

Bulletin 97-3

Marketing of Individual and Small Employer Health Insurance

With the enactment of SB 60, two of the fundamental purposes of the Individual and Small Employer Health Insurance Act ("Act") are:

1. Improve the overall fairness and efficiency of the individual and small group insurance market; and
2. Provide increased access for individuals and small employers to health insurance.

Insurers are to be aware that Rule R590-176 applies to the marketing of individual and small group insurance through compensation and commission arrangements. Specifically, it is a violation of R590-176-4 to market or encourage agents to market individual and small employer health insurance in such a way that there is a lessened incentive to insure business with greater health risks.

An example would be not paying, or reducing the dollar amount of, the commission on business at the high end of the allowable rating band. The department considers these arrangements in direct conflict with the stated purposes of the Act.

However, the Act does not require insurers to base commissions on a percentage of premium. An insurer would be permitted to pay no commissions on all business or to pay a dollar amount based on factors other than risk characteristics.

DATED this 20th day of June, 1997.

Insurance Commissioner

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