

doing business as Graber Company, shall, within sixty (60) days after the operative date 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 the order to cease and desist as set forth in this order.

IN THE MATTER OF

MERCURY LIFE AND HEALTH COMPANY ET AL.

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

Docket 8704. Complaint, Aug. 16, 1966—Decision, May 2, 1967

Consent order requiring a San Antonio, Texas, insurance company and its advertising affiliate to cease making claims as to the benefits provided by its insurance policies without disclosing conspicuously and in close proximity to the claims all the limitations contained in the 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 Mercury Life and Health Company, a corporation, Mercury United Advertising Corporation, a corporation, and Leonard Hyatt, individually and as an officer of each of said corporations, 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 Mercury Life and Health Company

is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located at 301 Majestic Building in the city of San Antonio, State of Texas.

Respondent Mercury United Advertising Corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located at 301 Majestic Building in the city of San Antonio, State of Texas.

Respondent Leonard Hyatt is an officer of each of the corporate respondents. He formulates, directs and controls the acts and practices of the corporate respondents, including those hereinafter set forth. His address is the same as that of the corporate respondents.

PAR. 2. Respondents Mercury Life and Health Company and Leonard Hyatt are now, and for some time last past have been, engaged as insurers 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," said respondents enter into insurance contracts with insureds located in various States of the United States other than the State of Texas in which States the business of insurance is not regulated by State law to the extent of regulating the practices of said respondents alleged in this complaint to be illegal.

Respondent Mercury United Advertising Corporation prepares for and distributes on behalf of respondent Mercury Life and Health Company and respondent Leonard Hyatt advertising material to be used in the course and conduct of said insurance business.

PAR. 3. Respondents, in conducting the business aforesaid, have sent and transmitted and have 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 their place of business in the State of Texas to purchasers and prospective purchasers located in various other States of the United States and have thus maintained a substantial course of trade in said insurance contracts, policies and other papers and documents of a commercial nature in commerce between and among the several States of the United States.

PAR. 4. Respondents Mercury Life and Health Company and Leonard Hyatt are licensed, as provided by State law, to conduct the business of insurance only in the State of Texas. Said re-

spondents are not now, and for some time last past have not been, licensed as provided by State law to conduct the business of insurance in any State other than the State of Texas.

PAR. 5. Respondents Mercury Life and Health Company and Leonard Hyatt solicit business by mail in various States of the United States in addition to the State named in Paragraph Four above. As a result thereof, they have entered into insurance contracts with insureds located in many States in which they are not licensed to do business. Said respondents' business practices are, therefore, not regulated by State law in any of those States in which said respondents are not licensed to do business as they are 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, respondents have made, and are now making, numerous statements and representations concerning the premiums, coverage, benefits, effective date, renewal and other provisions of said policies by means of letters and other printed advertising material and by means of radio broadcasts transmitted by radio stations located in various States of the United States, having sufficient power to carry such broadcasts across State lines.

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

Maximum Policy Benefits

For Hospital Care

\$5,000.00

For Death Natural Cause

\$10,000.00

For Accidental Death Double Indemnity

\$20,000.00

* * * * *

This big living Family Plan is designed to fit any family large or small and the premium is only a few dollars monthly—that may insure ten members, subject to age and policy modifications, for \$5,000.00 *cash* hospital expense, \$10,000.00 *cash* for natural death and \$20,000.00 *cash* for accidental death, all in the one policy plan for only \$6.25 monthly and the benefits start when the policy is issued.

* * * * *

But neighbors, that's not all—you are also protected if any member of your family has to go to the hospital. You get hospital care up to \$5,000.00.

* * * * *

Let's review the outstanding benefits of this policy offered by Mercury. It's a plan that pays three ways.

1. Hospital expense care for either sickness or accident that pays up to \$5,000.00.

2. Life protection up to \$10,000.00.

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3. Accidental death except, of course, suicide, which pays up to \$20,000.00. All of this protection in one single policy which includes as many as 10 members of the family and up to 65 years of age.

* * * * *

No waiting period in the policy. Benefits in effect immediately.

* * * * *

With accidental death, except suicide, of course, you can receive \$20,000.00 on your entire family.

* * * * *

All of this protection in one single policy which protects as many as ten members of a family up to 65 years of age.

Think about it my friends—*Ten Thousand Cash* Natural Life Insurance—*Five Thousand Cash* Hospital care and *Twenty Thousand Cash* Accidental Deaths Insurance on a family of ten people ages from baby to sixty-five years * * *.

PAR. 7. By and through the use of the aforementioned statements, and others of similar import and meaning not specifically set out herein, respondents have represented, directly or by implication:

1. That respondents will issue an insurance policy which will provide the following benefits to each of as many as ten (10) members of a family:

A. \$5,000 for hospital expenses arising from any sickness or accident;

B. \$10,000 for death resulting from natural causes;

C. \$20,000 for death resulting from all accidental causes.

2. That full benefits accrue to insureds as soon as the policy is issued.

3. That said policy provides for cash benefits for all accidental deaths, excepting suicide.

4. That said policy provides full and equal benefits for as many as ten members of a family of all ages from baby to sixty-five years.

PAR. 8. In truth and in fact:

1. Respondents do not issue an insurance policy which will provide the following benefits to each of as many as ten (10) members of a family:

A. \$5,000 for hospital expenses arising from any sickness or accident. On the contrary, said policy provides, among other things, that the total amount payable for hospital care benefits in any policy year shall not exceed \$500 for any one insured and the total hospital care benefits accruing for any one calendar month shall not exceed \$5 per day and for not more than twenty-five days. Further, said policy provides that no hospital care

benefits are payable for hospitalization the cause of which is pregnancy or any complications therefrom.

B. \$10,000 for death resulting from natural causes. On the contrary, the amount payable for natural death for each insured under the terms of the policy is only a fraction of the represented amount and in no event does it exceed the sum of \$2,000 for any one death resulting from natural causes.

C. \$20,000 for death resulting from accidental causes. On the contrary, the amount payable for death resulting from accidental causes for each insured under the terms of the policy is only a fraction of the represented amount and in no event does it exceed the sum of \$4,000 for any one death resulting from accidental causes. Further, death must occur, independently and exclusively of disease and all other causes, within ninety days of the date of the accident.

2. Full benefits do not accrue to insureds as soon as the policy is issued. On the contrary, the policy provides that, during the first three months after date of issuance, the benefits thereunder shall be twenty-five percent of the maximum amount therein stated and shall increase twenty-five percent of such maximum amount at the end of each three months the policy has been in continuous force thereafter, until the maximum amount has been reached at the end of one year.

3. Said policy does not provide for cash benefits for all accidental deaths, excepting suicide. On the contrary, death by drowning is also excluded from accidental death benefits under the terms of said policy.

4. Said policy does not provide full and equal benefits for as many as ten members of a family of all ages from baby to sixty-five years. On the contrary, the policy provides that benefits payable on account of any child under five years of age at the time such benefits accrue shall be twenty-five percent of the benefits otherwise payable thereunder. Further, the policy states that the benefits payable on account of any insured who was fifty-five years of age or older at the date of this policy shall be the following proportion of the amount otherwise payable: ages 55 to 59: 75%; 60 and over: 50%.

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 their business, at all times mentioned herein, respondents have 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 respondents.

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

PAR. 11. 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, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having issued its complaint in this proceeding on August 16, 1966, charging the respondents, Mercury Life and Health Company, a corporation, Mercury United Advertising Corporation, a corporation, and Leonard Hyatt, individually and as an officer of said corporations, with violation of the Federal Trade Commission Act, and the respondents having been served with a copy of that complaint; and

The respondents having thereafter filed with the hearing examiner a motion requesting waiver of § 2.4(d) of the Commission's Rules and acceptance of a consent order agreement, to which motion was attached an executed consent agreement entered into between respondents and counsel supporting the complaint, and counsel supporting the complaint having filed an answer to respondents' motion, stating that it appears that the public interest would be served by granting such motion; and

The hearing examiner having certified to the Commission the aforementioned motion with the attached agreement, which agreement contains, *inter alia*, a consent order, an admission by respondents of all the jurisdictional facts alleged in the complaint, 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 alleged in the complaint, and waivers and provisions as required by the Commission's Rules; and

The Commission having determined that in the circumstances

the public interest would be served by waiving, and hereby having waived, the provision of Rule 2.4(d) that the consent procedure shall not be available after issuance of complaint; and

The Commission having considered the aforesaid executed agreement, and having now determined that said agreement constitutes an adequate basis for appropriate disposition of this proceeding, the agreement is hereby accepted, the following jurisdictional findings are made, and the following order is entered:

1. Respondent Mercury Life and Health Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located at 301 Majestic Building in the city of San Antonio, State of Texas.

Respondent Mercury United Advertising Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Texas, with its principal office and place of business located at 301 Majestic Building in the city of San Antonio, State of Texas.

Respondent Leonard Hyatt is an officer of each of the corporate respondents, and his address is the same as that of the corporate respondents.

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 Mercury Life and Health Company, a corporation, Mercury United Advertising Corporation, a corporation, and their respective officers and Leonard Hyatt, individually and as an officer of each of said corporations, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution of any insurance policy or policies, in commerce, as "commerce" is defined in the Federal Trade Commission Act, except in those states where respondents are licensed and regulated by State law to conduct the business of insurance, do forthwith cease and desist from:

Representing, directly or by implication:

1. That any policy may be continued in effect indefinitely or for any stated period of time unless full disclosure of any reduction in benefits or any other such provision, condition or limitation contained in the policy

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is made conspicuously, prominently and in sufficiently close conjunction with the representation as will fully relieve it of all capacity to deceive.

2. That any policy provides for indemnification against disability or loss due to sickness, disease, accident or death, 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 conspicuously, prominently and in sufficiently close conjunction with the representation as will fully relieve it of all capacity to deceive.

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.

IN THE MATTER OF

LEADER GARMENT COMPANY

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION AND THE FUR PRODUCTS
LABELING ACTS

Docket C-1202. Complaint, May 2, 1967—Decision, May 2, 1967

Consent order requiring a St. Louis, Mo., manufacturer of fur products to cease misbranding and falsely invoicing its fur products.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Fur Products Labeling Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission, having reason to believe that Leader Garment Company, hereinafter referred to as respondent, has violated the provisions of said Acts and the Rules and Regulations promulgated under the Fur Products Labeling 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 Leader Garment Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri.

Respondent is a manufacturer of fur products with its office and principal place of business located at 1136 Washington Avenue, St. Louis, Missouri.

PAR. 2. Respondent is now and for some time last past has been engaged in the introduction into commerce, and in the manufacture for introduction into commerce, and in the sale, advertising, and offering for sale in commerce, and in the transportation and distribution in commerce, of fur products; and has manufactured for sale, sold, advertised, offered for sale, transported and distributed fur products which have been made in whole or in part of furs which have been shipped and received in commerce, as the terms "commerce," "fur" and "fur product" are defined in the Fur Products Labeling Act.

PAR. 3. Certain of said fur products were misbranded in that they were falsely and deceptively labeled to show that fur contained therein was natural, when in fact such fur was pointed, bleached, dyed, tip-dyed, or otherwise artificially colored, in violation of Section 4(1) of the Fur Products Labeling Act.

PAR. 4. Certain of said fur products were misbranded in that they were not labeled as required under the provisions of Section 4(2) of the Fur Products Labeling Act and in the manner and form prescribed by the Rules and Regulations promulgated thereunder.

Among such misbranded fur products, but not limited thereto, were fur products with labels which failed to disclose that the fur contained in the fur products was bleached, dyed, or otherwise artificially colored, when such was the fact.

PAR. 5. Certain of said fur products were falsely and deceptively invoiced by the respondent in that they were not invoiced as required by Section 5(b)(1) of the Fur Products Labeling Act and the Rules and Regulations promulgated under such Act.

Among such falsely and deceptively invoiced fur products, but not limited thereto, were fur products covered by invoices which failed to disclose that the fur contained in the fur products was bleached, dyed, or otherwise artificially colored, when such was the fact.

PAR. 6. Certain of said fur products were falsely and deceptively invoiced in that said fur products were invoiced to show that the fur contained therein was natural, when in fact such fur was pointed, bleached, dyed, tip-dyed, or otherwise artificially colored, in violation of Section 5(b)(2) of the Fur Products Labeling Act.

PAR. 7. The aforesaid acts and practices of respondent, as

herein alleged, are in violation of the Fur Products Labeling Act and the Rules and Regulations promulgated thereunder and constitute unfair and deceptive acts and practices and unfair methods of competition in commerce under the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Textiles and Furs proposed to present to the Commission for its Consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act and the Fur Products Labeling Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by the respondent that the law has been violated as alleged in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having reason to believe that the respondent has violated said Acts, and having determined that complaint should issue stating its charges in that respect, hereby issues its complaint, accepts said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Leader Garment Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its office and principal place of business located at 1136 Washington Avenue, St. Louis, 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 Leader Garment Company, a corporation, and its officers, and respondent's representatives, agents and employees, directly or through any corporate or other device, in connection with the introduction, or manufacture for introduction, into commerce, or the sale, advertising or offering for sale

in commerce, or the transportation or distribution in commerce, of any fur product; or in connection with the manufacture for sale, sale, advertising, offering for sale, transportation or distribution, of any fur product which is made in whole or in part of fur which has been shipped and received in commerce, as the terms "commerce," "fur" and "fur product" are defined in the Fur Products Labeling Act, do forthwith cease and desist from:

A. Misbranding any fur product by:

1. Representing directly or by implication on a label that the fur contained in such fur product is natural when the fur contained therein is pointed, bleached, dyed, tip-dyed, or otherwise artificially colored.

2. Failing to affix a label to such fur product showing in words and in figures plainly legible all of the information required to be disclosed by each of the subsections of Section 4(2) of the Fur Products Labeling Act.

B. Falsely or deceptively invoicing any fur product by:

1. Failing to furnish an invoice, as the term "invoice" is defined in the Fur Products Labeling Act, showing in words and figures plainly legible all the information required to be disclosed by each of the subsections of Section 5(b)(1) of the Fur Products Labeling Act.

2. Representing directly or by implication on an invoice that the fur contained in such fur product is natural when such fur is pointed, bleached, dyed, tip-dyed, or otherwise artificially colored.

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.
