

IN THE MATTER OF
THE SERVICE LIFE INSURANCE COMPANY

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

Docket 6278. Complaint, Dec. 28, 1954—Decision, Dec. 28, 1955

Consent order requiring an insurance company in Omaha, Nebr., to cease misrepresenting in advertising the duration and coverage of its accident and health policies.

Before *Mr. William L. Pack* and *Mr. J. Earl Cox*, hearing examiners.

Mr. Robert R. Sills and *Mr. William A. Somers* for the Commission.

Mr. H. P. Westering, of Omaha, Nebr., and *Mr. Wendell Berge*, of Washington, D. C., 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 The Service Life 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. Respondent, The Service Life Insurance Company, is a corporation duly organized, existing and doing business under and by virtue of the laws of the State of Nebraska, with its office and principal place of business located at 1904 Farnum Street, Omaha, Nebraska.

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 the various States of the United States other than the State of Nebraska, in which states the business of insurance is not regulated by state law to the extent of regulating the practices

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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 sickness and accident, including those designated by it as Policy Forms DM 36 1/53, DM 36A-5/53, DM 40-1/54, DM 37 7/54, FH Series 662A-Illinois-8/50, 673 11/51, FH Series 672A 8-30, FH Series 672B 10-53, SL-677A 2-54, OA Series 661B 9/49 and LP567-P-Ill.-9-49.

Respondent is licensed, as provided by the respective State laws, to conduct its insurance business in the States of Nebraska and Ohio. 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.

Respondent solicits business by mail in the various States of the United States in addition to the States of Nebraska and Ohio. As a result thereof it has entered into insurance contracts with insureds located in many States in which it is not licensed to do business. Respondent's business practices are not regulated by any of those States as it is not subject to the jurisdiction of such States.

PAR. 3. In the course and conduct of its said business, and for the purpose of inducing the purchase of said insurance policies, 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, radio continuities, and other advertising material distributed throughout various States of the United States. Typical but not all inclusive of such statements and representations are the following:

1. This new policy covers everyone from infancy to age 70—
You can buy a Service Life *Family Hospital Policy* that is truly family *Hospital Protection* because every one from infancy to age 70 may be covered.
No Automatic Termination Age.
2. This policy pays \$100.00 a week—That's \$14.28 a day—\$5200.00 for a full year—whether it is just one day, a week, a month, or even a year—for each sickness or accident while in the hospital.
\$100.00 a week. *Hospital Room, Board and General Care for Accident or sickness.*
3. *Pay Check Insurance*—Money to live on when not in the hospital due to accident or sickness when you're laid up and can't work.
Money to Live On
Under the Silver Cross Hospital Plan you get up to \$300. a month for 60 months in income insurance, beginning with the 15th day of total disability at home or in the hospital, in addition to other benefits.

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4. *Pays you \$5 to \$175 for ordinary Doctor fees. Pays you \$7.50 to \$300.00 for Surgical Operations.*

Choose any doctor of medicine or surgeon you want. Surgery may be at your home or doctor's office. Covers even minor operations ranging from \$7.50 to \$300, depending on the type of operation. (Amounts given are allowed for each different member of the family and for each different sickness or accident.) Pays from \$5 to \$175 for doctor fees for ordinary accident or sickness while in the hospital depending on the number of calls and where no surgical fee is payable.

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 indemnification provided in the respondent's said insurance policies can and will be continued, at the option of the insured, until the age of 70 by making premium payments within the time and in the amounts provided by the policy.

2. That said insurance policies provide indemnification in the form of cash benefits in the amount of \$5200.00 a year to the insured for hospitalization expenses if confined in a hospital by any sickness or accident.

3. That said insurance policies provide for the payment of monthly indemnification to the insured up to 60 months in a specific amount to the insured for all loss of time from work resulting from any accident or sickness.

4. That said insurance policies provide indemnification for surgical operations to a maximum of \$300.00 and for money expended for doctor's calls to a maximum of \$175.00, when necessitated by any one sickness or accident.

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

1. The indemnification provided in said insurance policies cannot be continued until the age of 70, or any other age, at the option of the insured by the timely and required payment of premiums, but, on the contrary, said insurance policies can be terminated at any renewal time at the sole option of the respondent.

2. Said insurance policies do not provide indemnification in the form of cash benefits in the amount of \$5200.00 a year to the insured for hospitalization expenses resulting from any sickness or accident. On the contrary, no indemnification is provided for loss resulting from a sickness the cause of which is traceable to a condition existing prior to or within thirty days of the effective date of the policy or in cases of accident unless bodily injury has been sustained and was effected directly and independently of all other causes from accidental means.

It is further provided by said insurance policies that no indemnification for hospitalization shall be paid to the insured for loss caused by tuberculosis, diseases of the heart, diseases of the arteries, cancer, hernia in any form, tonsils, adenoids, or diseases of the female generative organs, if the cause thereof originates prior to or within six months after the date of the policy.

Said insurance policies further provide no indemnification will be paid for loss caused by dental care, dental treatment or dental surgery, except a fractured jaw, syphilis, venereal disease, mental derangement, nervous disorders. Policy SL-677A-2-54 provides, pregnancy, miscarriage, abortion, childbirth or complications arising therefrom shall not be covered, except as provided in any Rider attached thereto. No insured shall be covered outside the continental limits of the United States, Hawaii, Canada or Alaska.

Said policies provide that no indemnification shall be paid the insured when confined in a hospital operated by the United States Government for the care of any member of the Armed Forces or his family or for the care of any veteran, nor while confined in tuberculosis hospitals, sanitariums, clinics or similar institutions.

Policy SL 677A 2-54 provides that if the insured is indemnified by another insurer for the same loss without giving written notice to the respondent the specific amount promised shall be reduced in proportion as the said indemnity bears to the total amount of like indemnity in all policies covering such loss.

3. Said insurance policies do not provide for the payment of monthly indemnification to the insured up to 60 months in a specific amount for all loss of time from work resulting from any sickness or accident. On the contrary, said insurance policies provide no indemnification shall be paid for loss due to any sickness traceable to a condition existing prior to or within thirty days of the effective date of the policy, or in case of accident, unless bodily injuries have been sustained which are effected directly and independently of all other cause from accidental means.

Said Policy DM40-1/54 provides that the insured shall be totally and continuously disabled by injuries within 60 days after the date of accident and such injuries shall necessitate the regular care and attendance of a physician with total loss of time to receive any monthly indemnification. The amount and length of time is a matter of negotiation between the respondent and the insured. In cases of loss of time because of sickness said Policy DM40-1/54 provides such sickness shall totally and continuously disable the insured causing total loss of time and necessitate the regular care and attendance of a physician. The amount of the monthly indemnification and the

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length of time is a matter of negotiation between the respondent and the insured.

Said Policy OA Series 661B 9/49, in cases of accident, provides that "such injuries," within 90 days from date of accident, shall totally and continuously disable the insured and necessitate the regular care and attendance of a physician and thereby prevent the performance of every duty pertaining to the regular occupation of the insured but the monthly indemnities shall not exceed a total of 12 months. After twelve months, if the insured is continuously and totally disabled from engaging in any occupation or employment for wage or profit and still under the regular care and attendance of a physician, the monthly indemnification will be continued during such period of disability.

Policy OA Series 661B-9/49 provides indemnification for losses resulting in partial disability but then only 50% of the specific monthly benefit shall be paid for a period not to exceed three months.

No benefits are payable under the provisions of Policy OA Series 661B 9/49 for loss of time caused by sickness unless such sickness shall totally disable and necessarily and continuously confine within doors the insured during all of which time he is regularly visited and treated by a physician and is prevented from performing every duty of his occupation and then only are such benefits payable for a total period of twelve months. Thereafter, such monthly benefits are payable if the conditions existing during the first twelve month period continue to exist and the insured is prevented from engaging, not in every duty of his occupation, but is prevented from engaging in any occupation or employment for profit. Said Policy OA Series 661B 9/49 has therein a non-confining sickness provision providing for monthly indemnification but for only 50% of the specific amount for a period not to exceed three months.

Policy LP657-P-III-9-49, in cases of accident, provides if "such injuries," within ninety days from date of accident, totally and continuously disable the insured from performing every duty pertaining to his occupation and necessitates regular care and attendance of a physician the monthly indemnification will be paid for a period of fifty-two weeks. In the event the disability meets all of the above conditions and requirements and prevents the insured from engaging in any occupation or employment for wage or profit the indemnity will be continued during such period. If the disability is partial fifty percent of the specific amount will be paid for a period not to exceed a total of three months.

In cases of sickness, Policy LP657-P-III-9-49 provides that if by "such sickness" the insured shall be totally disabled, necessarily, con-

tinuously confined within doors and therein regularly visited and treated by a physician the monthly indemnification shall be paid for duration of the disability. Said policy has a non-confining disability provision which provides fifty percent of the specific amount of the monthly indemnification shall be paid for a period not to exceed three months.

Policy LP657-P-III-9-49 provides that the specific amount of the monthly indemnification shall be reduced fifty percent after the insured has attained the age of 60 years.

All of said insurance policies contain therein exclusion and limitation provisions which exclude the insured from receiving loss of time indemnification upon the suffering or contracting of certain accidents or sickness and providing certain territorial limits within which the accident must occur or the sickness contracted. Also, said policies set up limitations whereby the insured is precluded from receiving loss of time indemnification unless certain sicknesses are contracted and suffered more than six months after the effective date of the policy.

4. Said insurance policies do not provide indemnification for surgical operations or doctors' calls necessitated by sickness or accident, but, by negotiation with the respondent, the insured may obtain a rider of his selection to be attached to his policy by the payment of additional premium and which rider provides for surgical operations and doctors' calls.

Said riders do not provide indemnification for surgical operations to a maximum of \$300.00 and for money expended for doctors' calls to a maximum of \$175.00, when necessitated by any one sickness or accident. On the contrary, no indemnification is provided for loss caused by sickness traceable to conditions existing prior to or within thirty days after the effective date of the policy or accident unless bodily injury has been sustained and was effected directly and independently of all other causes from accidental means.

Said riders have a "Schedule of Operations" in which many operations are listed but only a very small minority of said listed operations provide for the maximum of \$300.00. The great majority of the listed operations in all of said riders are from a maximum of \$5.00 to \$100.00. Said riders provide that only the indemnification for one operation performed because of any one sickness or accident shall be paid the insured. Certain of said riders provide that no indemnification for operation shall be paid when caused by sickness unless the rider has been in effect continuously for the preceding three months and if the insured be a female no indemnification shall be paid for any condition, sickness or disorder involving the generative

organs or appendages thereof, unless the rider has been in effect continuously for six months.

The insured shall not receive a maximum \$175.00 for doctors' calls in the event the sickness or accident is not excluded by the terms of the riders for the reason that said riders limit the indemnification to \$5.00, or some other pre-determined amount, for each call by the doctor and payment of indemnification for said doctors' calls are limited to three calls a week, up to the amount of \$175.00. Certain of said riders provide that the indemnification for doctors' calls will be paid only when the insured is confined within a hospital and the call is made in such hospital.

All of said riders, by the terms thereof, are subject to exclusion and limitation provisions of the policy which excludes the insured from receiving the indemnification upon the suffering or contracting certain accidents or sickness and providing certain territorial limits within which the accident must occur or the sickness contracted. Also, limitations are set up whereby the insured is precluded from receiving the indemnification unless certain sickness originate and begin more than six months after the effective date of the attached policy.

PAR. 6. The use by the respondent of the aforesaid false and misleading statements and representations with respect to the terms and conditions of its said policies and its failure to reveal the limitations of said coverage found in the policies have had and now have the tendency and capacity to mislead and deceive and have misled and deceived a substantial portion of the purchasing public into the erroneous and mistaken belief that the aforesaid statements and representations were and are true and to induce said portion of the purchasing public to purchase insurance coverage from the respondent because 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.

INITIAL DECISION BY J. EARL COX, HEARING EXAMINER

The charges contained in the complaint in this proceeding are that The Service Life Insurance Company, a Nebraska corporation with its office and principal place of business located at 1904 Farnum Street, Omaha, Nebraska, has violated 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), by falsely and deceptively advertis-

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ing the indemnification for losses resulting from sickness and accident provided by insurance policies which it has offered for sale and sold in commerce.

Following issuance and service of the complaint and the filing of an Answer and Motions, and a Motion for Statement Limiting and Clarifying Issues which was thereafter denied by the hearing examiner, respondent, its counsel and counsel supporting the complaint entered into an Agreement Containing Consent Order To Cease And Desist, which was approved by the Director and Assistant Director, Bureau of Litigation of the Commission, and thereafter transmitted to the hearing examiner for consideration.

The agreement 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 duly made in accordance with such allegations; that respondent's answer to the complaint shall be considered as having been withdrawn, and the record on which the initial decision and the decision of the Commission shall be based shall consist solely of the complaint and the agreement; that the complaint may be used in construing the order agreed upon, which may be altered, modified, or set aside in the manner provided for other orders; that the agreement 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 contained in the agreement and hereinafter included in this decision shall have the same force and effect as if entered after a full hearing.

Respondent waives any further procedural steps before the hearing examiner and the Commission; the making of findings of fact or conclusions of law; and all of the rights it may have to challenge or contest the validity of the order to cease and desist entered in accordance with the agreement.

The order agreed upon conforms to the order accompanying the complaint, except for the omission therefrom of the general provision "(B) misrepresenting in any other manner or by any other means the terms or provisions of said insurance policies," and adequately prohibits the acts and practices charged therein as being in violation of the Federal Trade Commission Act as applicable to the business of insurance under the provisions of Public Law 15. Accordingly, the hearing examiner finds this proceeding to be in the public interest and accepts the Agreement Containing Consent Order To Cease And Desist as part of the record upon which this decision is based. Therefore,

It is ordered, That respondent, The Service Life 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:

A. Representing, directly or by implication:

1. That said insurance policies may be continued in effect to the age of 70 or for any period of time, when, in fact, said policies provide that it may be cancelled by respondent or terminated under any circumstances over which the insured has no control, during the period represented;

2. That said policies provide 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 a fact;

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

4. That said policies provide a monthly or cash benefit to insureds, when disabled by sickness or accident, for a longer period of time or in a larger amount than in fact is provided;

5. That said policies provide for cash benefits for living expenses or otherwise in cases of sickness or accident generally or in any or all cases of sickness or accident, when said policies do not provide for such benefits in all such cases.

DECISION OF THE COMMISSION AND ORDER TO FILE
REPORT OF COMPLIANCE

Pursuant to Section 3.21 of the Commission's Rules of Practice, the initial decision of the hearing examiner shall, on the 28th day of December, 1955, become the decision of the Commission; and, accordingly:

It is ordered, That respondent The Service Life 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.

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IN THE MATTER OF

GEORGE'S RADIO AND TELEVISION COMPANY, INC.,
ET AL.

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

Docket 6411. Complaint, Sept. 13, 1955—Decision, Dec. 29, 1955

Consent order requiring a retailer in Washington, D.C., to cease advertising falsely in newspapers that used television sets were "floor samples"; that old models, used or repossessed sets, and floor samples were "new"; and that sets were fully guaranteed.

Before *Mr. Abner E. Lipscomb*, hearing examiner.

Mr. Michael J. Vitale for the Commission.

Grossberg, Yochelson & Brill, of Washington, D. C., for respondents.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that George's Radio and Television Company, Inc., a corporation, and George Wasserman, individually and as an officer of said corporation, hereinafter referred to as respondents, have 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. George's Radio and Television Company, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the District of Columbia, with its principal office and place of business located at 2146 24th Place, N. E., Washington, D. C. Respondent George Wasserman is President and Treasurer of this corporate respondent. This individual formulates, directs and controls the policies of said corporation.

PAR. 2. Respondents are now, and for more than one year last past have been, engaged in the sale and distribution of television sets among other things. In the course and conduct of their business, respondents cause their television sets when sold to be transported from their place of business at the aforesaid address to purchasers thereof located in the District of Columbia and various States of the United States. They maintain, and at all times mentioned herein have maintained, a course of trade in said product in commerce in