

August 1, 1945

SUBJECT: INSURANCE

WITHDRAWN

TO ALL AUTHORIZED LIFE INSURANCE COMPANIES:

Re: Bonuses, Prizes, Rewards, etc., Based upon the Volume of New Business

In view of certain tendencies which have developed in the field of life insurance, this Department feels it to be desirable to bring to the attention of each company the provision in Section 213, subdivision 8, containing the specific prohibition against the payment or allowance of any bonuses, prizes, rewards or compensation of any kind whatsoever, based upon the volume of new business or the aggregate number of policies written or paid for. It has been assumed that our ruling of May 9, 1924, outlined the situation in sufficient detail. However, instances of agency contests have been brought to our attention whereunder the agent was allowed credits on account of new business obtained, to be applied to rewards of merchandise purchased and offered by the company. This practice contravenes the statute as much as the payment or allowance of cash rewards. It should also be emphasized that the prohibition against bonuses, prizes, rewards or compensation of any kind whatsoever, based upon the volume of new business, applies equally to general agents as well as to the insurance company.

The Department has not objected to expenditures by a company, on behalf of the agent, of an educational or training nature such as insurance magazines, insurance periodicals, insurance material, etc., which improves the agent's education or training or which helps to make him successful. However, it should be clearly understood that we have not sanctioned expenditures for items of a personal nature.

Will you please acknowledge receipt of this letter to the Albany office of the Department.

Very truly yours

[SIGNATURE]

Superintendent of Insurance