

January 13, 1976

SUBJECT: INSURANCE

Circular Letter No. 1 (1976)

TO: ALL SEGREGATED ANNUITY FUNDS HOLDING PERMITS PURSUANT TO SECTION 45 OF THE INSURANCE LAW

RE: LIMITATIONS ON INVESTMENTS OF SEGREGATED ANNUITY FUNDS

The purpose of this letter is to clarify the interpretation of certain requirements of the New York Insurance Law which relate to the limitations on investments of the Segregated Annuity Funds.

The basic provision is contained in Section 45, subdivision 2, which requires that the admitted assets shall be at least equal to the larger of (a) 110% of the reserves on its outstanding annuity agreements, or (b) \$ 100,000.

The "admitted assets" include only those assets which are segregated by the organization for the purpose of meeting its obligations under the annuity agreements, and which constitute the minimum required by the preceding paragraph. The term does not include the other assets of the organization.

Other requirements with respect to the investment of admitted assets are:

- (1) A Segregated Annuity Fund shall not invest more than 5% of the Fund's admitted assets in the bonds of any one institution, other than governmental obligations;
- (2) Such Fund shall not invest more than 1% of the Fund's admitted assets in the common stock of any one corporation;
- (3) Such Fund shall not invest in more than 5% of the common stock of any one corporation;
- (4) The total investment in all common stocks shall not exceed 10% of the Fund's admitted assets or 10% of its reserves, whichever is less;
- (5) An additional 4% of the Fund's admitted assets may be invested in securities that are otherwise not qualified, provided the limit in (3) is not exceeded.

In determining the foregoing limitations, the words "invest in" and "investment" refer to the date on which the security is purchased. Hence the limitations are based on the cost at the time of purchase. References to admitted assets and reserves mean the admitted assets and reserves as of the preceding December 31st.

The foregoing is an outline of certain requirements of the investment provisions that appear to have needed some clarification. It does not purport to contain all of the requirements, which of course are set forth in the statutes.

We suggest that each Segregated Annuity Fund review its investment portfolio to ascertain whether it is in compliance with the requirements of the law. If a Fund ascertains that it is in violation of Section 45 of the Insurance

Law, it shall take the appropriate steps to remove such violation.

Please acknowledge receipt of this letter to:

Mr. George L. Gould, Chief  
Pension, Non-Profit Plans Bureau  
New York Insurance Department  
Two World Trade Center  
New York, N.Y. 10047

[SIGNATURE]

THOMAS A. HARNETT

Superintendent of Insurance