

EVELYN GANDY
COMMISSIONER

WOOLEY D. BOX
DEPUTY COMMISSIONER



STATE OF MISSISSIPPI

JACKSON

August 14, 1973

TO: All Admitted Life Insurance Companies and Agents Offering
College Students Life Insurance Plans Under Premium
Financed Arrangements

FROM: Evelyn Gandy
Commissioner of Insurance

SUBJECT: Regulations to be Followed by Companies and Agents Offering
Life Insurance Plans to College Students Under a Premium
Financing Arrangement

PURPOSE: To Strengthen the Regulation of This Type of Marketing
Procedure and at the Same Time to Protect the Interests of
the Life Insurance Buying Public by Establishing Minimum
Standards of Conduct to be Observed in the Financing of
Life Insurance Policies and by Making Available Full and
Clear Information on Which an Applicant for Life Insurance
can Make a Decision in his Own Best Interest by Reducing
the Opportunity for Misrepresentation

1. NOTES OF MINORS.

If the insured is a minor and executes a promissory note for the payment of part or all of the first year's premium, such note must be co-signed by the insured's parent, legal guardian, or adult spouse.

2. APPLICATION TO CONTAIN CERTAIN INFORMATION.

The fact that a promissory note is to be executed by the insured must be set forth in the application preceding the applicant's signature, showing the amount of the note, the rate of interest, the amount of any down payment, and, if applicable, the fact that the note becomes due and payable in full upon any default in premium payment.

If a note is taken to finance less than the full first year premium, the balance must be paid by the applicant at the time the application is taken, and the premium payment frequency must be set forth in the application.

3. DOWN PAYMENT TO BE MADE IN CASH.

A down payment of at least ten (\$10.00) dollars must be paid by the applicant at the time the application is signed. The down payment must be paid by the applicant in cash and any payment made directly or indirectly by the agent to or for the benefit of the applicant in connection with the sale shall be presumed to be a rebate or special inducement.

4. COPY OF NOTE TO BE DELIVERED WITH POLICY.

If the payee of the note is an insurer or any affiliate thereof, except the agent, a copy of the note must be delivered with the policy at the time of delivery. If the payee of the note is the agent, a copy of the note must be delivered with the policy at the time of delivery. Delivery must be in person by a company representative. In the event that personal delivery is for good reason impractical, delivery may be made by use of the United States Certified Mail, Return Receipt Requested, and delivery to addressee only.

5. POLICY RECEIPT TO BE EXECUTED.

Upon delivery, a policy receipt or acceptance form must be executed which recites that:

- (a) The face amount, premium payment frequency, and Periodic premium amount of the policy are as represented at the time of sale; and,
- (b) The insured has examined the application and policy and acknowledges and understands the provisions and obligations of the financial indebtedness that he has incurred.

It shall be the responsibility of the company representative to read the policy receipt or acceptance form to the insured. In the event that delivery is made by use of the United States mail as in Rule 4 above, the company must request the insured to sign and return the policy receipt or acceptance form.

6. RECEIPT FORMS NOT TO BE AVAILABLE AS SUPPLIES TO AGENTS.

If the payee or intended assignee of the note is the insurer or any affiliate thereof, except the agent, the receipt or acceptance form (outlined in Rule 5 above) must be registered by number (preferably corresponding policy number), in the home office.

- (a) This receipt or acceptance form must be sent with the policy at time of delivery only.
- (b) These receipts or acceptance forms shall not be made available as supplies to field representatives or agents, but must be furnished from the home office in transmittal of the policy to the writing agent.

7. PREREQUISITES TO SALE OR TRANSFER OF NOTE AND TO PAYMENT OF COMMISSIONS.

If the payee or intended assignee of the note is the insurer or any affiliate thereof, except the agent, the promissory note must not be sold or otherwise transferred by the payee, nor any commissions paid to the agent until the form outlined in Rule 5 above has been received in the home office of the company.

8. MAKER AND CO-MAKERS TO BE NOTIFIED IF NOTE IS TRANSFERRED.

If the company or any affiliate thereof, except the agent, be the payee, and there is a transfer of the note, the company must notify the notemaker and all co-makers regarding such transfer after it occurs, inviting any questions relative to the note, or the policy which is used as collateral security for the note. Such notice may be given by the purchaser, transferee, or assignee of the note. If the agent, or a party other than the company or any affiliate thereof, be the payee, the agent must bear the duty of notice as in this section provided and must furnish the company with a copy of said notice.

9. MAXIMUM AMOUNT OF FINANCING ARRANGEMENT TO BE IN ACCORD WITH SOUND UNDERWRITING PRACTICES.

The maximum amount of any financing arrangement which can be executed in connection with such a transaction will be in accordance with reasonable and sound underwriting practices as determined by the management of the company. It is the recommendation of this office that a financed plan should not be sold to an undergraduate on a basis where premiums would come due prior to the anticipated date of graduation by the insured.

10. AGENT'S RESPONSIBILITY RESPECTING OTHER PENDING APPLICATIONS AND REPLACEMENTS.

It is the responsibility of the agent to determine if an application with payment is pending with any other company and/or if replacement is intended. The disturbing of any permanent insurance, including the partial or total replacement of any provision of an existing policy for the purpose of placing additional insurance will be cause for investigation and review by this Office.

11. RESTRICTION ON AGENT'S USE OF SPECIAL TITLES. PERSONS OTHER THAN LICENSED AGENTS PROHIBITED FROM PARTICIPATION IN SOLICITATION.

- (a) Agents or field representatives of the company who are licensed by this State to represent the company as licensed life agents may not represent, refer to, or hold themselves out to the public under any special title or as representatives of any special policy or company division unless otherwise identified as a licensed agent of the company for which they hold a license.
- (b) No person other than a licensed agent shall participate in the solicitation, negotiation, or effectuation of life insurance with respect to college students in this State. Solicitation includes but is not limited to situations where a licensed agent compensates or agrees to compensate certain professors, students, or administrative personnel for aiding him in the solicitation of prospects.

12. APPROPRIATE SUMMARIES TO BE GIVEN TO DESCRIBE EXACT AMOUNT OF POLICY ACTUALLY SOLD.

If a sales presentation is made for an amount of insurance greater than that sold, an appropriate summary must be given to the insured for the exact amount of the policy sold not later than the time of the signing of the policy receipt or acceptance form.

13. REQUEST TO CANCEL INSURANCE.

In the case of a request being made by an insured expressing a desire to cancel such a policy and premium arrangement, this Office will expect and fully appreciate the cooperation of the company and its agents in bringing such matters to a satisfactory conclusion as expeditiously as possible.

If, at the time the receipt or acceptance form is presented with the policy to the applicant for his signature and he decides he does not wish the plan, the policy will be returned to the company with his signed request for release. The policy and note will be canceled and the applicant released from any liability, and refund made of any down payment.

14. COMPANIES MUST SUBMIT ALL FORMS USED IN THIS PROGRAM.

All sales material, notes, and other forms used in the sale of such programs must be submitted in duplicate with duplicate letters of transmittal at the time that the policy form is submitted for approval. If found acceptable, the duplicate copy of such materials will be returned as "filed". No such material may be used until so "filed" with the Department.

15. COMPANIES RESPONSIBLE FOR NOTIFYING AGENTS OF THESE RULES AND REGULATIONS AND FOR COMPLIANCE OF SAID AGENTS.

Companies will be responsible for notifying their agents of the requirements set forth in these rules and regulations and in addition thereto, shall take appropriate steps and measures to insure full compliance therewith.

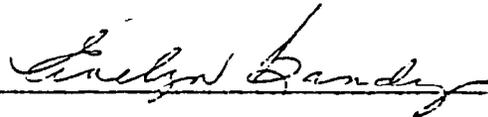
16. PENALTIES.

Failure to comply with provisions of these rules and regulations by any company or their agents will result in a formal hearing for revocation of license.

17. EFFECTIVE DATE.

These rules and regulations shall become effective September 1, 1973.

PROMULGATED AND ADOPTED, THIS the 14th day of August, 1973.



EVELYN GANDY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI