



CDA

State of Missouri

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Department of Consumer Affairs, Regulation and Licensing

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C. Donald Ainsworth,
Director

BULLETIN NO. 84-05

BULLETIN

TO: All Companies Writing Life Insurance in the State of Missouri
FROM: C. Donald Ainsworth, Director *CDA*
SUBJECT: "Estate Conservation" Plans
DATE: August 5, 1984

RESCINDED AND INOPERATIVE

Effective immediately, the marketing practices of any company writing an "estate conservation" plan in the state of Missouri will be subject to close scrutiny by the Division of Insurance. We continue to receive complaints on this plan, and, although the policy is an approved product in Missouri, agents have not always fully explained the annuity portion of the program and the insured expects higher interest rates than are actually guaranteed by the policy. Federal estate tax savings is one of the "selling points" of these plans; however, some agents are selling to a population segment that is not subject to such tax (individuals with estates under \$325,000 at this time).

It is imperative that this product be marketed in such a way that the insured clearly understands what he is purchasing. We also urge you to be certain that your company's advertising practices are in compliance with our regulation 4 CSR 190-13.020. In the event a proposal is made to a prospective client, the agent must stress the following points:

1. It is primarily a life product.
2. The guaranteed interest rate may be substantially lower than the rate described in the sales material.

3. Premiums on the life portion must be paid every year.
4. The so-called "side" or "retirement" fund will not start accumulating until sometime after the first year.
5. An early cash surrender could result in an unsatisfactory return (i.e., less than the amount actually paid in).

If it is determined that the plan has been marketed in a deceptive manner, either through selling or advertising techniques, a premium refund plus all interest earned may be required. In addition, regulatory action may be brought against both the agent and the company.

Any questions concerning this bulletin should be directed to my office (314-751-2451) or to the Consumer Services Section (751-2640.)

CDA/MLC/mjp

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