



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN FS - 21
March 2, 2007

TO: All Domestic Insurers Authorized To Conduct Business In Connecticut

RE: Statement of Statutory Accounting Principles (SSAP) No. 25

Recent statutory financial examinations by the Insurance Department have identified a misunderstanding by insurers regarding the relationship between the statutory requirement to submit certain holding company transactions to the Insurance Department for prior approval and the statutory accounting principle which provides for the ability to account for these transactions as an admitted asset.

Section 38a-136 of the Connecticut General Statutes requires that certain transactions involving a domestic insurance company and any person in its holding company system may not be entered into unless the insurance company has notified the commissioner in writing of its intention to enter into such transaction at least thirty days prior to the transaction, and the commissioner either has approved or not disapproved it within such period. Pursuant to the statute, these transactions are:

(1) Sales, purchases, exchanges, loans or extensions of credit, guarantee or investments provided such transactions are equal to or exceed: (A) With respect to nonlife insurance companies, the lesser of three per cent of the insurance company's admitted assets or twenty-five per cent of surplus; or (B) with respect to life insurance companies, three per cent of the insurance company's admitted assets; each as of the thirty-first day of December next preceding;

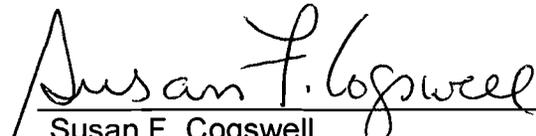
(2) Loans or extensions of credit to any person who is not an affiliate, where the insurance company makes such loans or extensions of credit with the agreement or understanding that the proceeds of such transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the insurance company making such loans or extensions of credit, provided such transactions are equal to or exceed: (A) With respect to nonlife insurance companies, the lesser of three per cent of the insurance company's admitted assets or twenty-five per cent of surplus; or (B) with respect to life insurance companies, three per cent of the insurance company's admitted assets; each as of the thirty-first day of December next preceding;

Paragraph six of the Statement of Statutory Accounting Principles (SSAP) No. 25 of the NAIC Accounting Practices and Procedures Manual provides in relevant part:

Loans or advances (including debt, public or private) made by a reporting entity to its parent or principal owner shall be admitted if approval of the transaction has been obtained from the domiciliary commissioner and the loan or advance is determined to be collectible based on the parent or principal owner's independent payment ability.

The statutory requirement for prior approval by the commissioner is not a determination as to whether the transaction is eligible to be an admitted asset; rather, it is a determination of whether the transaction is an arm's length transaction and whether the terms and fees are fair and reasonable. SSAP No. 25, however, is a process for obtaining permission to account for any upstream loan or advance transaction as an admitted asset, whether or not it meets or exceeds the statutory thresholds provided in Conn. Gen. Stat. Sec. 38a-136. Therefore, if a company wants to account for the upstream loan or advance as an admitted asset, the transaction must first be approved by the commissioner.

Please contact the Insurance Department Financial Analysis Division, 860-297- 3814 or ctinsdept.financial@ct.gov with any questions about this bulletin.


Susan F. Cogswell
Insurance Commissioner