



STATE OF TENNESSEE  
**DEPARTMENT OF COMMERCE AND INSURANCE**  
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COMMISSIONER

**BULLETIN**

**TO:** All Property and Casualty Insurance Companies Authorized to Write  
Homeowner's and  
Personal Automobile Insurance

**FR:** Paula A. Flowers, Commissioner  
Department of Commerce and Insurance

**RE:** Forced Packaging (Forced Bundling) of Multiple Lines of Coverage

**DT:** August 31, 2003

It has been brought to the attention of the Department that some Property and Casualty companies and/or agents have been engaging in the practice of "forced packaging" or "forced bundling" of multiple lines of coverage.

It is the position of this Department that such practices constitute an unfair or deceptive act or practice in the business of insurance and may indicate an inadequacy of rate issue for some line coverage filings. The pertinent statutes are as follows:

**56-8-103. Unfair methods of competition and unfair or deceptive acts or practices prohibited.** – No person shall engage in this state in any trade practice which is defined in this chapter as, or determined pursuant to §56-8-108 to be, an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.

**56-8-108. Hearings – Witnesses – Appearances – Production of books – Service of process.** – (a) Whenever the commissioner has reason to believe that any person has been engaged or is engaging in this state in any unfair method of competition or any unfair or deceptive act or practice, whether or not defined in § 56-8-104 or § 56-8-106, and that a proceeding by the commissioner in respect thereto would be to the interest of the public, the commissioner shall issue and serve upon such person a statement of the charges in that respect and a notice, which shall not be less than thirty (30) days after the date of the service of such notice.

**56-5-303. Standards.** – (a) GENERAL. Rates:

(1) Shall not be excessive, inadequate or unfairly discriminatory; or ...

“Forced packaging” or “forced bundling” occurs when an insurer, directly or through its agent, requires a consumer or insured to apply for multiple lines of coverage in order to obtain or renew coverage on a single line (e.g. a person wishes to purchase homeowner’s insurance coverage from an insurer and the insurer then tells the consumer that coverage will only be issued or renewed if the homeowner also applies for personal automobile coverage with the same carrier/ agent/agency). Selling tactics such as those described herein place unduly coercive pressure on the consumer in the purchasing or renewing of the desired coverage. Furthermore, the “forced packaging/ bundling” of coverage on multiple lines implies that the company’s filed rates for the single line of coverage are not adequate enough to sustain projected losses and expenses on that line. It is for these reasons that the position of this Department is that “forced packaging” and “forced bundling” constitute unfair trade practices in violation of Tenn. Code Ann. §56-8-103, pursuant to 56-8-108. Any carrier, producer or agent engaging in this practice would be subject to the provisions of §56-8-109, to wit:

**56-8-109. Cease and desist and penalty orders – Modification thereof.** – (a) If, after a hearing as authorized in §56-8-108(a), the commissioner determines that the person charged has engaged in an unfair method of competition, or in unfair or deceptive acts or practices, the commissioner shall reduce all findings to writing and shall issue and cause to be served upon the person charged with the violation a copy of such findings and an order requiring such person to cease and desist from engaging in such method of competition, act or practice...

In addition, any producer, agent or solicitor who communicates to a consumer or insured that “forced packaging” or “forced bundling” is their company’s policy when it is not, is in direct violation of Tenn. Code Ann. § 56-6-112(a)(8), to wit:

**56-6-112(a)(8). License denial, nonrenewal, suspension or revocation.** - (a) The commissioner may place on probation, suspend, revoke or refuse to issue or renew a license issued under this part or may levy a civil penalty in accordance with subsection (e) or take any combination of such actions, for any one or more of the following causes: ... (8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or

elsewhere; ...

Nothing in this Bulletin should be construed to prohibit the use of incentives in the form of filed discounts or other lawful marketing techniques in order to encourage consumers or insured to purchase multiple lines of coverage from a single carrier/agent/agency, nor is it intended to require companies to issue policies to persons who do not meet the company's lawful underwriting guidelines. The intent is only to prohibit the practice of forcing consumers or insured to purchase multiple lines of coverage in order to obtain or renew the single line of coverage desired by the consumer or insured.