

Welcome and thank you for attending!

The webinar will begin shortly.

Sales Inducements More than Just a Free Meal



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Currin Insurance Compliance Education Program

Online / on-demand training for insurance compliance professionals.

About Kaycie



Kaycie is Currin Compliance Services' Research and Compliance Associate. She has a background in literacy and knows her way around reading and analyzing insurance regulations. She provides research organized in a way that gives our clients the information they need, including instructions and explanations to help better understand its significance.

Sales Inducements

More than Just a Free Meal

Kaycie Tyll

Research and Compliance Associate



*This event is for informational purposes only
and should not be construed as legal advice.*

Agenda

- Insurance regulations
- What is rebating?
- 5 Rebating Considerations
- Case Studies
- Enforcement Actions

INSURANCE REGULATIONS



Insurance Regulations

- NAIC Model Unfair Trade
- State positions vary widely
- Bulletins
- Carriers may prohibit – even if state allows

Insurance Regulations (cont.)

Who is subject to these Regulations?

- Insurance agents
- Insurance companies
- Marketing intermediaries

Model Unfair Trade

If not specified in the contract, paying, allowing, giving, or offering any of the following, will be considered an unfair or deceptive act:

- *Rebates of the premiums payable on the policy;*
- *Special favors or advantages in the dividends or other benefits;*
- ***Any valuable consideration or inducement;***
- *Or giving, selling, purchasing or offering, as an inducement, any stocks, bonds, or other securities, any dividends or profits accrued, or anything of value.*



WHAT IS REBATING?


- State rules vary widely
 - MT consideration based on two-part test
 - Must be nominal (under \$25)
 - Must be available to all
 - OH advertising or meals less than \$50 (not tied to purchase)
- Commission statutes may come into play
 - Commission v. Referral fees
- Lottery/gambling laws may be applicable



5 REBATING CONSIDERATIONS

5 Rebating Considerations

- Key things to consider:
 - Inducement to purchase
 - Benefit not stated in the contract
 - Gambling and lottery laws
 - Anti-discrimination test
 - Cash and cash equivalent vs. tangible items



Case Studies

CASE STUDY #1: Go Paperless Offer

Arizona

- Insurer pushes ad to clients – Get a \$25 gift card for opting into e-statements
- Rebating?



CASE STUDY #1: Go Paperless Offer (cont.)

Arizona

- AZ ST § 20-452 states that prizes, goods, wares, merchandise or tangible property is allowable if valued at \$25 or less.
- *However, AZ ST § 20-449 prohibits insurers from permitting or offering to make any rebate of premiums payable on the contract, any special favor, advantage in the dividends, or any valuable consideration or inducement whatever not specified in the contract.*

CASE STUDY #2: Refer a Friend

West Virginia

- Agent wants to pay clients \$20 for every referral that successfully writes business
- Rebating?



CASE STUDY #2: Refer a Friend (cont.)

West Virginia

- WV ADC 114-70-4 *A one-time referral fee of \$25 or less is allowed; payment of a referral cannot depend on the sale or issuance of an insurance product.*
- Content of conversation also critical – acting as a sales person?
 - Discussions regarding policy terms/conditions

CASE STUDY #3: Select Client Dinner Event

Texas

- 10 Large Clients
 - Set to renew in two weeks
- Invited to a fine dining outing
- Rebating?



CASE STUDY #3: Select Client Dinner Event (cont.)

Texas

- TX INS s 541.058 Advertising items, educational items or a traditional courtesy commonly extended to consumers that is valued at \$25 or less is not considered a rebate or inducement.
- TDI would “look closely at these factors to determine whether such an outing would be an inducement and/or rebate”*

Source:

<http://www.insurancejournal.com/magazines/features/2014/08/04/336103.htm>

ENFORCEMENT ACTIONS



Enforcement Action

Customer Appreciation in North Dakota

- ND agent
- MN Vikings game
- Client appreciation dinner

Enforcement Action

The 3rd Party Mailer

- FL agent
- Offer of gift card after meeting



Enforcement Action

The Raffles

- ME agent
- Raffle events to promote business



Summary

- Rebating laws can be complex and subjective
- Rebating laws may vary widely from state to state
- Important to carefully evaluate all applicable regulations
- Seek professional guidance
 - Resource: CCS 50 State Survey

Thank you for joining us!



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