The Insurance Department has become aware that some insurance companies, mainly those engaged in writing credit life and accident and health business, are maintaining deposits in banks with which they do business at no interest, or at interest rates substantially less than competitive rates.

When an insurance company places funds on deposit in a bank with whom it does business at less than competitive interest rates, the additional income the bank receives for use of those funds that is represented by the difference between what interest, if any, is paid on the account and what the bank would normally pay in interest on such an account, constitutes additional compensation to that bank by the insurance company. As you are aware, the Department has specific regulations on the compensation and commissions an insurance company can pay on credit insurance business. For an insurance company to engage in depositing non-interest bearing funds in banks in order to secure or maintain the bank's credit business is a form of compensation to that bank that is illegal in Indiana.

I direct all insurers doing business in Indiana that have bank deposits of the above nature to cease such practices immediately. Any insurers found maintaining such bank accounts shall be subject to immediate disciplinary action on the part of the Department of Insurance.

H. P. Hudson
Insurance Commissioner