

**MEMO# 2092**

August 3, 1990

# **INSTITUTE LETTER TO PENNSYLVANIA SECURITIES COMMISSION REGARDING APPLICABILITY OF ACT NO. 113 TO CONTRACTUAL PLANS**

August 3, 1990 TO: CONTRACTUAL PLANS COMMITTEE NO. 8-90 RE: INSTITUTE LETTER TO PENNSYLVANIA SECURITIES COMMISSION REGARDING APPLICABILITY OF ACT NO. 113 TO CONTRACTUAL PLANS \_\_\_\_\_ Recently, the Pennsylvania Securities Commission raised the issue of whether contractual plans were required to comply with certain provisions of Pennsylvania Act No. 113 ("the Act") that was enacted on May 15, 1933. The Act requires certain corporations and persons that accept payments from individuals with a promise to repay the amount received at a future date to comply with certain licensing provisions, including posting a bond in the amount of \$100,000. Failure to comply with the provisions of the Act subjects the corporation or person to criminal sanctions. The Institute submitted comments to the Pennsylvania Securities Commission with respect to the applicability of the Act to contractual plans. In its letter, the Institute stated that it did not believe the Act applied to contractual plans; rather, the Act was enacted in response to specific concerns that state regulators had with the reserve requirements of face-amount certificate companies. In addition, the comment letter outlined the general differences between a face-amount certificate company and a contractual plan. The Institute specifically noted that in the two known instances of companies complying with the bond requirement of the Act, both involved face-amount certificate companies. Attached is a copy of the Institute's comment letter. We will keep you advised of any developments. Patricia Louie Assistant General Counsel Attachment