

April 10, 1967

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 3 (1967)

TO ALL AUTHORIZED LIFE INSURANCE COMPANIES:

Re: Section 213 - Renewable Term Policies

The Department desires to call to the attention of each authorized life company an opinion dated November 30, 1966 by Deputy Superintendent and General Counsel George K. Bernstein with respect to the compensation which may be paid to the agent for the writing of individual (a) renewable or (b) renewable and convertible term policies.

Section 213(3) is specific that a converted policy shall be considered as new life insurance as follows:

"For the purpose of computing the expense limits, whole life or endowment insurance preceded by term insurance and converted as of attained age shall be considered as new life insurance."

However, the statute is not entirely specific as to the commission compensation which may be paid on renewable term insurance prior to conversion. This question has been considered by Mr. Bernstein and in the aforesaid opinion he has held that a first year commission may be paid on renewal only to the extent of the increase in the renewable term premium. With respect to renewal commission compensation under renewable term policies prior to conversion, the payment of renewal commissions is limited to the 14 contract years after the first year of insurance, pursuant to Section 213(8).

Each authorized life insurance company should govern its operations consistent with the aforesaid opinion.

Very truly yours,

[SIGNATURE]

Superintendent of Insurance