

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

Box 1157
RICHMOND, VA 23209
TELEPHONE: (804) 786-3741
TDD/VOICE: (804) 225-3806

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

April 16, 1992

ADMINISTRATIVE LETTER 1992-10

TO: All Insurers and Health Services Plans Subject to Registration Under Sections 38.2-1329 or 38.2-4231 of the Code of Virginia

RE: Transactions Within a Holding Company System Involving Any Person Who Is Not an Affiliate

Section 38.2-1331 of the Code of Virginia requires prior written approval from the State Corporation Commission of Virginia for certain material transactions between a domestic insurer and other persons in the insurer's holding company system. Similar provisions pertaining to holding company systems involving a health services plan appear in §38.2-4233.

To avoid any misunderstanding or circumvention of any requirements for prior written approval provided for by §§ 38.2-1331 and 38.2-4233, this administrative letter addresses loans or extensions of credit to any person who is not an affiliate where the insurer or health services plan 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 the assets of, or to make investments in, any affiliate of the insurer or health services plan. Such loans or extensions of credit shall be deemed transactions between a domestic insurer or health services plan and an affiliate subject to the standards and any applicable requirements for prior written approval by the Commission as set forth in §§ 38.2-1331 or 38.2-4233.

In addition, the standards and applicable requirements for approval set forth in §§ 38.2-1331 and 38.2-4233 shall be deemed applicable to any reinsurance agreements requiring as consideration the transfer of assets from an insurer, or health services plan, to a non-affiliate, if an agreement or understanding exists between the insurer, or the health services plan, and the non-affiliate that any portion of such assets will be transferred to one or more affiliates of the insurer or health services plan.

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Questions regarding this letter may be directed to:

Mr. Edward J. Buyalos, Jr.
Supervisor, Financial Analysis Section
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23209

Sincerely,

A handwritten signature in black ink, appearing to read "Steven T. Foster", with a long horizontal flourish extending to the right.

Steven T. Foster
Commissioner of Insurance

STF:jg