STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN S-12

December 24, 2008

TO: **ALL INSURERS AND INSURANCE PRODUCERS LICENSED IN THE STATE OF CONNECTICUT**

SUBJECT: **DE MINIMIS GIFTS TO INSURANCE CLIENTS OR PROSPECTIVE CLIENTS.**

Section 38a-825 of the Connecticut General Statutes provides, in pertinent part, that "[n]o insurance company doing business in this state . . . or producer . . . shall pay or allow, or offer to pay or allow, as inducement to insurance, any rebate on premium payable on the policy, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement not specified in the policy of insurance."

The Insurance Department ("Department") often receives questions concerning whether an insurer or insurance producer is allowed to give gifts or any valuable consideration to insurance clients or prospective clients without violating the prohibition against rebating set out in Section 38a-825 of the Connecticut General Statutes. The purpose of this Bulletin is to set a reasonable monetary limit on the value of gifts that insurers and insurance producers are allowed to give to their clients in connection with the solicitation or sale of insurance products and, therefore, to provide practical guidance to the insurance industry and to the public by setting reasonable standards that allow a producer or insurer to offer gifts of nominal value. The Department's position enunciated in this Bulletin is based on the determination that the value of such gifts is too low to constitute inducement to insurance within the meaning of General Statutes § 38a-825. The guidance offered in this Bulletin is not intended to apply to title insurance under chapter 700a.

The anti-rebating provision contained in the statute referred above is broadly written and promotes the public policies of (1) preventing the creation of competitive disadvantages among insurers and producers by creating a level playing field for all insurance professionals; and (2) protecting insurance consumers and the public at large from unfairly discriminatory rates and practices by ensuring that an insurance policy's written terms are applied consistently to all policyholders.

Notwithstanding the public policies furthered by the anti-rebating statute, the Department realizes that it is impractical and unnecessary to prohibit inexpensive gifts that, because of their low market value, would be insufficient to promote the kind of conduct and negative results that the anti-rebating provisions intend to prevent. In that

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respect, the Department, having considered the language and the legislative history of Section 38a-825 of the General Statutes, interprets the provision as permitting gifts that do not truly act as an “inducement” for consumers to purchase a specific insurance product from a specific producer or insurer. As a general matter, therefore, the Department is of the opinion that insurers or producers would not violate section 38a-825 of the General Statutes if they offer to give, or give, to their clients or prospective clients gifts of nominal value that are not conditioned upon the purchase of insurance. As used in this Bulletin, “gifts of nominal value” refers to those items whose fair market value does not exceed, in the aggregate, $15.00 per year such as, for example, calendars, pens, promotional items, inexpensive items relating to life events, or inexpensive meals. The Department is of the opinion that gifts having a fair market value that exceeds the limit set herein act as inducement for consumers and are not permitted.

It should be noted that, as it relates to the prohibition against rebating, the terms “gift”, “valuable consideration”, “benefit”, “special favor”, “rebate”, “inducement” or other similar terms include, but are not limited to, cash, gift certificates, merchandise, services not directly related to insurance, meals, entertainment or reduced insurance premiums offered or given by an insurer or producer and relating to the insurer/insured or producer/client relationship.

Thomas R. Sullivan
Insurance Commissioner