

December 2, 1970

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter # 15 (1970)

TO ALL AUTHORIZED LIFE INSURANCE COMPANIES

Re: Section 213

Certain of the expense limit factors of Section 213 are related to the amount of annual income under deferred annuity contracts. Since these amounts are not definitely determinable under deferred variable annuities and "flexible premium" fixed dollar annuities, an estimate of the annual income may be used for such contracts, not to exceed the amount obtained by applying a contract's annual income conversion factor to the proceeds at maturity estimated by accumulating to maturity, at an interest rate not in excess of 3 1/2%, (1) the current value of the contract and (2) the regularly scheduled future stipulated payments, net of loading. If stipulated payments are not scheduled, the average payment per year received during the last three years, or during the period since issue if shorter, may be used. A company may, with the approval of the Superintendent, use a different method of estimate if it produces results reasonably consistent with the foregoing. When estimates of annual income are used as a basis for the expense allowances appearing in lines 32, 34, 36 or 37 of Schedule Q, a footnote to the Schedule should reveal for the respective lines the amount of the expense allowances which is based on estimated amounts of annual income.

The foregoing will apply to all statement years commencing with 1970.

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

Very truly yours,

[SIGNATURE]

Superintendent of Insurance