



**STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004**

**Circular Letter No. 31 (1998)
October 29, 1998**

TO: All licensed life insurers, fraternal benefit societies, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement licensees, governmental supplemental annuity funds, savings bank life insurance departments, property/casualty insurers, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, reciprocal insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations and integrated delivery systems, municipal cooperative health benefit plans, accredited reinsurers, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association, the New York Property Insurance Association, the Motor Vehicle Accident Indemnification Corporation and rate service organizations

RE: Insurance on the Internet

As we approach the new millennium, it is apparent that the financial services industry will continue to undergo many rapid and dramatic changes. Mergers and consolidations have occurred at an astonishing rate, and many organizations are seriously considering major alterations to their basic corporate structure.

One of the technological developments that is significantly impacting the delivery of financial services is the Internet. Recent studies and market trends indicate that the electronic delivery of financial services will continue to grow rapidly. As more and more people become computer literate, it is likely that the Internet will be the dominant distribution channel of the future.

While many financial institutions have eagerly embraced cyberspace, it is apparent that the insurance industry has not. It has been estimated that in 1997, 3.6 million people did their banking online and 2.7 million used online securities brokerages, yet fewer than 10,000 people were served online by the insurance industry.

With the walls that separate banking and insurance beginning to erode, several insurers have embraced the potential cost savings and increased customer service opportunities provided by the Internet. Within the very near future, it is clear that insurers and their sales forces will be compelled to explore ways in which the Internet can help to educate and advise customers about their financial affairs, specific insurance products and pricing.

While several obstacles still need to be overcome (e.g., electronic signatures), we are not far from a time when the entire insurance process may be completed electronically.

As with the advent of all new mediums, we must proceed with intelligence, creativity and caution. Accordingly, when monitoring the marketing of insurance products on the Internet, the Department intends to apply the following general guidelines:

- The New York Insurance Law, and all Rules and Regulations, as interpreted by the Department in Circular Letters and other advisory opinions, must be complied with;
- The fact that certain policy features are not available in New York must be clearly disclosed;
- All electronic insurance forms, including internet applications for insurance, are subject to the same requirements as hard copy insurance forms, (e.g., they must be approved);
- Insurers are responsible for the marketing practices of their agents; and
- Premium taxes must continue to be accounted for and paid.

It should be noted that the Department will consider the promulgation of specific Regulations, as necessary, as specific needs arise.

Let us embrace the opportunities afforded by the Internet and use them to benefit both consumers and the insurance industry.

(SIGNED)

Superintendent of Insurance