

IN THE MATTER OF
CONTINENTAL SCHOOL OF DENVER, INC., ET AL.

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

Docket C-1037. Complaint, Jan. 20, 1966—Decision, Jan. 20, 1966

Consent order requiring a Denver, Colo., correspondence school in insurance claims adjusting, to cease making false training and employment offers and exaggerated earning claims and other misrepresentations in its newspaper and magazine advertising.

Complaint

69 F.T.C.

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 Continental School of Denver, Inc., a corporation, and Paul A. Schaefer, 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. Respondent Continental School of Denver, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its principal office and place of business located at 1466 South Federal Boulevard in the city of Denver, State of Colorado.

Respondent Paul A. Schaefer is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent. Respondents use, and have used, the name "Claim Adjusting School" in certain of their advertisements.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the advertising, offering for sale, sale and distribution of courses of study and instruction offered to prepare students thereof for employment as insurance claim adjusters, said course being pursued by correspondence through the United States mails.

PAR. 3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, their said course of study and instruction, when sold, to be shipped from their place of business in the State of Colorado to purchasers thereof located in various other States of the United States, and maintain, and at all times mentioned herein have maintained, a substantial course of trade in said course in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their aforesaid business, respondents have published and caused to be published, advertisements inserted in newspapers and magazines distributed through the United States mails and by other means. Respondents have sent, and caused to be sent, brochures, pamphlets, form letters and other items of printed material through the United States mails to prospective purchasers of respondents' said course. In

the aforesaid advertisements, brochures, pamphlets, form letters and other items of printed material, respondents have made many statements and representations concerning said course for the purpose of inducing the sale of said course. Among and typical, but not all inclusive, of said statements and representations are the following:

MEN WANTED
FOR CLAIM
ADJUSTING TRAINING
Earn \$450 to \$1000
Monthly

Prepare now to investigate all types of insurance claims. Adjusters needed in every state. Work for large companies or open your own office

We train you at home in your spare time. Excellent placement assistance

. . . Our yearly quota is limited for each state. A figure estimated at a fraction of the total demand in each state is set to assure our students a wide choice in selecting a company or locale

If accepted for this training and hired by an insurance company, or you open your own independent office, you will be required to make many decisions involving money and people. You must be able to study in your spare time and be willing to start work in the industry at \$450.00 per month and up—plus all expenses. Your future in the industry can only be assured by proper training.

. . . THE CONTINENTAL SCHOOL OF DENVER, after many months of writing and a great deal of expense has completed the only accurate, thoroughly reliable, well-prepared course for new claim adjusters

. . . PLACEMENT. PROBABLY THE MOST FABULOUS PART of the entire Continental School Program is their exclusive arrangement with over one hundred Franchised Employment Agencies. Almost every year these Employment Agencies have requests for several thousand adjusters. Upon graduation your Resume is made and sent for placement to the area of your choice. *The quota set* in a state is always much less than the demands, creating many, many placement opportunities for each graduate. It is unlawful for any school to guarantee employment and this practice would also eliminate a student's Free Choice of Selection.

. . . RARE OPPORTUNITY. WE BELIEVE NO PERSON SHOULD UNDERTAKE this program just for a job. *This is a Lifetime Profession for highly trained specialists.* The demands for new adjusters are nearly fantastic in number. Our students come from varied backgrounds and past experiences, all with the same professional desires. This is a rare opportunity to be a part of this Exclusive Field.

PAR. 5. By means of the foregoing statements and representations set forth in Paragraph Four hereof, and others similar thereto but not set forth herein, respondents represent, directly or by implication, that:

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(1) Persons who complete respondents' course will be fully trained and qualified insurance claims adjusters.

(2) Respondents have an exclusive arrangement with one hundred or more employment agencies and that such employment agencies will provide special services and preferential treatment to respondents' graduates in filling the openings for insurance claims adjusters available to them.

(3) Respondents know how many openings for insurance claims adjusters will occur in the States wherein respondents offer their course.

(4) Persons completing respondents' course are assured of placement as an insurance claims adjuster.

(5) Persons completing respondents' course will earn \$450 per month and up as insurance claims adjusters by virtue of such training.

Such statements and representations are affirmed and repeated by respondents' sales representatives when they call upon prospective purchasers for the purpose of soliciting the sale of respondents' said course.

PAR. 6. In truth and in fact:

(1) Persons who complete respondents' course are not fully trained and qualified insurance claims adjusters.

(2) Respondents do not have an exclusive arrangement with one hundred or more employment agencies and such agencies do not provide special services and preferential treatment to respondents' graduates in filling openings for claims adjusters. Such of respondents' graduates as may be referred to an employment agency do not receive any special services or preferential treatment because the person is referred by respondents. Such persons receive the same services and treatment and are required to pay the same fees as any other person who seeks the services of the employment agency.

(3) Respondents do not know how many openings for insurance claims adjusters will occur in the States wherein respondents offer their course.

(4) Persons completing respondents' course are not assured of placement as an insurance claims adjuster.

(5) Persons completing respondents' course will not earn \$450 per month and up as insurance claims adjusters by virtue of such training.

Therefore, the statements and representations as set forth in

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Paragraphs Four and Five hereof were, and are, false, misleading and deceptive.

PAR. 7. In the course and conduct of their aforesaid business, respondents have published, and caused to be published, advertisements in magazines distributed through the United States mails and by other means. In such advertisements, which are intended to be read by prospective employers of insurance claims adjusters, respondents have made the following statements and representations:

These employment agencies are making a special effort to serve you
SAVE UP TO \$5000
in training costs

Claim Adjusting Companies and Insurance Companies state they are now saving up to \$5000 in training costs by FIRST INTERVIEWING Continental's trained or semi-trained people for

CLAIMS ADJUSTERS

(there follows a list of employment agencies)

PAR. 8. By means of the foregoing statements and representations set forth in Paragraph Seven, and others similar thereto but not expressly set out herein, respondents represent, directly or by implication, that:

(1) The employment agencies listed in respondents' advertisement have agreed with respondents to provide and do provide special services in referring respondents' graduates to employers seeking claims adjusters.

(2) Claim adjusting companies and insurance companies make it a practice to interview graduates of respondents' course before interviewing other prospective employees.

(3) Claim adjusting companies and insurance companies are saving up to \$5000 in training costs for each new claims adjuster by hiring graduates of respondents' course.

PAR. 9. In truth and in fact:

(1) The employment agencies listed in respondents' advertisement have not agreed with respondents to provide and do not provide special services in referring respondents' graduates to employers seeking claims adjusters.

(2) Claims adjusting companies and insurance companies do not make it a practice to interview graduates of respondents' course before interviewing other prospective employees.

(3) Claim adjusting companies and insurance companies are not saving \$5000 or any other amount in training costs for each new claims adjuster by hiring graduates of respondents' course.

Therefore, the statement and representations as set forth in Paragraphs Seven and Eight hereof were, and are, false, misleading and deceptive.

PAR. 10. In the conduct of their business, and at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of courses of study and instruction covering the same or similar subjects.

PAR. 11. The use by the respondents of the aforesaid false, misleading and deceptive statements, representations and practices as set forth in Paragraphs Four and Five hereof, has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true and into the purchase of substantial quantities of respondents' course by reason of said erroneous and mistaken belief.

PAR. 12. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices as set forth in Paragraphs Eight and Nine hereof has had, and now has, the capacity and tendency to mislead prospective employers of claims adjusters into the erroneous and mistaken belief that said statements and representations were and are true and to act in reliance thereon.

PAR. 13. The aforesaid acts and practices of respondents, as herein alleged, were, and are, all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondents of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as set

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forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having considered the agreement, hereby accepts same, issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Continental School of Denver, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Colorado, with its office and principal place of business located at 1466 South Federal Boulevard, in the city of Denver, State of Colorado.

Respondent Paul A. Schaefer is an officer of said corporation and his address is the same as that of said corporation.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents Continental School of Denver, Inc., a corporation, and its officers, and Paul A. Schaefer, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of courses of study or instruction in insurance claims adjusting or any other subject, trade or occupation, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, that:

(1) Persons who complete respondents' course in insurance claims adjusting will be fully trained and qualified insurance claims adjusters; or misrepresenting, in any manner, the training afforded by any of respondents' courses of instruction.

(2) Respondents have an exclusive arrangement with any employment agencies; or that such agencies will provide special services or preferential treatment to respondents' graduates; or misrepresenting, in any manner, the assistance furnished to graduates of any of respondents' courses in securing employment.

(3) Respondents know how many openings for insurance claims adjusters will occur at any time or in any place; or

representing, in any manner, that respondents are able to determine the demand for insurance claims adjusters.

(4) Persons completing respondents' course are assured of placement as an insurance claims adjuster; or misrepresenting, in any manner, the assurances of or opportunities for employment available to graduates of respondents' courses.

(5) Persons completing respondents' course in insurance claims adjusting will earn \$450 per month and up as insurance claims adjusters by virtue of such training; or misrepresenting, in any manner, the earnings of persons completing respondents' courses.

(6) Employment agencies have agreed with respondents to furnish special services in referring respondents' graduates to employers seeking insurance claims adjusters.

(7) Any claim adjusting company or insurance company makes it a practice to interview graduates of respondents' claim adjusters course before interviewing other prospective employees.

(8) Claim adjusting companies and insurance companies are saving up to \$5000 or any other amount in training costs for each new claims adjuster by hiring graduates of respondents' course.

It is further ordered, That the respondents herein shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing setting forth in detail the manner and form in which they have complied with this order.