

Complaint

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the Commission a report, in writing, setting forth in detail the manner and form in which it has complied with this order.

IN THE MATTER OF

UNITED NATIONAL LIFE INSURANCE COMPANY

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

Docket C-1487. Complaint, Jan. 29, 1969—Decision, Jan. 29, 1969

Consent order requiring a Birmingham, Ala., insurance company to cease misrepresenting that its policies are endorsed or recommended by the United States Armed Forces or any government agency, or that any policy has been issued with the knowledge or consent of the serviceman.

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 United National 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 United National Life Insurance Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its present principal office and place of business located at No. 7 Office Park Circle (Mountainbrook), Birmingham, Alabama.

PAR. 2. Respondent for some time was engaged as 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," said respondent has entered into insurance contracts with insureds located in various States of the United States other than the State of Arizona in which States the

business of insurance is not regulated by State law to the extent of regulating the practices of said respondent alleged in this complaint to be illegal.

PAR. 3. For some time up to September 30, 1967, respondent, in conducting the business aforesaid, sent and transmitted, and 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 former place of business in the State of Arizona to purchasers and prospective purchasers located in various other States of the United States and 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. Respondent, United National Life Insurance Company, is licensed, as provided by State law, to conduct the business of insurance only in the State of Arizona. Said respondent is not now, and for some time last past has not been, licensed as provided by State law to conduct the business of insurance in any State other than the State of Arizona.

PAR. 5. Respondent solicited business by direct mail and by and through newspaper advertising in various States of the United States in addition to the state named in Paragraph Four above. As a result thereof, it entered into insurance contracts with insureds located in many States in which it is not licensed to do business. Respondent's said business practices were, therefore, not regulated by State law in any of those States in which respondent is not licensed to do business as 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 by the parents, wives, or other relatives, of insurance policies on the lives of men inducted into the Armed Forces, respondent made numerous statements and representations concerning said policies by means of circular letters, policy forms and other advertising material disseminated throughout the various States of the United States.

Typical and illustrative, but not all inclusive, of the material being sent to the public since the passage and adoption as law of Public Law 89-214, which established Servicemen's Group Life Insurance, is the following:

A "Dear Parent" circular letter, reproduced below:

UNITED NATIONAL LIFE INSURANCE COMPANY

AN OLD LINE LEGAL RESERVE COMPANY • 222 WEST OSBORN ROAD,
PHOENIX, ARIZONA 85013

Dear Parent:

Your boy in the service has no doubt elected to participate in the Government's blanket \$10,000.00 life insurance program for servicemen—with premiums withheld from his pay.

But because you are the parent of the serviceman named as INSURED on the enclosed life insurance policy form, you are eligible to purchase it *in addition* and become the beneficiary.

This allows you to secure \$10,000.00 in extra protection at a favorable rate. But even more important, your purchasing this individual policy on his life does several things for him in his later years which the Government's Group policy does not.

"G.I." Group Insurance only lasts as long as a person is in the Armed Forces. It expires 120 days after your boy is discharged. During those 120 days the program does assure him an opportunity to replace the Group Policy with a private insurance policy. The rates he will pay, however, are unknown. They will be determined by the company he selects to provide the replacement policy, and his age at that time.

The policy you hold in your hand, however, is a permanent insurance plan which can never expire as long as premiums are paid when due. Further, you know what the premiums are now and what they will always be, regardless of your son's age. It provides \$10,000.00 protection on your boy's life during the first five years for only \$6.80 per month * * * a rate less than half what we charge for ordinary life insurance coverage at this age. After the fifth year, your policy automatically becomes \$5,000.00 of ordinary life insurance (building cash values against which you may borrow at a guaranteed rate of 5%, or which you can use to pay future premiums) for the same \$6.80 per month. Or, if you prefer, you may then continue \$10,000.00 of ordinary life coverage for \$13.60 per month.

You control the policy and its payments. You become the owner and beneficiary. Later, it can be a gift to him, upon his discharge, graduation, marriage, or some other memorable occasion. Your son is insured with an old-line legal reserve company. Parents in all 50 states and the District of Columbia have already purchased this policy from us.

Premiums for this policy have not gone up because of war. There is no "War Clause". Your boy is insured in peace and war—in service or out—during travel and regardless of where he lives. He is insured for any kind of duty—even during combat. Even if without your knowledge he is not in good health when you sign the application he is still covered. In fact, everything is covered except during the first two years death caused by suicide or a false statement that, to the best of your knowledge, the insured is in good health when you sign the application.

To put the policy into effect, just fill in the Ownership Application on the UNIVAC card. It is already punch-coded with your boy's name and his per-

manent policy number. Be sure to enclose this punched card with your first premium payment in the return envelope—which requires no postage. Please see that it is postmarked within 21 days of the Dispatch Date noted on the policy as processed by our UNIVAC computer. The policy will then be in effect from the hour of the postmark on the envelope.

Show your regard for your man in the service by attending to this now. Make sure your son has this permanent protection at no additional cost to you by returning the Ownership Application and the first month's premium today.

Sincerely,

UNITED NATIONAL LIFE INSURANCE COMPANY,

JPF/at

/s/ JOHN P. FRENCH, *President*.

An insurance policy form, the front page of which is reproduced below:

AN OLD LINE LEGAL RESERVE
COMPANY

UNITED
NATIONAL LIFE
INSURANCE COMPANY

(*Herein called the Company*)

PHOENIX, ARIZONA

POLICY NO.		<u>DISPATCH DATE</u>		INSURED	
FACE AMOUNT \$10,000.00					
BENEFICIARY					
<i>Modified Whole Life</i>					
PREMIUMS FOR FIRST FIVE YEARS	ANNUAL \$ 73.20	SEMI-ANNUAL \$ 38.10	QUARTERLY \$ 19.40	MONTHLY \$ 6.80	
PREMIUMS THEREAFTER	ANNUAL \$146.40	SEMI-ANNUAL \$ 76.20	QUARTERLY \$ 38.80	MONTHLY \$ 13.60	

NO MILITARY RESTRICTIONS

This policy has no restrictions as to Occupation, Aviation, Military or Naval Service, Travel or Residence in Time of Peace or War.

UNITED NATIONAL LIFE INSURANCE COMPANY
A LEGAL RESERVE STOCK COMPANY

Agrees to pay the face amount of \$10,000 to the Beneficiary immediately upon receipt at its home office in Phoenix, Arizona, of due proof of the prior death of the Insured, while the policy is in full force and effect, subject to the conditions and provisions of this policy.

This policy is issued only to persons who have attained their seventeenth birthday but who have not attained their twenty-sixth birthday, in consideration of the application therefor and of the payment of premiums

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due. The first premium, in the amount specified above, is payable in advance. The due dates of subsequent premiums shall be computed from the Date of Issue as shown on the In Force Certificate. The policy years and policy anniversaries shall be computed from said Date of Issue unless otherwise provided by endorsement hereon. This policy shall take effect on the date the application for the policy is mailed.

OPTION AT END OF FIFTH POLICY YEAR

Within one month of the end of the fifth policy year, the Insured may elect in writing in form satisfactory to the Company, to continue this insurance for one-half the original face amount hereof; and after such election the premiums hereon shall be one-half the premium otherwise payable after the fifth policy year.

The benefits and provisions printed or written by the Company on the following pages are a part of this policy as fully as if recited over the signatures hereto affixed.

IN WITNESS WHEREOF, UNITED NATIONAL LIFE INSURANCE COMPANY has caused this policy to be executed at PHOENIX, ARIZONA.

ALLAN R. PERRY

Secretary

JOHN P. FRENCH

President

MICHAEL RICHARD

Registrar

An application card, both sides of which are reproduced below:

UNITED NATIONAL LIFE INSURANCE COMPANY

222 WEST OSBORN ROAD

PHOENIX, ARIZONA

THIS IS YOUR BOY'S PERSONAL

PUNCH-CODED UNIVAC

IDENTIFICATION CARD

PLEASE RETURN IT WITH YOUR PREMIUM PAYMENT

FOR THIS SERVICE MAN'S INSURANCE POLICY

Make Sure Your Boy Has
This Coverage.
Fill out and return this punch-coded
univac card with your first premium
payment today!

You Are The Beneficiary * * *
and this permanent insurance policy
goes in force immediately as of the
date of postmark on the envelope
containing your premium.

UNIVAC

UNITED NATIONAL LIFE INSURANCE COMPANY

THIS IS YOUR BOY'S PERMANENT POLICY NUMBER, NO MILITARY
RESTRICTIONS, GOOD IN TIME OF PEACE OR WAR. FILL OUT
OWNERSHIP APPLICATION NOW AND RETURN THIS CARD WITH
ONE OF THESE AMOUNTS:

MONTHLY	QUARTERLY (Every 3 Months)	SEMI-ANNUAL (Every 6 Months)	ANNUAL
\$6.80	\$19.40	\$38.10	\$78.20

AFTER THE 5th POLICY YEAR PREMIUMS DOUBLE FOR THE FACE AMOUNT OF INSURANCE SHOWN ON THE POLICY—OR REMAIN THE SAME FOR HALF THAT FACE AMOUNT.

RETURN THIS PERSONAL, PUNCHED-CODED UNIVAC IDENTIFICATION CARD WITH YOUR REMITTANCE.

ISSUED ONLY ON THE LIVES OF MEN IN THE ARMED FORCES AS OF DATE OF ISSUE.

RECEIPT OF YOUR PREMIUM WILL BE ACKNOWLEDGED AT ONCE AND IN FORCE CERTIFICATE SENT.

POLICY NUMBER

NAME OF INSURED

PERMANENT INSURANCE! THIS POLICY IS IN FORCE
IMMEDIATELY

AS OF THE TIME YOUR PREMIUM IS POSTMARKED
OWNERSHIP APPLICATION

Upon first premium being mailed, United National Life Insurance Company recognizes you as owner and beneficiary of this M-3 policy with full rights to exercise all policy rights and benefits without the consent of the insured. To the best of your knowledge, the insured serviceman is in good health.

Sign Your Name			Date of Application	
Birthday of Serviceman Month Day Year			Your Address	
			City & State	
Your Relationship to Serviceman Parent Wife Other (Explain)			Name of serviceman (Please fill in only if different than name punched in above)	

Typical and illustrative, but not all inclusive, of the material sent to the public prior to the passage of Public Law 89-214 is the following:

A "Dear Parent" circular letter reproduced below:

UNITED NATIONAL LIFE INSURANCE COMPANY
AN OLD LINE LEGAL RESERVE COMPANY • 222 WEST OSBORN ROAD,
PHOENIX, ARIZONA 85013

Dear Parent:

"GI" Insurance is no longer provided by the government to men in the Armed Forces. Consequently, insuring their lives has now fallen to the servicemen themselves * * * * * or to their parents, wives and guardians.

Since there is no Federal Agency which provides such insurance, that responsibility is now being assumed by legal reserve life insurance companies, such as UNITED NATIONAL, which have no connection with the Federal Government but instead are licensed and regulated by their domiciliary states.

This coverage, available only to parents, guardians, and wives of servicemen, has many special features. It is permanent insurance. It builds up reserves year after year. It does not exclude persons engaged in aviation,

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missile and space projects, submarine, or unusually hazardous duty. And there is no "war clause". This means that your boy's life is insured in either peace or war, both in the service and during his later civilian career.

For two reasons we can offer this exceptional coverage on the life of your son at lower rates than we normally charge for ordinary life insurance:

1. All sales are made by mail.
2. There is no need for an expensive physical examination.

This is permanent insurance and can never be cancelled as long as premiums are paid when due. You become the owner and beneficiary; later it can be a gift to him, upon his discharge, graduation, marriage, or some other memorable occasion. You will never give him a finer present. Parents in all 50 of the United States plus the District of Columbia have purchased more than \$90,000,000 of this insurance through us.

To put the policy into effect just fill in the Ownership Application on the UNIVAC card. It is already punch coded with your boy's name and his permanent policy number. Be sure to enclose this punched card with your first premium payment in the return envelope, which requires no postage. It is expected to be postmarked within 21 days of the Dispatch Date noted on the policy as processed by our UNIVAC computer. The policy will then be in effect from the hour of the postmark on the envelope.

Show your regard for your man in the service by attending to this now. Every family can afford this vital protection; and every man in the service of his country deserves to have it.

Sincerely,

UNITED NATIONAL LIFE INSURANCE COMPANY

/s/ JOHN P. FRENCH, *President*.

JPF/ah

Insurance policy forms and application cards similar to those reproduced above.

The form letters, policy forms and application cards are mailed together. The face of the policy form, when mailed, contains a policy number, the name of the serviceman as the insured, and the names or name of his parents, wife or other relative as the beneficiary. The application card, when mailed, contains the policy number and the name of the serviceman as the insured.

In addition to the above, the respondent both before and after the passage of Public Law 89-214 sent follow up material consisting of a circular letter marked "Urgent Reminder Notice," which repeats the contents of the "Dear Parent" letter, and a form entitled "Reminder of Eligibility and Entitlement" bearing the policy number, the dispatch date, the name of the serviceman as the insured, and the names or name of his parents, wife or other relative as beneficiary.

PAR. 7. By and through the use of the aforementioned acts and practices, statements and representations, and others of

similar import, respondent has represented, directly or by implication:

1. That the insurance offered for sale by respondent is the insurance made available by the United States Government, under the provisions of Public Law 89-214, to each individual inducted into the Armed Forces of the United States.

2. That the insurance offered for sale by respondent has been approved, endorsed or recommended by the United States Armed Forces or some other agency or office of the United States Government.

3. That the insurance offered for sale by respondent was initiated by the serviceman named as the insured therein or was issued with his knowledge and consent.

4. That the policy form offered and sent to the addressee is an insurance policy in force at the time of its receipt.

PAR. 8. In truth and in fact:

1. The insurance offered for sale by respondent is not the insurance made available by the United States Government, under the provisions of Public Law 89-214, to each individual inducted into the Armed Forces of the United States.

2. The insurance offered for sale by respondent has not been approved, endorsed or recommended by the United States Armed Forces or any other agency or office of the United States Government.

3. The insurance offered for sale by respondent was not initiated by the serviceman named as the insured therein and it was not issued with his knowledge or consent.

4. The policy form offered and sent to the addressee is not an insurance policy in force at the time of its receipt; on the contrary, said policy form is merely a proposed policy which does not become effective until the required premium is received from the addressee.

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 the respondent.

PAR. 10. The use by respondent 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 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 and unfair and deceptive acts and practices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated and 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 Deceptive Practices 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 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 respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, now in further conformity with the procedure prescribed in § 2.34(b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent United National Life Insurance Company is a corporation organized, existing and doing business under and by

virtue of the laws of the State of Arizona, with its present office and principal place of business located at No. 7 Office Park Circle (Mountainbrook), Birmingham, Alabama.

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 United National Life Insurance Company, a corporation, and its officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of any insurance policy or policies, in commerce, as "commerce" is defined in the Federal Trade Commission Act, except in those states where respondent is licensed and regulated by State law to conduct the business of insurance, do forthwith cease and desist from:

1. Using any letter or other solicitation material in contacting members of the Armed Forces of the United States or their parents or other relatives, which does not reveal in a prominent place, in clear language and in type at least as large as the largest type used on said material (a) that the insurance offered for sale by respondent is in addition to, and separate from, the insurance made available to servicemen by the United States Government; (b) that said insurance has not been approved, endorsed or recommended by the United States Armed Forces or any agency or office of the United States Government; (c) that said insurance is being offered without the knowledge or consent of the serviceman whose name appears as the insured therein.

2. Using any policy form or similar document, prior to the receipt by respondent of the required premium, which contains the name of the insured, designation of the beneficiary, policy number, or signature of any representative of respondent, or which contains any indicia of an executed, in-force insurance policy.

3. Representing, directly or by implication, that the insurance offered for sale by respondent has been made available by, or has been approved, endorsed or recommended by, the United States Government or any agency or office thereof, or has been issued with the knowledge or consent

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of the serviceman whose name appears as the insured therein.

4. Misrepresenting in any manner the conditions or circumstances under which such insurance was initiated or issued.

It is further ordered, That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

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.
