

*State of Idaho*  
**DEPARTMENT OF INSURANCE**

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Director

**BULLETIN NO. 09-14**

**DATE:** December 1, 2009  
**TO:** Insurers and Insurance Producers doing Business in Idaho  
**FROM:** William W. Deal, Director  
**SUBJECT:** Rebates/Inducements - Value Added Services

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In recent months, the Idaho Department of Insurance has become aware that some insurance producers are offering extra services outside of the insurance contract at no cost to their clients or potential clients. Examples of these value added services include administration of a buy down program for an employer as a method of reducing the cost of the health insurance plan, COBRA administration, and human resource/employee benefit consulting.

Idaho Code Section 41-1314(1) prohibits any person from directly or indirectly offering or giving as an inducement to purchase insurance "**anything of value whatsoever**" that is not plainly specified in the insurance contract. The code language indicates that for a violation to exist, the valuable consideration must be offered or provided as a rebate or inducement to insurance. In other words, there must be some connection to an actual or prospective sale of insurance.

If goods or services not specified in the insurance contract are offered or provided as an inducement to purchase or renew insurance, then to avoid a violation of Section 41-1314(1) a reasonable charge must be imposed. The charge should reflect the actual value of the service being provided and should not be less than the cost of providing the good or service. Services that fall within the traditional notion of "customer service" for which one would not normally expect an additional charge would not be considered by the Department to be a rebate or inducement in violation of Section 41-1314. Examples of traditional customer services that would not be viewed as rebates or illegal inducements include offering a 24-hour hotline for claims, responding to questions or providing advice regarding coverage or benefits, maintaining loss runs, and issuing insurance cards.

Effective July 1, 2006, Idaho Code Section 41-1314(3) was amended to permit producers of life, property and casualty insurance the ability to offer to actual or prospective policyholders goods (but not services) as long as the goods do not exceed an aggregate value of \$50. It is important to note that the \$50 exception to the rebate law does not apply to health insurance or other types of disability insurance, and it only applies to goods, not services.

All insurers and producers doing business in Idaho should carefully review their policies and marketing efforts involving any goods or services offered without reasonable charge to their customers or prospective customers. The Department will actively investigate complaints concerning violations of Idaho Code Section 41-1314 and will take administrative actions to assure compliance when appropriate.

Persons with questions concerning this bulletin should contact the Department's Consumer Affairs Section at 208-334-4250.