
IN THE MATTER OF
NATIONAL HEALTH AND LIFE INSURANCE COMPANY
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket C-1116. Complaint, Sept. 30, 1966—Decision, Sept. 30, 1966

Consent order requiring a St. Louis, Mo., health and life insurance company

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to cease misrepresenting the coverage and benefits provided in its insurance policies.

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 National Health and 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 National Health and Life Insurance Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 411 North Tenth Street in the city of St. Louis, State of Missouri.

PAR. 2. Respondent is now, and for some time 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. As a part of said business in "commerce," respondent enters into insurance contracts with insureds located in various States of the United States other than the State of Missouri 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.

PAR. 3. Respondent, in conducting the business aforesaid, has sent and transmitted and has caused to be sent and transmitted, by means of the United States mails and by various other means, letters, application forms, contracts, checks and other papers and documents of a commercial nature from its place of business in the State of Missouri to purchasers and prospective purchasers located in various other States of the United States and has thus maintained a substantial course of trade in said insurance contracts or policies in commerce between and among the several States of the United States.

PAR. 4. Respondent is licensed, as provided by State law, to conduct the business of insurance only in the State of Missouri. Respondent is not now, and for some time last past has not been, li-

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censed as provided by State law to conduct the business of insurance in any State other than the State of Missouri.

PAR. 5. Respondent solicits business by direct mail and by and through various publications such as magazines and newspapers in various States of the United States in addition to the State named in Paragraph Four above. 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 said business practices are, therefore, not regulated by State law in any of those States in which respondent is not licensed to do business as it is not subject to the jurisdiction of such States.

PAR. 6. In the course and conduct of said business and for the purpose of inducing the purchase of said policies respondent has made, and is now making, numerous statements and representations concerning the coverage and benefits provided in said policies by means of circulars, folders, magazine advertisements, newspaper advertisements and other advertising material disseminated throughout the various states of the United States.

Typical and illustrative, but not all inclusive of such statements and representations, are the following:

If you qualify, you get an iron-clad guarantee which pays you at the rate of \$1,000.00. CASH a month beginning the first day for your full stay in any hospital (other than a sanitarium, rest home or government hospital) due to accidental injury. Even if you're confined only for one day, you still get \$33.00. There are no gimmicks. Your policy will have No Exceptions, No Exclusions, No Limitations, no waiting periods, no ifs, ands or buts.

* * * * *

THIS PLAN PAYS CASH WHILE YOU ARE HOSPITALIZED FOR ANY ACCIDENT, ANYTIME, ANYWHERE IN THE WORLD. You *DON'T* have to be hurt in any particular kind of accident such as: Auto, Pedestrian, Bus, Traffic, Train, etc. *All* Accidents are covered. At Home, at Work, at Play—TWENTY-FOUR HOURS A DAY.

* * * * *

\$1,000
a month
cash policy

which pays \$33.33 cash each day you are in the hospital for ANY accident anytime, anywhere—EVEN FOR A LIFETIME.

* * * * *

an iron-clad guarantee which pays you at the rate of \$1,000.00 CASH a month beginning the first day you are in a hospital (other than a sanitarium, rest home or government hospital) from *any* accident.

* * * * *

Here is your policy. Now you can see for yourself, in simple language, how it

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guarantees to pay you at the rate of \$1,000.00 cash a month for Life while you are hospitalized from any accident, with no exceptions, exclusions, or limitations.

* * * * *

You get ONE THOUSAND DOLLARS A MONTH CASH when you are in a hospital because of any accident, anytime, twenty-four hours a day, anywhere in the world.

* * * * *

NATIONAL HEALTH
"AT WORK"

A FEW TYPICAL CASES OF BENEFITS PAID

February 1966

Benefits are being paid in every state of the United States. This list represents only a very few of the benefits paid last month throughout the country.

There follows a list of twenty files in which benefits are purported to have been paid. The following is an example from that list.

<i>FILE#</i>	JACK McDONALD, McNARY, OREGON	<i>BENEFIT PAID</i>
36-8219	Twisted his knee at work and was hospitalized for 18 days. He was happy to tell us, "I want to thank you for your prompt service on my claim. Christmas looked a little slim at our house until your check arrived. It could not have come at a better time."	\$600.00

PAR. 7. By and through the use of the aforementioned statements, and others of similar import and meaning not specifically set out herein, respondent has represented, directly or by implication that it issues an insurance policy which provides, and pursuant to which respondent will pay, benefits at the rate of \$1,000 a month or \$33.33 a day for hospitalization resulting from any accident without limitation, exclusion or exception.

PAR. 8. In truth and in fact the respondent does not issue an insurance policy which provides, and pursuant to which it will pay without limitation, exclusion or exception benefits for hospitalization resulting from any accident. On the contrary, said policy provides that the respondent will pay benefits in the event of hospital residence occurring solely as the consequence of direct bodily injury resulting from any accident and independently of all other causes while the policy is in force. Further, said policy provides that for the first two years commencing on the date of issue a claim can be denied on the ground that the claimant has a physical condition which existed prior to the effective date of coverage of the insurance policy. Further, the respondent relies on these provisions in denying and reducing claims.

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

PAR. 9. In the conduct of its business, at all times mentioned herein, respondent has been in substantial competition, in commerce, with corporations, firms and individuals in the sale of insurance of the same general kind and nature as that sold by respondent.

PAR. 10. The use by respondent of the aforesaid false, misleading and deceptive statements, 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 respondent's policies by reason of said erroneous and mistaken belief.

PAR. 11. The aforesaid acts and practices of respondent, as herein alleged, were and are all to the prejudice and injury of the public and of respondent's 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 respondent named in the caption hereof with violation of the Federal Trade Commission Act, and the respondent 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 respondent 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 respondent that the law has been violated as set 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:

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1. Respondent National Health and Life Insurance Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 411 North Tenth Street, in the city of St. Louis, State of Missouri.

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

ORDER

It is ordered, That respondent National Health and Life Insurance Company, a corporation, and its officers, and respondent's agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of any insurance policy or policies, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

Representing, directly or by implication:

1. By the use of such words, terms or phrases as, "guaranteed to pay," "Ironclad guarantee," "no gimmicks," "no exceptions," "no exclusions," "no limitations," "no ifs, ands or buts," or of any other words, terms or phrases that the policy provides insurance coverage broader than that which is actually provided.

2. That any policy provides for indemnification against accident, in any amount or for any period of time, unless a clear definition of the word "accident," in language understandable to persons not familiar with insurance law, is conspicuously and prominently set forth in close conjunction with the representation.

3. That any policy provides for indemnification against accident, in any amount or for any period of time, when the policy provides any limitation on coverage of a loss resulting from accident because of a prior existing condition, unless a clear disclosure of the exact nature of such limitation, in language understandable to persons not familiar with insurance law, is conspicuously and prominently set forth in close conjunction with the representation.

4. That any policy provides for indemnification, in any amount or for any period of time, unless a statement of all the conditions, exceptions, restrictions and limitations affecting the indemnification actually provided is set forth conspic-

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uously, prominently and in sufficiently close conjunction with the representations as will fully relieve it of all capacity to deceive.

It is further ordered, That the respondent herein 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 this order.
