

Bulletin of September 20, 1978

Improper depositing of funds as an inducement

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In the opinion of the Division of Insurance the following practice, when engaged in by insurers in connection with the sale or placement of insurance, or as an inducement thereto, shall constitute unfair methods of competition and shall be subject to the Unfair Trade Practices Act of this state and specifically SDCL 58-33-14.

Deposit by an insurer of money or securities without interest or at a lesser rate of interest than is currently being paid by the creditor bank or financial institution to other depositors of like amounts. This paragraph shall not be construed to prohibit the maintenance by an insurer of such demand deposits or premium deposit accounts as are reasonably necessary for use in the ordinary course of the insurance business.

It shall be the responsibility of the insurer to immediately review their present deposit practices to see that they are not in violation of the Unfair Trade Practices Act as set down by South Dakota law and take corrective action where necessary.

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Director of Insurance