

November 14, 1956

SUBJECT: INSURANCE

WITHDRAWN

TO ALL AUTHORIZED INSURERS:

A question was recently submitted to this Department as to whether an authorized insurer which, as an employer, participates in the so-called "Split Dollar Plan" of life insurance, may take credit as an admitted asset in its financial statements for sums advanced on behalf of employees, in payment of life insurance premiums, to the extent of the cash surrender value of the underlying policy.

On the basis of his study of the case in question, and particularly the provisions of the complementary agreement between the said insurer as employer and its employees, Chief Counsel for this Department has rendered an opinion, holding that the insurer may take credit in its financial statements in the manner proposed, since the following conditions were found to be satisfied:

- (1) The insurer is the owner of the policy, reserving unto itself all rights except for proper modifications as recited in the said agreement to protect the interests of employees.
- (2) The insurer's interest in the cash surrender value is protected by the terms of the agreement in the following manner:
 - (a) Sums advanced for premium payments automatically create a loan to employees.
 - (b) It reserves the right, upon giving notice in the manner and within the time prescribed in the agreement, to require repayment of the loan at any time, by terminating the agreement for any reason whatsoever, without the consent of the employee. The agreement also provides for automatic cancellation upon termination of employment.
 - (c) The insurer has the power, upon exercising its rights under the terms of the agreement, to surrender the policy to the issuing company and receive payment of the cash surrender value.
 - (d) In the event of the death of the employee, the loan indebtedness shall be deducted from the benefit proceeds and paid to the insurer.

In the light of the foregoing any other insurer which is a participant in the "Split Dollar Plan" of life insurance may similarly take credit as an admitted asset for sums advanced as life insurance premium payments on behalf of the employees to the extent of the underlying cash surrender value, provided that the terms of the plan of coverage and underlying agreements with employees are not inconsistent with those hereinabove outlined.

(Signed) LEFFERT HOLZ

Superintendent of Insurance