities, and group and other accident and health)

Investment yields as reported in the annual statement should be shown for each of the years.

2. A company writing both participating and nonparticipating business should show the separation between par and nonpar, reported in Schedule NP of the annual statement, for the principal financial statement items set forth in the comparison required by item 1b above, for the current year and the preceding year.

3. Insurance and annuities in force (paid-for business only):

a. Life insurance should be separated into:

- (i) whole life and endowment
- (ii) term and other
- (iii) group

as reported in the Policy Exhibit of the annual statement. The amounts of decreasing and other term insurance included with whole life and endowment insurance in force reported should be indicated. A company writing both participating and nonparticipating business should indicate the amounts of par and nonpar insurance in force.

b. Annuities should be separated into:

- (i) individual
- (ii) group
- (iii) supplementary contracts

as reported in the Annuity Exhibit of the annual statement.

c. Accident and health premiums in force should be shown separately for group and individual, as reported in Schedule H of the annual statement.

d. Credit life insurance in force and credit accident and health premiums in force should be shown separately for group and individual on bases consistent with the Policy Exhibit and Schedule H.

e. The amounts of Servicemen's and Federal Employees' Group coverage in force should be shown separately, either individually or in total.

f. The amounts of reinsurance assumed and ceded applicable to the above in force should be shown in conjunction therewith.

4. New business written (bona fide direct new business only, as reported in line 2 of the Policy Exhibit of the annual statement, should be shown):

a. This includes premiums and face amounts, and should be separated as in item 3 above. Dividend additions should be shown separately, and it should not be implied that dividend additions constitute new business written. Single premiums should be shown separately and not included with first year premiums.

The amounts of decreasing and other term insurance included with the face amounts of new whole life and endowment insurance reported should be indicated.

b. The premiums and face amounts of Servicemen's and Federal Employees' Group coverage should be shown separately, either individually or in total.

c. The amounts of reinsurance assumed and ceded (both premiums and face amounts) applicable to the new business should be shown in conjunction therewith.

The current maximum retentions for major lines of business should be shown.

5. Average size of policies:

Gross comparisons (combining all types of ordinary insurance) of average policy size with other companies may be misleading and therefore should not be made. If a comparison is made of all business in force, a comparison should also be made of new issues, and vice versa. If average policy sizes of business in force are shown, they should be stated separately for (a) whole life and endowment, and (b) term. If decreasing and other term insurance is included with face amounts of whole life and endowment insurance in force reported, average policy sizes of whole life and endowment should also be shown exclusive of term insurance reported therewith.

Average sizes of new issues should be shown on the same basis as the in force.

6. Projection of earnings (adjusted values):

At present, there appears to be no generally accepted method of projecting earnings, nor have the bases submitted to the Department exhibited any appreciable degree of uniformity. To avoid any misleading impressions, until such time as an acceptable basis receives the recognition of this Department, projected earnings should not be reported.

7. Surplus distribution:

Where cash or stock has been or is to be distributed to stockholders from current earnings or from other sources, an adequate disclosure must be made of the source from which such cash or stock was derived (e.g., current earnings, accumulated earned surplus, paid-in surplus, etc.).

8. Investment portfolio:

Totals of major categories in the summaries of the investment exhibits of the annual statement should be shown for the current year.

9. Persistency of business:

Lapse rates should be shown on an appropriate basis and a comparison should be made for the current year and at least the four preceding years. If any comparisons are made with industry averages, all ratios should be calculated on the same basis. Group persistency should not be combined with Ordinary persistency.

10. Financial statements should be certified by an independent public accounting firm.

It is requested that all preliminary material be submitted 30 days in advance of the date on which it is first to be sent or given to stockholders, since it is desirable for this Department to review all proxy material or annual reports before they are furnished to stockholders.

The rules set forth herein should be adhered to in the preparation of Registration Statements, which should contain at least the information required for annual reports to shareholders.

Kindly send acknowledgment of receipt of this letter to Mr. I. Murray Krowitz, Chief of the Life Bureau.

Very truly yours,

[SIGNATURE]

RICHARD E. STEWART

Superintendent of Insurance