



State of Missouri

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BULLETIN # 87-15

TO: ALL COMPANIES SELLING LIFE AND HEALTH INSURANCE
FROM: LEWIS R. CRIST, DIRECTOR
DATE: SEPTEMBER 10, 1987

The Missouri Division of Insurance (MDI) has received several consumer complaints regarding the use of lead cards in the sale of insurance. Lead cards are predominantly directed toward the elderly in an effort to sell medicare supplement insurance and burial plan life insurance.

Typically, a lead card will advise the reader that government benefits for medicare or burial expenses are being reduced. The reader is then advised that by merely filling out the card with the reader's name and address, he or she will receive information on either a medicare supplement or a burial plan life insurance policy.

Several violations of the insurance laws and regulations of Missouri have occurred through the use of these lead cards. The MDI intends to pursue vigorously those responsible for these violations.

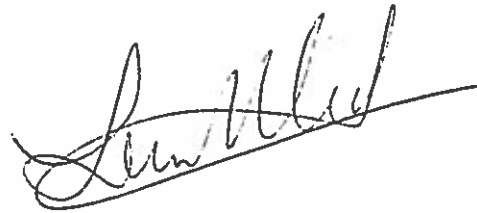
No lead card examined to date by the MDI reveals the name of the insurance company or the policy form, which is being promoted by the sender. This failure to give the name of the insurer and the form number violates MDI regulations 4 CSR 190-13.020(5)(A) in burial plan life insurance and 4 CSR 190-14.040(12)(A) in medicare supplement insurance.

The customary practice with lead cards is that when a person responds by mailing the lead card, an insurance agent will receive the names of the respondents and call on them. The lead card typically does not state that an agent will call on a responding reader, but rather states that the respondent is merely sending away for information. The failure to inform the consumer that an insurance agent will likely call on those who respond gives lead cards the capacity or tendency to mislead or deceive under MDI regulation 4 CSR 190-13.020(3)(A) for burial plan life insurance or 4 CSR 190-14.040(4)(A) for medicare supplement insurance.

Lead cards often promise benefits which will seldom, if ever, be paid, which is also misleading or deceptive advertising under 4 CSR 190-13.020(3)(A) or 4 CSR 190-14.040(4)(A). If the promised benefits are not provided by the policy at all, the use of the lead card will constitute an unfair trade practice under Section 375.936(4) and (6), RSMo 1986, known as "false information and advertising generally" and "misrepresentations and false advertising of insurance policies."

Finally, the use of lead cards by entities not licensed to sell insurance in this state may violate Section 375.014, RSMo 1986, which prohibits anyone from acting as an insurance agent or agency without a license.

LRC/MWS/pll

A handwritten signature in black ink, appearing to read "LRC/MWS/pll", written over a horizontal line.

RESCINDED AND INOPERATIVE