

Bulletin 35

USE OF UNAUTHORIZED QUESTIONNAIRES

March 7, 1978

The Insurance Department has found that certain policyholders have been requested by life insurance agents to sign supplementary forms in connection with and additional to the required Disclosure Statement provided and detailed in 760 IAC 1-16-1 to 760 IAC 1-16-7; the replacement insurance regulation.

These forms are given to the insured at the same time as the Disclosure Statement and are in the form of a questionnaire to be sent to the company holding the existing policy being replaced. The questionnaire poses certain questions to be answered by the company and cites the authority given the insured under Exhibit B of 760 IAC 1-16-7.

The use of any form that is not specifically detailed and authorized in 760 IAC 1-16-1 to 760 IAC 1-16-7 is in violation of the Insurance Code and Regulations. All companies and agents engaging in the life insurance business in Indiana are cautioned that the use of any such unauthorized forms may be considered as engaging in unfair competition and practices and subject to disciplinary action by the Department.

The types of questions being used, and which we consider unfair and misleading, are those found on the attachments to this Bulletin.

On their face, many of these questions touch on subjects any worthy insurance agent should discuss with any insurance purchaser at the time of sale. However, as currently being used by some companies, and some agents, a negative slant is being conveyed which appears to be blatant misrepresentation and borders on "twisting" all pursuant to IC 27-4-1-4.

In my opinion, the manner in which some companies and some agents are posing these questions is a gross disservice to the insuring public and a discredit to the insurance industry. All companies and agents that have been using such materials and tactics are to cease such activities immediately.

H. P. Hudson
Insurance Commissioner

ATTACHMENT 1

MEMO TO APPLICANT:

Based on the information which you have furnished us regarding:

- A. Your need for life insurance protection
- B. Your premium outlay and
- C. The total benefits provided by your life insurance policies

we have revised and updated your life insurance program.

It is possible that the agent or agents who sold you the original policy or policies, will question the suitability of the improved plan which, after careful consideration, we agreed would lower your cost and better serve your considered needs.

Should this be the case, have your former agent or agents answer the simple yes or no questions which are set forth in the accompanying Insurance Questionnaire. The company name as well as an individual signature are required.

ATTACHMENT 2

A LIFE INSURANCE QUESTIONNAIRE

STATEMENT:

When I was sold my life insurance policies, I was led to believe that the "cash value" was "MY SAVINGS ACCOUNT".

QUESTIONS:

- | | | |
|---|-----|----|
| 1. Does your company own "MY SAVINGS ACCOUNT" ? | YES | NO |
| 2. Can "SAVINGS ACCOUNT" be legally used to describe cash value? | YES | NO |
| 3. If I borrow "MY SAVINGS ACCOUNT" am I charged interest? | YES | NO |
| 4. Should the word "surrender" be used if I want "MY SAVINGS ACCOUNT"? | YES | NO |
| 5. Can your company make me wait for six months before getting "MY SAVINGS ACCOUNT"? | YES | NO |
| 6. If my policy were terminated as a death claim would my beneficiary get "MY SAVINGS ACCOUNT" as well as the face value of the policy? | YES | NO |
| 7. If "MY SAVINGS ACCOUNT" is kept by your company, thus reducing its risk, should such policies be called permanent? | YES | NO |
| 8. In the so-called permanent life insurance policies the premium remains the same but the cost increases year by year. Is this statement true? | YES | NO |
| 9. Are life insurance dividends taxable by the Internal Revenue Service as income? | YES | NO |
| 10. The U.S. Treasury states "A life insurance dividend is a partial return of a deliberate premium overcharge". Is this statement true? | YES | NO |

AFFIDAVIT

In answering the above questions I realize fully the liability for loss and damages which could result to the applicant should my statements be misleading, deceptive or concealing. I do hereby accept liability on behalf of myself and the company which I represent and indemnify the applicant for any losses due to cash overpayment, loss of interest earnings or loss of pure insurance protection which might be occasioned by my answers to the above questions.

_____ **Company**

_____ **Date**

_____ **Authorized Signature**

ATTACHMENT 3

Gentlemen:

I have just signed a NOTICE TO APPLICANT regarding replacement of my life insurance. It is my desire, if you or your representative is going to suggest that I keep my present plan, that you comply with article number six that states:

6. If, in the negotiation to replace existing insurance, it is suggested by an agent or employee of the present company that the existing insurance not be replaced, you are entitled to request in writing and receive directly from the person making the suggestion a written statement setting forth all the pertinent facts bearing on the advantages of the suggestion.

I have several questions that I would like answered in writing and signed by an official or a representative of your company.

1. Why is it to my advantage to have less insurance protection now for the same premium dollar?
2. On a year by year basis, is term insurance cheaper than cash value insurance?
3. Should I die while I have cash value insurance policy in force, why doesn't my beneficiary receive my cash value in addition to the face amount?
4. I have been told that my cash value policy is really a decreasing term policy and a savings account that gradually places the burden of protection on me. Is this true? If not, please explain your answer.
5. If the cash surrender value is my savings, why do I have to pay an insurance company interest to use my money?
6. Is there ever a time that I could use my entire cash surrender value and still have life insurance without paying interest?
7. Is it legal to call any portion of my cash value a savings or investment plan? Yes or No.
8. If I am gradually taking over the risk portion of my own life insurance, why is this referred to as permanent insurance?
9. Please give me a year by year breakdown of the interest I will receive on my cash surrender values. Do not include dividends (if participating) or that portion of the current year's premium that the cash value increases by. (Use Separate Sheet)
10. If my cash surrender value is really my money, why is the word surrender used?
11. Can I get money from my cash surrender value at anytime or could an insurance company force me to wait 6 months?
12. Who really owns my cash surrender value?
13. I was told my policy would provide a death benefit at all times and that I could also use it to supplement my retirement income. How is this accomplished?

14. If I want my death benefit to remain in force and my cash values to supplement my retirement income, how much would that cost me?

ANSWER THE FOLLOWING QUESTIONS ONLY IF THE POLICY BEING REPLACED IS A PARTICIPATING POLICY.

15. Please explain the definition of a dividend under U.S. Treasury Decision No. 1743.

16. If a dividend is only a partial return of a premium overcharge, why aren't dividends guaranteed since the overcharge is guaranteed and built into the rate?

17. Is a dividend a profit on my money?

18. Why aren't dividends taxable?

Please send a copy of your answers to _____. Since he had to provide you with a comparison statement, I feel it is only fair you do the same for him. His address is:

_____ Yours truly