

IN THE MATTER OF
SOUTHERN NATIONAL INSURANCE COMPANY

· CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket 6251. Complaint, Oct. 14, 1954—Decision, Apr. 14, 1955

Consent order requiring an insurance company in Little Rock, Ark., to cease advertising falsely the duration, medical examination requirements, indemnification, and coverage of its accident and health insurance policies.

Before *Mr. J. Earl Cox*, hearing examiner.

Mr. William A. Somers and *Mr. Robert R. Sills* for the Commission.
Catlett & Henderson, of Little Rock, Ark., for respondent.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as that Act is applicable to the business of insurance under the provisions of Public Law 15, 79th Congress (Title 15, U. S. Code, Sections 1011 to 1015, inclusive), and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Southern National Insurance Company, a corporation, hereinafter referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. The respondent, Southern National Insurance Company, is a corporation duly organized, existing and doing business under and by virtue of the laws of the State of Arkansas, with its office and principal place of business located at Little Rock, Arkansas.

PAR. 2. Respondent is now, and for more than two years last past has been, engaged as an insurer in the business of insurance in commerce, as "commerce" is defined in the Federal Trade Commission Act, by entering into insurance contracts with insureds located in various States of the United States other than the State of Arkansas, in which states the business of insurance is not regulated by state law to the extent of regulating the practices of respondent alleged in this complaint to be illegal. Respondent maintains, and at all times mentioned herein has maintained, a substantial course of trade in said insurance policies in commerce between and among the several States of the United States.

Respondent during the two years last past has issued a variety of policies providing indemnification for losses resulting from accidental injury and sickness, including those designated and identified by it as Hospital and Surgical Benefit Policies, forms H-752 and H-853-T.

The respondent is licensed as provided by state law to conduct an insurance business in the States of Oklahoma, Texas, Louisiana, Alabama, Mississippi, and Arkansas. The respondent is not now, and for more than two years last past has not been, licensed as provided by state law to conduct an insurance business in any state other than those last above mentioned.

Many purchasers of respondent's aforesaid policies are now residents of and located in states other than those in which the respondent has been duly licensed as aforesaid, and respondent mails to such purchasers notices and receipts relating to the payment of renewal premiums and receives from such purchasers premiums mailed to it repurchasing the coverage purchased for the period of time covered by the premium submitted. The renewal of term insurance in this manner constitutes trade in commerce to the same extent as the original purchase of said insurance.

PAR. 3. In the course and conduct of its said business, and for the purpose of inducing the purchase of said insurance policy, the respondent has made, and is now making, numerous statements and representations concerning the benefits provided in said policies of insurance, by means of circulars, folders, form letters, and other advertising material distributed throughout various States of the United States, including each of the states in which it is licensed to do business. Typical, but not all inclusive, of such statements and representations are the following:

1. Does not Terminate as you get older—or Reduce in—Benefits. Pays full benefits regardless of age. Southern National neither cuts the benefits nor raises the rates when our Policyholder reaches 65 years of age, or at any age after the policy is issued.

INSURE ONE OR THE

WHOLE FAMILY

AGES 0-80

2. No rigid medical examination required.
3. Let Us Pay Your HOSPITAL and DOCTOR BILLS. A small premium deposit will provide adequate hospital care in the event of accident or sickness.

Complaint

51 F. T. C.

YOUR POLICY IS ON DUTY 365 DAYS EACH YEAR FOR YOUR SPECIAL BENEFIT.

PAYS FOR:

Hospital Room	Ambulance
Operating Room	Nurses Care
Anesthetics	Emergency First Aid
Laboratory Service	Infant Mothers Care
Blood Transfusion	Maternity Benefits
X-ray	Doctors Surgical Fees
Medicines	Penicillin
Surgical Supplies	Streptomycin
Hypodermics	Aureomycin
Oxygen	Accidental Death
Iron Lung	And many other benefits

"The day your policy is issued we become obligated to you—your surgeon—and the hospital for the full amount of benefits provided by your policy."

4. Doctors' fees for surgical operations up to \$300.00. Up to \$10.00 a day for room and board; up to \$300.00 for surgeon's fees.

PAR. 4. Through the use of such statements and representations, and others of similar import and meaning not specifically set out herein, respondent represents and has represented, directly or by implication:

1. That the benefits provided by the insurance policy referred to can be continued, at the option of the insured, until the insured reaches the age of 80.
2. Full coverage regardless of previous conditions of health can be secured without a medical examination.
3. That the benefits provided for are payable for any sickness or accident suffered by the insured.
4. That said policy provides for payment to the insured in all cases of sickness or accident for the cost of hospital room and board up to \$10.00 a day and for the cost of surgical fees up to \$300.00 plus other incidental hospitalization costs in full.

PAR. 5. The aforesaid statements and representations are false, misleading and deceptive. In truth and in fact:

1. The benefits provided by said insurance policy can not be continued at the option of the insured until he or she attains the age of 80, or any other age, but on the contrary, said insurance policy can be terminated at any premium-paying period at the option of the respondent by refusing to accept the renewal premium.
2. Full coverage regardless of previous conditions of health cannot be secured as said policy does not provide for the payment of any benefits if the cause of the sickness is traceable to a condition existing prior to 15 days after the effective date of the policy.

3. The benefits are not payable for any sickness or accident suffered by the insured. On the contrary, if the cause of any sickness is traceable to a condition existing prior to or 15 days after the effective date of the policy, or, in cases of accident, if no bodily injury which is effected solely through accidental means is suffered, no benefits will be payable.

Said insurance policy excludes the payment of benefits to the insured resulting wholly or partly from "tuberculosis, heart trouble, cancer, hernia, fibroid tumor, gallstone or gall bladder or any of the generative organs not common to both sex, or any organic functional disorder of the brain or nervous system" if such loss occurs before the said policy has been maintained in continuous force for six months, and in cases of cancer or tuberculosis the hospital benefits shall not exceed 15 days.

No benefits are payable to insured before six months have elapsed for tonsillectomy or adenoidectomy and after which time the respondent will pay the insured \$50.00 in lieu of all hospitalization benefits for such losses. In lieu of all other benefits the respondent will pay the insured ten times the daily hospital room benefit for childbirth or miscarriage.

No benefits will be paid by respondent for injury or sickness from which the insured received benefits by workmen's compensation or employer's liability insurance, and if the insured carries additional insurance covering the same loss, without giving respondent written notice, the respondent shall not be liable except for that portion of the indemnity as the said indemnity bears to the total amount of like indemnity in all other policies covering such loss.

4. Said policy does not provide for payment to the insured in all cases of sickness or accident for the cost of hospital room and board up to \$10.00 a day or for the cost of surgical fees up to \$300.00, plus other incidental hospitalization costs in full.

Benefits for surgical operations necessitated by any one accident or sickness up to \$300.00 will not be paid to the insured except in three instances in which the "Schedule of Surgical Operation Fees" sets up and allows such amount for three different operations. Said "Schedule of Operation Fees" sets out fees allowable for 99 different operations and for 69 of said listed operations the respondent provides a maximum benefit of \$75.00 or less. Payment shall not be made for more than one operation as the result of any one sickness or accident. No payment for surgical operation shall be paid because of any sickness which is traceable to a condition existing prior to 15 days after the effective date of the policy or because of any sickness necessitating an operation before the policy has been in effect three months. Surgi-

cal operation benefits will not be paid the insured if resulting wholly or partially from "tuberculosis, heart trouble, cancer, hernia, fibroid tumor, gallstone or gall bladder or any of the generative organs not common to both sex, or any organic functional disorder of the brain or nervous system" until the said insurance policy has been maintained in continuous force for the six preceding months.

No payment for hospital room and board is provided for by said policy under the circumstances described in subparagraph 3 above in which no benefits are payable.

PAR. 6. The use by the respondent of said false statements and representations with respect to its insurance policies has had, and now has, the capacity and tendency to mislead and deceive, and has misled and deceived, a substantial portion of the purchasing public into the erroneous and mistaken belief that the statements and representations were and are true, and to induce such portion of the purchasing public to purchase a substantial number of said insurance policies by reason of said erroneous and mistaken belief.

PAR. 7. The aforesaid acts and practices of the respondent, as herein alleged, are all to the prejudice and injury of the public and constitute unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

DECISION OF THE COMMISSION

Pursuant to Rule XXII of the Commission's Rules of Practice, and as set forth in the Commission's "Decision of the Commission and Order to File Report of Compliance", dated April 14, 1955, the initial decision in the instant matter of hearing examiner J. Earl Cox, as set out as follows, became on that date the decision of the Commission.

INITIAL DECISION BY J. EARL COX, HEARING EXAMINER

Southern National Insurance Company, a corporation duly organized, existing, and doing business under and by virtue of the laws of the State of Arkansas, with its office and principal place of business located at Little Rock, Arkansas, is named respondent in the above-entitled proceeding and charged with having violated the Federal Trade Commission Act by misrepresenting various provisions of the insurance policies which it issues.

A Stipulation For Consent Order has been entered into between said respondent and counsel supporting the complaint herein, which stipulation has been approved by the director and Assistant Director

of the Commission's Bureau of Litigation and transmitted to the Hearing Examiner.

The stipulation provides, among other things, that respondent admits all the jurisdictional allegations set forth in the complaint and that the record herein may be taken as if findings of jurisdictional facts had been made in accordance with such allegations; that the stipulation, together with the complaint, shall constitute the entire record herein; that the complaint may be used in construing the order agreed upon, which may be altered, modified or set aside in the manner provided by statute for orders of the Commission; that the signing of the stipulation is for settlement purposes only and does not constitute an admission by respondent that it has violated the law as alleged in the complaint; and that the order provided for in the stipulation and hereinafter included in this decision shall have the same force and effect as if made after a full hearing, presentation of evidence and findings and conclusions thereon.

All parties waive the filing of answer, hearings before a Hearing Examiner or the Commission, the making of findings of fact or conclusions of law by the Hearing Examiner or the Commission, the filing of exceptions and oral argument before the Commission, and all further and other procedure before the Hearing Examiner and the Commission to which respondent may be entitled under the Federal Trade Commission Act or the rules of the Commission, including any and all right, power or privilege to challenge or contest the validity of the order entered in accordance with the stipulation.

The order agreed upon conforms in substance to the order contained in the notice accompanying the complaint, and disposes of all the issues raised in the complaint. The Stipulation For Consent Order is therefore accepted, this proceeding is found to be in the public interest, and the following order is issued:

It is ordered, That respondent Southern National Insurance Company, a corporation, and its officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution in commerce, as "commerce" is defined in the Federal Trade Commission Act, of any accident, health, hospital or surgical insurance policy, do forthwith cease and desist from representing, directly or by implication:

1. That said policy may be continued in effect indefinitely or for any period of time, when, in fact, said policy provides that it may be cancelled by respondent or terminated under any circumstances over which insured has no control, during the period of time represented;

Order

51 F. T. C.

2. That no medical examination is required or that applicant's health is not a factor in securing insurance, unless the representation is clearly and conspicuously limited in immediate connection therewith to insurance on claims not caused by previous conditions of health of the insured;

3. That said policy provides for indemnification to insured in cases of sickness or accident generally or in any or all cases of sickness or accident, when such is not the fact;

4. That said policy will pay in full or in any specified amount or will pay up to any specified amount for any medical, surgical or hospital service unless the policy provides that the actual cost to the insured for that service will be paid in all cases up to the amount represented.

ORDER TO FILE REPORT OF COMPLIANCE

It is ordered, That respondent Southern National Insurance Company, a corporation, shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing setting forth in detail the manner and form in which it has complied with the order to cease and desist [as required by said declaratory decision and order of April 14, 1955].

Complaint

IN THE MATTER OF
V. LA ROSA & SONS, INC.CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT*Docket 6289. Complaint, Jan. 25, 1955—Decision, Apr. 14, 1955*

Consent order requiring a manufacturer with office in New York City and plants in Connecticut and Pennsylvania, to cease advertising falsely that its macaroni and spaghetti were low-calorie and non-fattening foods, especially when prepared with the sauces recommended.

Before *Mr. Frank Hier*, hearing examiner.
Mr. Joseph Callaway for the Commission.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and by reason of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that V. La Rosa & Sons, Inc., a corporation, hereinafter referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent V. La Rosa & Sons, Inc., is a corporation organized and existing under and by virtue of the laws of the State of New York, with its office and principal place of business located at 473 Kent Avenue, Brooklyn, New York, New York, and with plants in Danielson, Connecticut, and Hatboro, Pennsylvania.

PAR. 2. The respondent is now and for several years last past has been engaged in the business of selling and distributing macaroni and spaghetti, which are food products as "food" is defined in the Federal Trade Commission Act. Said foods are sold and distributed under the trade names La Rosa macaroni and La Rosa spaghetti. The ingredients of La Rosa macaroni and La Rosa spaghetti are No. 1 Seminola flour to each 100 pounds of which is added one ounce of enrichment and less than 13% water. The amount of water originally added is 20 to 25% and the preparation is then dehydrated. The enrichment consists of vitamins B₁, B₂, iron and niacin.

The directions on the carton of the one pound package of macaroni are as follows:

To cook one pound of macaroni, bring six quarts of water to a violent boil. Add three tablespoonsful of salt. When water is boiling fast, add contents of