June 17, 1983

SUBJECT: INSURANCE

WITHDRAWN

CIRCULAR LETTER NO. 10 (1983)

June 17, 1983

TO: ALL AUTHORIZED LIFE INSURANCE COMPANIES

RE: TRAINING ALLOWANCE PLANS

The preamble of Regulation No. 50 (11 NYCRR 12) reads as follows:

> "Subsection 13 of Section 213 (formerly Subsection 15) of the New York Law enables a life insurance company to provide new soliciting agents with a training allowance during the period in which such an agent is undergoing training and could not be expected to earn an adequate income solely on the basis of commission on business produced by him. The statute provides that no agent shall be eligible to receive training allowances unless he qualifies under rules acceptable to the Superintendent."

When a training allowance plan is submitted to the Life Insurance and Companies Bureau it is reviewed by the Bureau's actuaries to determine compliance with statutory requirements and Department rules and guidelines. Guidelines as to the maximum subsidy for each agent were established some time ago and have been subject to periodic review. New guidelines for the cumulative maximum subsidy per agent were recently adopted, as follows:

End of Year	Cumulative Maximum Sudsidy per Agent
1	$ 16,000
2	25,000
3	32,000
4	36,000

Since the maximum subsidy is only one of the elements considered in evaluating a proposed training allowance plan, plans with lower maximums may be unacceptable while, in very limited circumstances, plans with higher maximums may be approvable. In determining the acceptability of a proposed plan, other provisions play a very important part, such as the validation requirements, the expected amounts and incidence of earnings of trainee agents both during and immediately following the period of financing, and the cost of producing a "successful" career agent. All of the elements of a proposed plan must meet the Department's criteria in order for that plan to be approved.

The Department is undertaking a comprehensive study of all aspects of plans approvable under the provisions of subsections 4 and 13 of Section 213 of the New York Insurance Law. Responsibility for the review and approval of such plans was shifted to the Life Insurance and Companies Bureau some time ago and our records are not complete. In order to assist us in our study please complete the attached questionnaire and return it to Mr. Bernard Packer, Assistant

Chief Actuary, at the above address. We would appreciate receiving a response no later than September 1, 1983.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

Superintendent of Insurance

Attachment

New York Insurance Department Questionnaire on Agent Financing Plans

1. Does your company have one or more plans for financing new or experienced agents?

2. For each such plan, provide the following:

a. Digest of the plan. (If possible, use format developed by LIMRA)

b. Copy of insurance Department letter approving the plan.

c. For each of the years 1980, 1981 and 1982:

(1) Number of financed agents recruited during the year

(2) Number and percentage of survivors at the end of each year.

(3) Amounts reported or reflected in Schedule Q for subsection 13 plans:

(a) Item 50

(b) Item 50a

(c) Training Allowances as percentage of First Year Field Expense Limit (from Footnote)

(d) Training Allowances as percentage of first year's premiums on business written by trainee agents (from Footnote)

(e) First year's premiums on trainee agents' life insurance business

(f) First year's premiums on all agents' life insurance business

(g) Ratio (e) : (f)

(4) Information similar to (3) above for subsection 4 plans.

d. Has your company calculated agents' survival rates?

If yes, please provide us with the results.

3. What do you consider to be the most important principles in developing a successful financing plan for life insurance agents?

4. Do you have any comments or suggestions?