



TO: All Domestic Insurers

FROM: Rikki E. Weimer  
Office of Corporate and Financial Regulation

SUBJECT: **PROCEDURES FOR DEPOSIT OR WITHDRAWAL  
OF SECURITIES IN PHYSICAL FORM**

Pursuant to Section 401 of the Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended (40 P.S. Section 181) and Section 661 of the Insurance Company Law, Act of May 17, 1921, P.L. 682, as amended (40 P.S. Section 832), the Insurance Commissioner for the Commonwealth of Pennsylvania is required to accept deposits of securities made by domestic insurers in order to fulfill statutory requirements for the transaction of **business or admission to do business in other states. All physical securities, including Certificates of Deposit receipts, must be provided to the Insurance Department. The Insurance Department will transfer all physical securities to the Office of the State Treasurer. Physical securities are held in safekeeping, in a vault, by an appointed sub-custodian bank.**

The following instructions are to be followed precisely, no exceptions, by insurers for all transactions involving physical securities:

**DEPOSITS:**

1. **ALL SECURITIES TO BE DEPOSITED IN PHYSICAL FORM, MUST BE REGISTERED, AS FOLLOWS, WITH NO EXCEPTIONS:**

**INSURANCE COMMISSIONER, COMMONWEALTH OF PENNSYLVANIA, IN TRUST AND FOR THE BENEFIT OF ALL POLICYHOLDERS OF (Name of Company), PURSUANT TO SECTION 401, ACT OF MAY 17, 1921, P.L. 789, AS AMENDED.**

**Note: Cash is not an acceptable deposit.**

**CAUTION: It is the insurer's responsibility to assure that the value of securities on deposit meet the requirements of all applicable state laws.**

2. The Insurance Department must be provided with the following information in writing to be received in advance of or with receipt of the securities:
  - a) A complete description of the security and intended transaction.
  - b) A Resolution from the Board of Directors of the insurance company with the names of those individuals authorized to make statutory deposit transactions.
  - c) Certificate of Deposit-A letter from the issuing bank stating "Our bank records do specifically note that neither interest nor principal shall be released to (Name of the Company) without prior approval from the Pennsylvania Insurance Department".
3. Physical securities must be delivered to:

**Rikki E. Weimer**  
**Pennsylvania Insurance Department**  
**1345 Strawberry Square**  
**Harrisburg, PA 17120**
4. Upon receipt of the physical security and all required information, the Insurance Department will deliver the securities to the Office of the State Treasurer, to be forwarded to the sub-custodian. All statutory deposits are held by a sub-custodian bank appointed by the Commonwealth of Pennsylvania.
5. Each time a security is deposited, the Insurance Department will provide the insurer with a Power of Attorney Form to enable the insurer to directly collect interest payments. Therefore, it is important that the insurer informs the issuing/transfer agent where interest payments are to be mailed at the time of purchase of securities. The Insurance Department does not transmit instructions or maintain records for interest payments for securities in physical form.
6. The Department will not accept U.S. Treasury Bills issued at a discount from par (face) value unless the insurer demonstrates to the Department's satisfaction that the total market value of the deposit equals or exceeds the amount required by law.

7. The Department will not accept securities that provide for periodic payments of both principal and interest or otherwise do not maintain their par or principal value. Investment grade corporate bonds are also not acceptable. It is the insurer's responsibility to ensure that securities deposited with the Commissioner maintain the designated value and to replace the securities upon maturity, or in the event of an early call or a decline in required value through market forces. It is also the insurer's responsibility to monitor the status of securities deposited with the Commissioner through investment information services that provide notice of early calls.

**WITHDRAWALS :**

1. Written requests for withdrawal of security deposits must be submitted to the Insurance Department at the above address and must include the following:
  - a) A complete description of the security being withdrawn.
  - b) A complete forwarding address for delivery of the security, i.e., complete street address and zip code. (Post office box numbers will not be acceptable).
2. Upon receipt of all required information, the Insurance Department will authorize the Office of the State Treasurer to direct the sub-custodian to release the security.
3. The Insurance Department will provide the insurer with a Detached Assignment Form to transfer ownership of the security to the insurer.

**It is the insurer's responsibility to assure that the Detached Assignment Form is attached to the security upon its return to reflect the transfer of ownership.**

4. The sub-custodian will forward the securities in accordance with the instructions provided to the Insurance Department by the insurer.
5. Securities cannot be withdrawn without a replacement of at least equal value unless the insurer can demonstrate that the withdrawal meets the conditions of Section 403 of above-cited Insurance Department Act (40 P.S. Section 183).