



STATE OF NEBRASKA

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BULLETIN

CB-69
July 10, 1987

TO: All Title Companies, Agents and Agencies

FROM: William H. McCartney
Director of Insurance

SUBJECT: Title Insurance - Rebates and Compensation for Unlicensed Agents

This bulletin is being issued in response to the many inquiries and complaints the Department of Insurance has recently received to the effect that certain business practices in the title insurance industry are in violation of Nebraska insurance laws. It has come to the attention of the Department of Insurance that it has become an increasingly common practice in the title insurance industry to pay valuable consideration to unlicensed persons for submitting or completing title insurance orders. Typically, this occurs when a title insurance agency arranges to provide payment in money or in kind to realtors, closing secretaries or lenders on the basis of the number of completed title insurance orders placed with the title insurance agency. Such arrangements may be formal or informal and may or may not be in writing. The payment in consideration ranges from cash to catalog merchandise and from vacations and discount airline fares to football tickets and are in some way tied to or contingent upon the production or placement of title insurance business. The actual methods of payment may vary from "prize" drawings and raffles to outright awarding of prizes. The purpose of this bulletin is to advise all concerned that the Department of Insurance views such arrangements, whether done directly or indirectly, as (1) payment of a commission to unlicensed persons for services rendered as a title agent in violation of Neb.Rev.Stat. §44-4037 and (2) offering or allowing a rebate of premium payable on a title insurance policy or of an agent's commission thereon, which is not specified in the title insurance policy, in violation of Neb.Rev.Stat. §44-361 and 44-1525.

Henceforth, the Department of Insurance will treat such arrangements as a violation of Nebraska insurance laws whether accomplished directly or indirectly, notwithstanding previous rulings to the contrary. Such arrangements include but are not limited to, paying for, or offering to pay for, gifts, entertainment, vacations, business trips, convention expenses, travel expenses, membership fees, registration fees, lodging or any similar such benefit to unlicensed persons for completed title insurance orders. However, the occasional purchase of food and beverage at business meetings, not tied to production goals will not be considered contrary to the guidelines of this bulletin.

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All title insurance companies, agencies and agents licensed in Nebraska should read and understand the purpose and policy of this bulletin and will henceforth be expected to comply with both the letter and intent of applicable Nebraska insurance laws, regulations and with this bulletin. Title insurance companies will be expected to be aware of and to monitor the promotional programs of their agents and will be held accountable for violations of Nebraska law. Questions regarding this bulletin should be addressed to the Legal Division of the Department of Insurance.