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# State of Utah

## INSURANCE DEPARTMENT

D. Kent Michie  
Commissioner

### BULLETIN 2008-6

**To:** Utah Domestic Insurance Company Presidents  
**From:** D. Kent Michie, Utah Insurance Commissioner  
**Date:** May 14, 2008  
**Subject:** **Compliance with U.C.A. R590-178 Custodial Agreement Rule**

The purpose of this bulletin is to notify all Utah domestic insurers, that custodial or safekeeping agreements must be in compliance with Utah Administrative Code (U.A.C.) Rule R590-178.

R590-178 Securities Custody, (custodial agreement rule), was amended on September 19, 2006. According to R590-178-8, the enforcement date became effective 90 days from the effective date or December 19, 2006.

Prior to the effective date of the rule, notice that the custodial agreement rule was being changed was sent to Utah domestic insurance company contacts via the Utah Insurance Department, (department), industry newsletter. The rule change was also posted on the department website under "Hot Topics." Apparently, many companies are still not aware of the rule change and/or the need to update their custodial agreements. This bulletin is being issued as another form of notification.

Although the department notifies insurers of statute or rule changes, an insurance company's management has the primary responsibility to ensure compliance with all applicable insurance statutes and regulations.

The custodial agreement rule is designed to protect against vulnerabilities in the safekeeping process for invested assets of Utah domestic insurance companies. All provisions listed in R590-178-5(B) must be included in the custodial agreement for it to be considered in compliance by the department.

Assets held under custodial agreements not in compliance with R590-178 will be disregarded and non-admitted in determining and reporting the financial condition of the insurer. Additionally, R590-178-7(A) states, "insurance companies found to be or to have been in violation of this rule shall be subject to fine, suspension, and revocation of license or other penalties permitted by Section 31A-2-308." Comments or questions regarding this bulletin should be directed to Jake W. Garn, Chief Examiner at [jwgarn@utah.gov](mailto:jwgarn@utah.gov) or 801-538-3811.

**DATED this 14th day of May 2008**

D. Kent Michie  
Insurance Commissioner