

July 16, 1952

SUBJECT: INSURANCE

TO ALL AUTHORIZED INSURERS WRITING GROUP LIFE AND GROUP ACCIDENT AND HEALTH INSURANCE.

Gentlemen:

The Department has been asked whether it is permissible under the New York Insurance Law for a group writing company to make or agree to make payments to an applicant, a policyholder or a third party for reimbursement of expenses incurred in connection with the solicitation, issuance, or administration of the group insurance, or for other purposes related to such group insurance.

In the opinion of the Department it is contrary to the provisions of the Insurance Law, except to the extent otherwise recognized in the paragraph following, for an insurance company to make or for any person to incur on its behalf, any payment to the applicant for or the holder of a group insurance policy other than as plainly expressed in such policy or any payment for any purpose related to or on account of such insurance to a third person who is not a bona-fide representative of the insurance company. (Section 113, Section 204(2), Section 209, Section 221.)

The above paragraph is not intended to prohibit payment or allowance of (1) dividends to policyholders, (2) readjustments of rates of premium based upon experience under the policy, which are recognized in Sections 204 and 221, and (3) reasonable expenditures to persons other than policyholders retained or employed by the insurer for services rendered in good faith on behalf of the insurer which services are normally, performed by the insurer and which do not represent merely the shifting of functions relating to the administration of the group insurance from the policyholder to the insurer.

The foregoing, of course, does not apply to payments of commissions to licensed insurance agents or brokers, policy claims, taxes, assessments, etc., permitted or required by law, nor to payments to any insurer under reinsurance agreements.

Very truly yours,

[SIGNATURE]

Deputy Superintendent and Counsel.