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**SUBJECT:** LDI Bulletins on Producer Compensation & Value Added Services

**BACKGROUND:** In recent months, the Louisiana Department of Insurance (LDI) has received a number of complaints and questions about issues related to insurance producer compensation. Most of these producer compensation issues are related to whether or not insurers or producers can reduce commissions or waive commissions in favor of fees.

LDI has also received a number of complaints and questions about issues related to how far insurance producers may go to provide value added services before such services are considered rebates or inducements to buy insurance in violation of Louisiana law.

**MAIN POINTS:** In response to complaints and questions about commissions vs. fees, LDI has Issued LDI Advisory Letter 2010-01 to give insurance companies and producers guidance about what is permitted and prohibited. In general, an insurer may use either commissions or fees for a specific line of business or program, but they must consistently use one or the other...they may not change compensation from account to account. Likewise, producers may not reduce or eliminate commissions in favor of fees on an account by account basis. Please see attached LDI Advisory Letter 2010-01 for details.

LDI Bulletin 2010-05 was issued to address complaints and questions about value added services to give insurance producers guidance as to what types of activities are permitted or prohibited. In general, insurance producers may not provide payment of third party services, or provide in-house services which are not routinely available to all policyholders or exceed the normal insurance related risk evaluation and underwriting services of an account, as an inducement to buy insurance. Please refer to attached LDI Bulletin 2010-05 for details.

**NECESSARY ACTION:**

Both of these LDI publications are very important for agency personnel to understand. Please distribute to all appropriate agency personnel, and review agency procedures to verify that they comply with Louisiana law as outlined in these LDI publications.