

March 6, 1989

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 6 (1989)

TO: All Insurers Licensed to Write Life Insurance or Annuities in New York State

RE: First-year compensation in excess of commissions of Section 4228(d)(2) of the New York Insurance Law

It has been brought to the attention of the Department that a small number of companies are currently appointing some "experienced" soliciting agents under compensation contracts which effectively provide a "subsidy" over the maximum first year commissions specified in Section 4228(d)(4) of the Insurance Law and renewal compensation calculated in accordance with Section 4228(h).

Section 4228(d)(4) of the Insurance Law Permits agents to be compensated, whole or in part, upon a plan other than commissions. This is the only, authority in the Insurance Law which might be deemed to authorize payments of such compensation to experienced soliciting agents. However, the Department's position is that subsidies to "experienced" agents are not permitted under the law.

The Department is currently considering what types of plans, if any, should, in the future, be permitted under Section 4228(d)(4) and (5). We request every admitted life insurer to submit, on or before April 3, 1989, to

Bernard Packer

Assistant Chief Actuary

Life Insurance and Companies Bureau

160 West Broadway

New York, NY 10013

a copy of each and every plan now available for use, which the insurer believes authorizes any first-year or renewal compensation, beyond 4228(d)(2) and 4228(h) commissions, to U.S. soliciting agents who do not meet the requirements of Section 4228(m) and Regulation 50 (11 NYCRR 12). This includes any such plans approved under any Section of the Insurance Law, including but not limited to Sections 4228(d)(4) and 4228(m). Please include Bureau file number if available). For each such plan, show the number of such a copy of the letter of approval by the Superintendent (including the Life entrants to the plan for the calendar years 1986-1988, by quarter of entry. Please acknowledge the receipt of this letter. Failure to acknowledge receipt. of this letter or report any such plan may subject the insurer to disciplinary action.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

Superintendent of Insurance