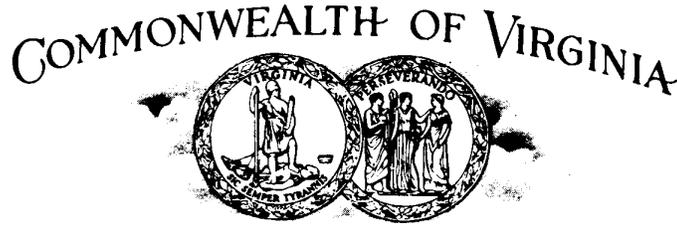


STEVEN T. FOSTER
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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

November 9, 1995

ADMINISTRATIVE LETTER 1995-11

**TO: ALL INSURERS LICENSED TO WRITE LIFE INSURANCE OR ANNUITIES IN VIRGINIA
ALL INSURERS LICENSED TO WRITE PROPERTY AND CASUALTY INSURANCE
IN VIRGINIA**

RE: Synthetic Guaranteed Investment Contracts

Several Synthetic Guaranteed Investment Contract filings have been submitted to the Life and Health Division of the Bureau of Insurance. These are contracts between an insurance company and a pension plan sponsor in which the insurance company guarantees to pay the book value of the assets supporting the contract when benefit payments are required to be made to plan participants. Ownership of the assets is retained by the plan sponsor. The assets may be managed by the insurer or by an independent investment manager.

These filings raised several issues which have been reviewed by the Bureau of Insurance. It has been determined that these types of contracts are not insurance, but that they can be considered as an unregulated activity incidental to the business of insurance. As such, there is no statutory prohibition against an insurer's marketing Synthetic Guaranteed Investment Contracts. In view of this, Synthetic Guaranteed Investment Contract forms should not be submitted to the Bureau of Insurance. If these forms are submitted, they will be returned to the insurer without action being taken.

Questions regarding this administrative letter should be directed to the Forms and Rates Section, Life and Health Division.

Sincerely,

Steven T. Foster
Commissioner of Insurance

STF/tlf