



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF THE COMMISSIONER

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BULLETIN NO. 11-22

TO: ALL INSURERS AUTHORIZED OR ADMITTED TO TRANSACT BUSINESS IN THIS STATE AND ALL PRODUCERS LICENSED IN THIS STATE

FROM: THOMAS B. CONSIDINE, COMMISSIONER

RE: REBATES AND INDUCEMENTS

New Jersey statutes and rules generally prohibit any person from paying or offering, directly or indirectly, as an inducement to make any contract of insurance, any rebate of premiums or commissions or any valuable consideration or thing of value which is not specified in the insurance contract or insurer's rating system. See N.J.S.A. 17:29A-15; 17:29AA-14; and 17B:30-13; and N.J.A.C. 11:17A-2.3 and 2.4. Things of value offered with a cost or redeemable value of not more than \$25 are not prohibited.

Questions have arisen regarding whether providing particular services and/or monetary benefits would constitute a prohibited rebate or inducement under these statutes and rules. The purpose of this Bulletin is to clarify the intent of these legal authorities. The Department of Banking and Insurance ("Department") does not construe the intent of these statutes and rules as prohibiting the delivery by producers or insurers of services or other offerings for free or at a discounted price and in a fair and non-discriminatory way, so long as the services or other offerings relate to or enhance the value of the insurance product being purchased.

Examples of services that the Department does not construe as prohibited rebates or inducements under applicable law include:

- Discounts on gym memberships or wellness programs.
- Claims filing assistance, including group health insurance assistance services.
- COBRA, Health Reimbursement Arrangement ("HRA"), Health Savings Account ("HSA") and Flexible Spending Account ("FSA") administration.
- Risk management services, including loss control.
- Product audits to assist policyholders to evaluate their current policies.

Services or monetary benefits provided for free or at a discounted price that inure to the personal benefit of the purchaser and are largely extraneous to the coverage being purchased or the insurance services being provided by an insurer or a producer, or services offered in a discriminatory manner as an inducement to write or move business are prohibited. Examples of such services or benefits that the Department would consider prohibited rebates or inducements include:

- Payments of cash or cash equivalents of greater than \$25.
- Provision of tickets to a concert or event with a value greater than \$25.
- COBRA, HRA, HSA, and FSA administration services offered only to new customers who agree to change producers or insurers, which are not otherwise provided to in-force accounts.

The examples above are not exhaustive.

Services and benefits that are plainly expressed within the contract or rating system are not prohibited rebates or inducements.

NOTE: Authorized title insurers and producers licensed to transact title insurance business are subject to the requirements of the Real Estate Settlement Procedures Act, 12 U.S.C. Sec. 2607, et seq. and the regulations promulgated thereunder. Nothing in this Bulletin should be understood as addressing or interpreting the restrictions imposed upon such insurers and producers by those federal authorities.

Questions regarding this Bulletin may be directed to the Office of the Insurance Ombudsman at 800-446-7467 (Option 3) or by email to: ombudsman@dobi.state.nj.us.

October 21, 2011
Date



Thomas B. Considine
Commissioner

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