

February 16, 1966

SUBJECT: INSURANCE

Circular Letter 8(1966)

TO ALL AUTHORIZED LIFE INSURERS WRITING MONTHLY DEBIT LIFE INSURANCE

In the marketing of monthly premium debit life insurance, the inferior bargaining position of the applicants or the failure by the agent to inform applicants of the existence and character of monthly debit ordinary insurance and the charges therefor may result in the more or less simultaneous issuance of two or more monthly industrial policies in the same company, notwithstanding that the applicant could qualify for monthly debit ordinary insurance for the same amount at lower costs. In the absence of appropriate regulation of monthly premium debit life insurance, the foregoing situation has resulted in insurance charges to policyholders which were unreasonable in relation to the benefits thereby provided to them. Issuance of an ordinary policy instead of two or more monthly industrial policies is in the best interests of the insured, because it is less expensive and is supported by the provisions of Section 213(a)(7) of the New York Insurance Law which prescribes limitations on commissions on industrial policies in relation to ordinary policies and is further supported by the requirements of Section 163, subdivision l(m) providing for certain conversion rights.

Section 154 of the Insurance Law provides that the Superintendent of Insurance may disapprove any policy form if the use of such form would be prejudicial to the interests of policyholders. Section 141 of the Insurance Law provides that the Superintendent of Insurance may withdraw an approval previously given of a policy form if the use of such form would be prejudicial to the interests of policyholders.

Pursuant to the foregoing, to prevent the aforementioned abuses without impairing the operation of the business of monthly premium debit life insurance, the following rules shall be adopted, effective March 15, 1966:

1. The maximum aggregate amount of monthly industrial life insurance which an authorized life insurance company shall be permitted to issue in any six months period on any life shall not exceed \$ 999, after deducting industrial life insurance (weekly or monthly) in force on such life and issued during the preceding six months by all other authorized life insurers, except as provided in Rule 2 which follows. No agent shall solicit or accept applications for a weekly or monthly industrial policy and receive commissions thereon with knowledge of prior weekly or monthly industrial life insurance beyond the limits set forth in this Rule, unless the exceptions in Rule 2 are complied with.

2. (a) The agent shall sign a statement that he has informed the applicant that in lieu of two or more industrial policies (weekly or monthly) for an aggregate amount exceeding \$ 999, a single monthly debit ordinary policy of corresponding amount is available at a significantly lower premium rate. Such statement shall also show the actual premiums and the amount of savings available to the applicant.

(b) The applicant shall acknowledge in writing that such information has been given to him by the agent but nevertheless requests the simultaneous issuance of two or more monthly industrial policies. The applicant shall state the reasons for such request.

(c) The foregoing statements shall be made on a form submitted to and approved by the Department.

(d) A copy of each completed form shall be attached to the applications involved and become a part thereof.

(e) A summary of all completed forms shall be maintained quarterly at the company's home office showing the policy numbers, name of applicant, amount of insurance, name of agent and any other pertinent information deemed necessary by the Department.

(f) A copy of the first quarterly summary shall be promptly furnished to the Department's New York City office after the promulgation of these rules. Additional summaries shall be promptly furnished to the Department upon request.

(g) The amount of monthly industrial life insurance issued in any calendar quarter pursuant to the exceptions hereunder shall not exceed 1.25% of the total monthly industrial life insurance issued during the preceding calendar year. In the event that this limit is exceeded in any calendar quarter, the company shall give prompt notification to the Superintendent of Insurance and shall not be permitted to issue further monthly industrial life insurance policies pursuant to the exceptions hereunder during the next two consecutive calendar quarters. For the initial period between the effective date of this circular letter of March 15, 1966 and July 1, 1966 the foregoing percentage of 1.25% shall be changed to 1.50%.

3. In the case of monthly industrial life insurance issued pursuant to the exceptions under Rule 2, the commissions, collection fees and all other compensation and allowances payable in the aggregate to agents (including general as well as soliciting agents) shall not in any year exceed the corresponding payments for monthly debit ordinary insurance.

You are requested to acknowledge receipt of and compliance with this circular letter.

(Signed) HENRY ROOT STERN, JR.

Superintendent of Insurance