



CHESTER J. CULVER  
GOVERNOR

SUSAN E. VOSS  
COMMISSIONER OF INSURANCE

PATTY JUDGE  
LT GOVERNOR

**BULLETIN 08-13**

TO: Insurance Carriers and Licensed Producers

FROM: Iowa Insurance Commissioner Susan E. Voss

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

DATE: August 21, 2008

This Bulletin serves three purposes.

First, it rescinds Bulletin 08-11, which found that “**any** goods or services offered to a policyholder or prospective policyholder which are not specifically incorporated as part of the policy contract and made a part of the pricing of the policy are rebates and therefore are prohibited under Iowa law.”

Second, it supersedes paragraph H of Bulletin 97-05, relating to rebates.

Third, it establishes new guidelines for permissible advertising and gifts that will not constitute a prohibited rebate under Iowa Code 507B. A general discussion of the issues is included here, and specific examples may be found on the Division’s Web site, [www.iid.state.ia.us](http://www.iid.state.ia.us).

**General guidelines:**

A producer, agency or company may give inexpensive gifts to prospective or existing customers so long as such gifts are provided on a nondiscriminatory basis and so long as the giving of the gift is not conditioned upon the purchase of a policy of insurance. The value of a gift shall not be so significant as to constitute an “inducement” to purchase insurance. A gift to an existing customer shall not be so significant as to constitute an inducement to renew insurance or to buy additional insurance. For the purpose of this Bulletin, an “inducement” is a consideration that leads one to action or to additional actions<sup>1</sup>, in this case, the purchase or renewal of insurance.

<sup>1</sup> Adapted from “inducement”. (2008). In Merriam-Webster Online Dictionary. Retrieved August 15, 2008, from <http://www.merriam-webster.com/dictionary/inducement>

Although the Division reserves the right to evaluate any given circumstance independently to determine whether the offer of something of value would constitute an inducement, generally, the Division will presume that a producer, agency or company that acts within the following guidelines will be presumed to be in compliance with the rebate law:

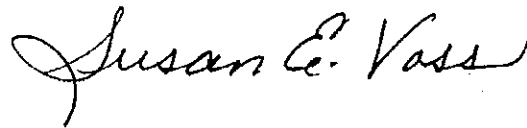
- Any item given to any person that has a value of \$5.00 or less, regardless of the producer's, agency's or company's relationship to the person to whom the item is given.
- Any item that has on it the name of an insurance producer, insurance agency or insurance company, if such an item has no intrinsic value (newsletters to existing customers, so long as no gift cards or similar items of value are included), or if it has a minimal value (under \$10.00 or less), it will not be considered a rebate.
- An educational event, such as a seminar or training on estate planning, that is open to everyone. The event could include a meal free to the attendees, if the value of the meal is not more than \$25.00 per person. Door prizes or drawings for prizes could be offered if the values of the items given away are appropriate in scope and not excessive. These would not be considered prohibited practices if all of the items given away or the options to win prizes are offered to all attendees, if the producer, agency or company makes clear that it is in the business of insurance, and if no insurance products are sold at the event.
- An event is held for existing clients as a customer appreciation event, or is held for a specific group of prospective clients, the cost of the event divided by the number of persons attending must be appropriate in scope and not excessive. The Division would presume that a per-person amount of \$25.00 or less would not be excessive.
- Some value-added services. For example, risk management services offered to a customer to promote safety. Again, the services offered must be appropriate in scope, related to the type of insurance product involved, and not excessive.

The law prohibits the offering of anything of value as inducement to purchase, change or renew an insurance policy if not specified in the contract. 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. Examples are provided on the Division's Web site.

**Future plans:**

Because discussions continue regarding what constitutes a rebate under Iowa law, and because the Division continues to receive questions and complaints regarding services, products and memberships that are being offered in conjunction with an insurance policy, the Division will begin drafting regulations immediately to identify specific prohibited practices. The examples on the Web site of what the Division would or would not consider rebates will continue to be expanded as they are brought to the attention of the Division. The Division will continue to bring all interested parties together to discuss these issues.

A handwritten signature in black ink that reads "Susan E. Voss". The signature is written in a cursive style with a large, looping initial 'S'.

Susan E. Voss  
Iowa Insurance Division