



**Obsolete and
Withdrawn
By Administrative
Letter 2015-09**

BUREAU OF INSURANCE

June 30, 1998

ADMINISTRATIVE LETTER 1998-6

TO: All Domestic Companies Subject to the Investment Provisions in Chapter 14 of Title 38.2 of the Code of Virginia

RE: Analysis of Excess Capital and Surplus Investments

Chapter 14 of Title 38.2 of the Code of Virginia contains provisions regulating the manner in which domestic insurers and others invest their admitted assets. Several of these provisions were amended during the 1997 session of the Virginia General Assembly. The amendments become effective July 1, 1998.

In an attempt to assist companies in complying with the amended investment provisions of the Code, the Bureau of Insurance has revised its Form SCCBOI-4, the Analysis of Excess Capital and Surplus Investments report (the investments report). A copy of the revised form is attached.

All domestic insurers and health maintenance organizations (HMOs) shall be required to file the revised investments report annually commencing with the annual statement filing due March 1, 1999, for the period ended December 31, 1998.

Additionally, in the absence of specific requests or direction by the Commission, any insurer or HMO filing quarterly statements also shall prepare and file an investments report at the end of each quarter. For those companies already filing quarterly statements with the Commission, the initial filing of the revised investments report shall be due November 15, 1998, for the period ended September 30, 1998.

It should be noted that HMOs will now be subject to the investment limitations imposed by Chapter 14 of Title 38.2 as a result of amendments at 38.2-1401 and in Chapter 43 of Title 38.2. The Bureau believes its staff and regulatory materials, such as the attached investments report, can help HMOs understand and comply with the provisions of Chapter 14.

Questions concerning this Administrative Letter or the attached form may be directed to:

Edward J. Buyalos, Jr., Domestic Financial Analysis Supervisor
Financial Regulation Division, Bureau of Insurance
State Corporation Commission
PO Box 1157
Richmond, VA 23209
(804) 371-9637

Sincerely,

Alfred W. Gross
Commissioner of Insurance

Attachment: SCCBOI-4

COMMONWEALTH OF VIRGINIA
 STATE CORPORATION COMMISSION, BUREAU OF INSURANCE
ANALYSIS OF EXCESS CAPITAL AND SURPLUS INVESTMENTS
 (Investments Report, Category 2 Investments)

of _____ (“insurer”) _____ (NAIC no.)
 as of _____
 (end of current reporting period)

PART I

*Schedule of Assets not conforming to Category 1 Investments for reasons other than failure to meet limitations in Parts II or IV.
 Companies having substantial Category 2 investments should show totals under each caption on this page and itemize in attachments.*

Other insurers may itemize under each caption if reportable assets are minimal.

(1) Descriptions, including Company's Investment Number	(2) Book Value	(3) Due and Accrued Items	(4) Market Over Book Value	(5) Total Cols. (2), (3) and (4)	(6) Amounts Not Admitted	(7) Net Asset Value	(8) Caption Totals
(A) Real Estate	\$	\$	\$	\$	\$	\$	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
Total Real Estate	\$	\$	\$	\$	\$	\$	\$
(B) Mortgage Loans	\$	\$	\$	\$	\$	\$	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
Total Mortgage Loans	\$	\$	\$	\$	\$	\$	\$
(C) Collateral Loans	\$	\$	\$	\$	\$	\$	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
Total Collateral Loans	\$	\$	\$	\$	\$	\$	\$
(D) Bonds	\$	\$	\$	\$	\$	\$	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
Total Bonds	\$	\$	\$	\$	\$	\$	\$
(E) Stocks	\$	\$	\$	\$	\$	\$	XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
Total Stocks	\$	\$	\$	\$	\$	\$	\$
(F) Other Investments							XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
Total Other Investments	\$	\$	\$	\$	\$	\$	\$
Total Asset Values							

PART II

Schedule of investments authorized under Article 2 of Chapter 14 in excess of prescribed limits for Category 1 investments.

A. Admitted Assets and Surplus to Policyholder calculations. Use Admitted Assets and Surplus to Policyholder values reported in the most current quarterly or annual financial statement. Health Maintenance Organizations (HMOs) should use Admitted Assets and Net Worth values.

Total Admitted Assets per current financial statement: \$ _____

Percentage amounts used in subparts B and C:

0.5%	\$ _____	15%	\$ _____
1%	\$ _____	20%	\$ _____
2%	\$ _____	25%	\$ _____
3%	\$ _____	30%	\$ _____
4%	\$ _____	40%	\$ _____
5%	\$ _____	60%	\$ _____
10%	\$ _____	90%	\$ _____

Total Surplus to Policyholders or HMO Net Worth per current financial statement: \$ _____

Percentage amount used in subparts B and C: 20% \$ _____

B. Investment limitations for any one obligor, issuer, loan, issue, pool, security or credit risk. Include collateral supporting loans under 38.2-1430 and insurer's share of joint ventures. Do not include in the calculation of subpart B any assets listed in Part I. For each item in which excess is reported attach a schedule itemizing the investments responsible for such excess.

1. Total investments exceeding the lesser of 5% of admitted assets or 20% of surplus to policyholders or HMO net worth with any one obligor or issuer. Do not include exceptions provided for under 38.2-1413 A 1-6 or investments reportable under items 17 or 18 of this subpart B. (38.2-1413 A) \$ _____
2. Total investments exceeding 10% of admitted assets in obligations of one obligor or issuer where the obligations are those of an agency or instrumentality of the United States (38.2-1413 A 6) \$ _____
3. Total investments exceeding 1% of admitted assets in individual issues of certain stocks (38.2-1413 B) \$ _____
4. Total investments exceeding 0.5% of admitted assets in certain individual construction loans (38.2-1413 C) \$ _____
5. Total investments exceeding 1% of admitted assets in individual wrap-around mortgages (38.2-1413 D) \$ _____
6. Total investments exceeding 5% of admitted assets in obligations of a single international agency (38.2-1414 A 2) \$ _____
7. Total investments exceeding 5% of admitted assets in obligations issued or guaranteed by any one state (38.2-1415 C 3) \$ _____

8. Total investments exceeding 5% of admitted assets in obligations issued or guaranteed by any one political subdivision (38.2-1415 D 4) \$ _____
9. Total investments exceeding 2% of admitted assets in anticipation obligations of any one political subdivision (38.2-1415 E 4) \$ _____
10. Total investments exceeding 2% of admitted assets in state or municipal revenue obligations issued in connection with any one facility (38.2-1415 F 4) \$ _____
11. Total investments exceeding 2% of admitted assets in state or municipal revenue obligations payable from revenue or earnings sources which are the contractual responsibility of any one single credit risk (38.2-1415 F 5) \$ _____
12. Total investments exceeding 2% of admitted assets in other revenue obligations of state and local governments issued in connection with any one facility (38.2-1415 G 2) \$ _____
13. Total investments exceeding 2% of admitted assets in other revenue obligations payable from sources which are the contractual responsibility of any one single credit risk (38.2-1415 G 4) \$ _____
14. Total investments exceeding 5% of admitted assets in obligations of any one single Canadian province (38.2-1416 C 3) \$ _____
15. Total investments exceeding 2% of admitted assets in obligations of any one Canadian local government (38.2-1416 D 4) \$ _____
16. Total investments exceeding 2% of admitted assets in lease obligations of any one entity and/or obligations secured by certain leases to any one business entity (38.2-1422 B) \$ _____
17. Does insurer own more than 10% of the common stock of any one bank?(38.2-1425 B)
Yes _____ No _____ If YES, aggregate value of such holdings: \$ _____
18. Does insurer own more than 10% of the common stock of any one corporation or issuer? (38.2-1427 C)
Yes _____ No _____ If YES, aggregate value of such holdings: \$ _____
19. Total investments exceeding 1% of admitted assets in foreign securities which are rated medium grade (38.2-1433 B i) \$ _____
20. Total investments exceeding 3% of admitted assets in foreign securities in a single foreign jurisdiction (38.2-1433 B ii) \$ _____
21. Total investments exceeding 2% of admitted assets in mortgages covering any one secured location (38.2-1437 F) \$ _____
22. Total investments exceeding 4% of admitted assets in mortgages with any one obligor (38.2-1437 F) \$ _____
23. Total investments exceeding 2% of admitted assets in a single pool of mortgage pass-through securities (38.2-1437.1 3) \$ _____
24. Total investments exceeding 4% of admitted assets in a single property or group of contiguous properties (38.2-1441 B 4) \$ _____

C. General investment limitations. Include collateral supporting loans under 38.2-1430 and insurer's share of joint ventures. Do not include in the calculation of subpart C any assets listed in Part I or any excess accounted for in subpart B of this Part II.

1. Investments in Canadian government and corporate obligations under 38.2-1416 and 38.2-1417 exceeding 10% of admitted assets (38.2-1414 A 1) \$ _____
2. Investments in obligations of certain international agencies under 38.2-1418 exceeding 10% of admitted assets (38.2-1414 A 2) \$ _____
3. Investments in railroad related securities under 38.2-1419 exceeding 10% of admitted assets (38.2-1414 A 3) \$ _____
4. Investments in transportation equipment trust certificates under 38.2-1420 exceeding 10% of admitted assets (38.2-1414 A 4) \$ _____
5. Investments in business entity obligations and certain leases under 38.2-1421 and 38.2-1422 exceeding 90% of admitted assets for a life insurer and 40% for all other insurers (38.2-1414 A 5) \$ _____
6. Investments in business entity obligations, typed as medium grade under 38.2-1421 B at date of investment, exceeding 10% of admitted assets (38.2-1414 A 6) \$ _____
7. Investments in business entity obligations, typed as lower grade and rated 4 under 38.2-1421 C at date of investment, exceeding 2% of admitted assets (38.2-1414 A 6) \$ _____
8. Investments in lease-secured obligations under 38.2-1422 exceeding 20% of admitted assets (38.2-1414 A 7) \$ _____
9. Investments in preferred stocks under 38.2-1423 exceeding 10% of admitted assets (38.2-1414 A 8) \$ _____
10. Investments in guaranteed stocks under 38.2-1424 exceeding 5% of admitted assets (38.2-1414 A 9) \$ _____
11. Investments in bank stocks or obligations under 38.2-1425 exceeding 5% of admitted assets (38.2-1414 A 10) \$ _____
12. Investments in limited partnerships under 38.2-1427.1 exceeding 5% of admitted assets (38.2-1414 A 11) \$ _____
13. Investments in common stock, limited partnerships and mutual funds under 38.2-1427, 38.2-1427.1 and 38.2-1427.2 exceeding the lesser of 15% of admitted assets or the amount by which surplus to policyholders or HMO net worth exceeds minimum capital and surplus or the HMO's minimum net worth requirement less excess limited partnership investments in item 12 above (38.2-1414 A 11) \$ _____
14. Aggregate investments in subsidiaries under 38.2-1427.3 exceeding the lesser of 10% of admitted assets or 50% of surplus to policyholders or HMO net worth in excess of minimum capital and surplus or the HMO's minimum net worth requirement (38.2-1414 A 12) \$ _____

- 15. Investments in foreign securities under 38.2-1433 B exceeding 10% of admitted assets, excluding amounts reported in Subpart B, lines 19 or 20, and foreign securities under 38.2-1433 A that support the company's deposit and reserve obligations incurred in a foreign country (38.2-1414 A 13) \$ _____
- 16. Investments in construction loans under 38.2-1434 3 exceeding 2% of admitted assets (38.2-1414 A 14) \$ _____
- 17. Investments in second/wrap around mortgages under 38.2-1435 exceeding 2% of admitted assets (38.2-1414 A 15) \$ _____
- 18. Investments in mortgage participations under 38.2-1436 exceeding 10% of admitted assets (38.2-1414 A 16) \$ _____
- 19. Investments in mortgages and mortgage related securities under 38.2-1437.1, 38.2-1434, 38.2-1435, 38.2-1436 and 38.2-1439 exceeding 60% of admitted assets for life insurers and 30% for all other insurers (38.2-1414 A 17) \$ _____
- 20. Investments in personal property under 38.2-1440 exceeding 2% of admitted assets (38.2-1414 A 18) \$ _____
- 21. Investments in hotel real estate under 38.2-1441 exceeding 5% of admitted assets (38.2-1414 A 19) \$ _____
- 22. Investments in real estate under 38.2-1441 less excess hotel investments in item 19 above, exceeding 25% of admitted assets (38.2-1414 A 19) \$ _____
- 23. Investments in state government obligations under 38.2-1415 C exceeding 30% of admitted assets (38.2-1415 C 4) \$ _____
- 24. Investments in local government obligations under 38.2-1415 D exceeding 30% of admitted assets (38.2-1415 D 5) \$ _____
- 25. Investments in anticipation obligations under 38.2-1415 E exceeding 10% of admitted assets (38.2-1415 E 5) \$ _____
- 26. Investments in state or municipal obligations under 38.2-1415 F exceeding 25% of admitted assets (38.2-1415 F 6) \$ _____
- 27. Investments in other revenue obligations of state and local government under 38.2-1415 G in excess of 25% of admitted assets (38.2-1415 G 5) \$ _____
- 28. Has the insurer invested more than 10% of its admitted assets in 38.2-1441 C accommodation real estate? Yes _____ No _____
 - a. Aggregate amount of accommodation real estate \$ _____
 - b. Amount recognized by the Commission as Category 1 (_____)*
 - c. Balance: line a - line b \$ _____

*Note: Approval letter must be attached to this filing if 10% limitation is exceeded due to investments made on or after 7/1/92.

Total Part II (B and C) \$ _____

PART III - SUMMARY

1. Capital and surplus or HMO net worth	\$ _____	
2. Minimum capital and surplus or the HMO's minimum net worth requirement (38.2-1401 generally, HMOs see particularly 38.2-4302)	\$ _____	
3. Balance available for Category 2 investments [(Line 1 - Line 2) X 75%]		\$ _____
4. Total Part I	\$ _____	
5. Total Part II	\$ _____	
6. Total Parts I and II		\$ _____
7. Excess of Line 3 over Line 6. (If negative show in parenthesis)		\$ _____ =====

PART IV

Schedule of prohibited investments and related investment considerations. With regard to subparts A and B, positive responses indicate that future acquisitions of any medium or lower grade obligations may be prohibited. Further, acquisitions occurring on or after July 1, 1992 in contravention of limits described in subparts A and B may have resulted in the acquisition of prohibited investments.

A. Category limits affecting acquisitions of medium and lower grade obligations.

1. Investments in medium and lower grade obligations in excess of 20% of admitted assets (38.2-1411.2 A)	\$ _____
2. Investments in lower grade obligations in excess of 10% of admitted assets (38.2-1411.2 A 1)	\$ _____
3. Investments in lower grade obligations rated 5 or 6 in excess of 3% of admitted assets (38.2-1411.2 A 2)	\$ _____
4. Investments in lower grade obligations rated 6 in excess of 1% of admitted assets (38.2-1411.2 A 3)	\$ _____

If any positive amounts are reported on lines 1-4, attach a listing of the transactions (purchases, sales, exchanges or payments in kind, etc.) that impacted the limitation in question during the reporting period.

B. Issuer, guarantor, insurer limits for identifying prohibited acquisitions.

1. Are more than 1% of insurer's admitted assets invested in medium grade obligations issued, guaranteed or insured by any one institution or business entity? (38.2-1411.2 B)	Yes _____ No _____
--	--------------------

NAIC # _____

2. Are more than one-half of 1% of insurer's admitted assets invested in lower grade obligations, or in a combination of medium and lower grade obligations, issued, guaranteed or insured by any one business entity? (38 2-1411.2 B) Yes _____ No _____

3. Has the insurer acquired any obligations of a business entity under the conditions described in subsection D of 38.2-1411.2 in excess of 1/2 of 1% of admitted assets? Yes _____ No _____

For any of the questions in subpart B answered affirmatively attach a listing of the obligations that caused such response. Include a description of each investment, the date of investment, valuation method, and values currently and at date of investment.

C. Interrogatories.

1. Are any of insurer's funds invested in securities or other investments prohibited by 38.2-1407? Yes _____ No _____

If YES, explain in detail.

2. Section 38.2-1406 requires the sale or other disposal of certain investments. Are any such investments now held by the company? Yes _____ No _____

If YES, has an extension of time for such disposal been requested of and granted by the Commission? No _____ Yes _____

3. Are more than 2% of the insurer's admitted assets invested in medium grade and/or lower grade obligations of any one business entity? Yes _____ No _____

If YES, attach a copy of the investments plan required by 38.2-1411.2 G.

AFFIDAVIT

(signature of senior officer) (title)

State of _____

County (or City) of _____ To-Wit:

This day _____ of _____ has
(name of officer) ("insurer")

personally appeared before me in the County (or City) aforesaid, and made oath that the foregoing report is correct. Given under my hand and notarial seal this _____ day of _____, 19__.

[SEAL] _____
notary public

My commission expires _____.