

October 6, 1953

SUBJECT: INSURANCE

TO ALL AUTHORIZED LIFE INSURANCE COMPANIES:

Recently, it has come to my attention that agency managers and general agents of some companies are offering to pay the expenses of agents' wives, and in some instances guests, at so-called educational conferences or conventions.

This Department has ruled since 1924 that the payment of expenses of agents' wives attending agency meetings or conventions is not permitted under the provisions of Section 213, subsection 8, or the corresponding provisions in former Section 97 of the New York Insurance Law.

In reaffirming this ruling in 1948, Superintendent Dineen quoted from an earlier Department ruling which stated:

"* * *, a company is permitted to pay only the actual expenses of agents to conventions which are conducted primarily for business purposes. Conventions must be held in places where it is apparent that the object is to attend to the business of the company and not to subordinate such business to pleasure outings * * *."

He then said:

"Reimbursement for the expenses of wives or other members of the agents' families is obviously in the nature of payment for pleasure outings and constitutes an abuse of the May 1924 ruling."

It is quite clear that the previous rulings of the former Superintendents of Insurance, referred to above, apply to agency managers and general agents as well as to companies, even though the company does not directly reimburse the manager or general agent for payment of expenses of agents' wives and guests to a convention.

In the rulings on the legality of expense reimbursements to agents who attend agency meetings by qualifying in accordance with prescribed requirements, the justification for making such reimbursements is based upon the educational value of the meeting to the agent and the absence of pecuniary benefit to him. Thus, such expense reimbursements are differentiated from the payment of a bonus, reward or increased compensation based upon volume of new business written, which is prohibited by Section 213(3).

The justification for reimbursing an agent for his expenses in connection with attending agency meetings, namely, that the payments are made because of the educational value of the meeting to the agent and he enjoys no pecuniary benefit therefrom, is not present in the case of payment of expenses of a wife or guest accompanying an agent to a convention or agency meeting. In the latter situation, it is manifest that the agent when he is thus reimbursed, receives a reward contrary to the statutory prohibition for the reason that he is relieved of the personal expense which would otherwise be incurred by him.

The above matters are brought to your attention in view of the fact that this Department will hold responsible the management of any company which permits a violation of the provisions of Section 213 of the Insurance Law through the making of such payments by agency managers and general agents.

The conditions under which agents may be entitled to attend an agency convention or meeting should be clearly

established in advance and announced as a qualifying requirement for attendance. In addition, conventions and meetings should be held at places where it is apparent that the object of the meeting is to attend to the business of the company, and not to subordinate such business to pleasure outings.

In order that your agents may be fully informed regarding the matters discussed in this letter, you are requested to forward a complete copy of this letter to each of your general agents, managers or other supervising officials and advise this office as soon as such action has been taken.

Please acknowledge receipt of this letter.

Yours very truly,

(Sgd.) Alfred J. Bohlinger

Superintendent of Insurance