



CHESTER J. CULVER  
GOVERNOR

SUSAN E. VOSS  
COMMISSIONER OF INSURANCE

PATTY JUDGE  
LT. GOVERNOR

BULLETIN 08-15

TO: Insurance Carriers and Licensed Producers

FROM: Iowa Insurance Commissioner Susan E. Voss

RE: Iowa Code Section 507B.4, subsection 8

DATE: September 30, 2008

On August 21, 2008, Bulletin 08-13 provided guidance regarding the issue of what has typically been referred to as "rebates." Three actions were transacted through Bulletin 08-13. This Bulletin upholds the first two transactions in Bulletin 08-13 (rescinding Bulletin 08-11 and superseding paragraph H of Bulletin 97-05.) However, this Bulletin will rescind the third transaction of Bulletin 08-13 which provides general guidance regarding the above Iowa Code Section and replaces the third transaction with the guidelines outlined below.

The concerns brought to the Division regarding the above Iowa Code section center around producers, agents, and carriers providing something of value as an inducement to purchase or acquire insurance. Realizing that certain reductions of premium or commission are allowed in the sale of commercial insurance, this Bulletin will focus on personal lines of insurance.

The Division recognizes that a producer, agency, or carrier will have relationships with existing clients. It is often customary to engage these clients in social settings and activities that may include meals, sporting events, or other non-insurance related activities. Because these types of activities generally occur at some point after the sale, the Division does not consider them rebates for purposes of the above statute.

The Division also recognizes that producers, agents, and carriers advertise and market their services and products in a variety of methods. Items of minimal value such as pens, pencils, calendars, atlases, or golf balls are often provided to the general public. Marketing of a brand or logo on merchandise that is provided to the general public is not considered a violation of Iowa law. In addition, the sponsorship of events whether charitable or not is not considered a rebate. Educational seminars open to the general public where food may or may not be served are not considered rebates as long as no actual selling of a product or service takes place at the event.

The Division has determined that specific reductions in the commission or premium at the time of sale or renewal are clearly rebates. Unrelated products, memberships, or services provided solely upon purchase or renewal of an insurance policy are not allowed under Iowa law. However, services provided in connection with an insurance policy such as newsletters or value-added services if they are related to the type of insurance purchase and are intended to reduce claims are not considered rebates and a violation of the Iowa law.

The Division has observed a trend whereby companies are including items other than insurance in new filings of insurance contracts. The Division is concerned that this trend is an attempt to circumvent the spirit of the law. And, at this point, the Division will be disapproving such contracts if the added items do not appear to be related to the insurance product.

The Division further recognizes that issues will come to our attention that are not addressed in these recent Bulletins. The Division reserves the right to evaluate any given circumstance independently to determine whether the offer of something of value would constitute an inducement or rebate.