

Bulletin 7

"PROFIT SHARING" AND COUPON CONTRACTS -- PROHIBITED PRACTICES

December 16, 1959

Since the issuance of our directive of June 3, 1959 on this subject, further careful study has been given the matter, and we have sought the best available counsel thereon.

It is the unanimous opinion that while there is nothing wrong with Coupon Contracts per se, further definite steps must be taken to eliminate certain misunderstandings which have arisen in their presentation.

Therefore, on and after Feb. 1, 1960, the following regulations will apply to the sale of such contracts in this State:

1. The use of the words "Profits" and "Profit Sharing," or any similar expression, shall not be used in any life insurance contract, or any rider attached thereto; nor shall "profit sharing" be featured in any sales literature, or sales presentation, written or verbal.
2. Any statements indicating "profits" from lapses and surrenders shall likewise be eliminated.
3. Any surplus distribution to policyholders must be explained as dividends, and their source factually presented.
4. Coupons are not to be referred to in any manner as "profits" or "income in investment."

It is the intention of this Department to review such sales presentations as seem appropriate, and order any necessary changes therein.

After the date mentioned above, if any company, or individual agent, is found using such prohibited sales methods, literature, or contracts, appropriate action will be taken.

Alden C. Palmer
Insurance Commissioner