

March 13, 1989

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 7 (1989)

TO: All Authorized Life Insurance Companies, Accredited Life Reinsurers, Fraternal Benefit Societies and Charitable Annuity Societies

RE: Securitization of Future Premiums - Statutory Accounting Treatment

The Department is aware of a number of proposed transactions which involve the securitization of future premium income, or portions thereof, and which are intended to result in the enhancement of statutory income and/or surplus.

It is the Department's position that the immediate recognition of the proceeds from such transactions in income and/or in surplus is inconsistent with Statutory Accounting Principles. Accordingly, Statutory Accounting Principles require that an appropriate liability be established for such transactions. Such liability may be amortized over an appropriate period, depending upon the terms of the transaction.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

Superintendent of Insurance