August 12, 1965

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter 12 (1965)

TO: ALL AUTHORIZED LIFE INSURANCE COMPANIES

Re: Section 213

I am enclosing herewith, for the information of your company, a copy of a current Department directive regarding the application of the provisions of Section 213 and the treatment in Schedule Q of a policy form with an artificially high first year premium. If your company is issuing any policy form coming within this category, it is requested that you promptly file a copy of such form with full details thereof, including the scale of first year and renewal commissions payable thereon, with Supervising Actuary James Challenger at our New York City office (123 William Street) and indicate your company's compliance with the requirements set forth in the aforesaid directive.

Please acknowledge receipt of this letter.

Very truly yours,

[SIGNATURE]

Fioravante G. Perrotta

Acting Superintendent of Insurance

Enclosure

, President

Re: Section 213 - Policy Form_____

Dear Mr.__________:

The Department has given official consideration to the question as to the permissible first year field expense allowance pursuant to paragraphs 2, 3, and 4 of Section 213 for policy forms with an artificially higher first year premium as compared to the renewal premium. This question has been pending with respect to your policy form_______with gross premiums per $ 1,000 of face amount at age 35 as follows:

Policy Years	Premium
1	$ 20.53
2-5	7.19
6 and thereafter	20.53

We find that the equivalent level gross premium during each of the first five policy years comparable to the premiums shown above on the basis of Linton A Table and 3% would be $ 10.48. Since it is quite evident that the policy is essentially a modified life contract and in order to prevent a circumvention of the objectives sought by Section 213, your company is hereby advised that the first year expense allowance shall be calculated on the equivalent rule basis. Thus, for the specimen age shown, the first year expense allowance shall be calculated on the basis of the level premium of $ 10.48. Furthermore, the 60% and 55% first year commission limits in subdivision 4 and the renewal commission limits of subdivision 8 shall be applied to the aforesaid level premium.

Your company also is reminded that renewal commission scales which provide for the payment of a commission greater in any year than that stipulated in subdivision 8 must be submitted to and be approved by the Superintendent of Insurance before they are put into effect.

I shall appreciate your prompt advice as to action taken or contemplated to comply with the foregoing.

Very truly yours,

Fioravante G. Perrotta

Acting Superintendent of Insurance