



STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
500 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243

NED McWHERTER  
GOVERNOR

ELAINE A. McREYNOLDS  
COMMISSIONER

B U L L E T I N

TO: All Tennessee Domestic Insurers

FR: Elaine A. McReynolds *EAM*  
Commissioner

DA: September 30, 1993

RE: Department Procedures for Reviewing Dividend Filings

Pursuant to the Tennessee Holding Company Act, TCA 56-11-101 et seq., the following procedures are hereby adopted for review of dividend filings pursuant to TCA 56-11-205 and 206:

1. Any company dividend filing will be promptly considered, (i.e., within ten (10) days of filing) for the purposes of determining whether a company's surplus as regards policyholders is reasonable in relation to the company's outstanding liabilities and adequate to its needs. Our procedures will include the consideration of the following factors:
  - (a) The size of the company as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;
  - (b) The extent to which the company's business is diversified among the several lines of insurance;
  - (c) The number and size of risks insured in each line of business;
  - (d) The extent of the geographical dispersion of the company's insured risk;
  - (e) The nature and extent of the company's reinsurance program;
  - (f) The quality, diversification, and liquidity of the company's investment portfolio;
  - (g) The recent past and projected future trend in the size of the company's surplus as regards policyholders;

- (h) The surplus as regards policyholders maintained by comparable companies in respect of the factors enumerated above;
- (i) The adequacy of the company's reserves; and
- (j) The quality and liquidity of investments in subsidiaries. The department may discount any such investment or treat any investment as a non-admitted asset for purposes of determining the adequacy of surplus as regards policyholders whenever the investment so warrants.
- (k) The quality of the company's earnings and the extent to which the reported earnings include extraordinary items.