

He reported that Dick Rogers, Chairman of the Subgroup, is progressing on the formulation of an agenda and setting the structure for the forum. Mr. Synnott noted that while plans had not been finalized, it is his desire to give participants as much notice as possible and reported that the forum will likely be held on the Saturday preceeding the Orlando meeting.

Having no further business, the Market Conduct Surveillance (EX3) Task Force adjourned at 3:00 p.m.

ATTACHMENT FIVE-A

**MODEL REGULATION CONCERNING THE SALE OF LIFE
INSURANCE PRODUCTS AND ANNUITIES**

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Section 1. Authority

This rule is adopted and promulgated by (title of supervisory authority) pursuant to Section 12 of the Unfair Trade Practices Act.

Section 2. Purpose

The purpose of this Regulation is to identify specific acts or practices which are prohibited by Section 4(1)(a) of the Unfair Trade Practices Act.

Section 3. Sale as a Single Policy Prohibited

The sale of a life insurance product and an annuity as a single policy, whether in the form of a life insurance policy with an annuity rider or otherwise, shall be prohibited in this state. This section does not prohibit the simultaneous sale of a life insurance product and an annuity, but any such sale shall involve separate and distinct applications and policy contracts.

Section 4. Tying of Sales Prohibited

The tying of the sale of a life insurance product and an annuity shall be prohibited in this state. No sale of a life insurance product shall be conditioned on the sale of an annuity and no sale of an annuity shall be conditioned on the sale of a life insurance product.

Section 5. Distribution of Premium

The distribution of premium dollars to the life insurance product portion and annuity portion of the contract shall be defined and illustrated on the application in substantially the following form for all policy years.

	Premium/Life Insurance		Premium/Annuity		Projected Value of Savings in Annuity
<u>Year 1</u>	_____ %	_____	_____ %	\$	_____
<u>Year 2</u>	_____ %	_____	_____ %	\$	_____
<u>Year 3</u>	_____ %	_____	_____ %	\$	_____
etc.					

Premium is defined to be gross premium. The sum total percentage of premium to life insurance product and premium to annuity product should always equal 100%.

Section 6. Disclosure Requirements

A. Each insurer shall require with or as a part of each completed application for life insurance when such life insurance product is sold simultaneously with an annuity: a statement signed by the applicant and the insured, if different than the applicant, that contains the following language or language approved by (title of supervisory authority). The statement shall be printed in not less than ten (10) point boldface type. A copy of the statement shall be left with the applicant.

TO PERSONS CONTEMPLATING PURCHASING A LIFE INSURANCE PRODUCT COUPLED WITH AN ANNUITY the Insurance Department has required the following notice. Please read it carefully.

1. You should be advised that if you wish true estate tax planning you should contact an accountant or legal adviser.
2. The U.S. Government does not assess estate tax on estate's of less than \$ _____ (insert appropriate figure).
3. If you are contemplating a plan of federal estate tax avoidance through the gifting, such a plan may be accomplished through the gifting of other valuable property and hence the purchase of life insurance may not be necessary.
4. Under current tax law there may be little advantage in cross gifting of a life insurance product between spouses.
5. If you want to make a gift of insurance or any other valuable property you must relinquish full ownership of the gift or the gift will fail for tax purposes.

I have received and read a copy of the above notice.

_____ Date _____
 Signed

B. The prospective purchaser shall have ten (10) days to view the sales material from the date of presentation before applications for the life insurance product and the annuity may be taken. The applicant shall have the right to return the policies within (10) days of their delivery and to have the premium refunded if, after examination of the policies, the applicant is not satisfied for any reason.

Section 7. Penalties

A violation of this Regulation shall be considered a violation of the Unfair Trade Practices Act.

Section 8 Severability

If any section or portion of this regulation, or the applicability to any person or circumstance, is held invalid by court, the remainder of this regulation, or the applicability of such provision to other persons, shall not be affected thereby.

Section 9. Effective Date

This regulation shall become effective on _____ .

ATTACHMENT FIVE-B

TO: Market Conduct Surveillance (EX3) Task Force
 FROM: Arthur J. Chartrand, NAIC Associate Counsel
 DATE: September 1, 1986
 RE: Results of Survey of Sale of Life Insurance in Conjunction with Student Loans

At the request of Tony Schrader (Iowa), Chairman of the Subgroup on the Sale of Life Insurance in Conjunction with Student Loans, I circulated the attached survey to all NAIC members by the attached memorandum of June 18, 1986. Reminders to non-responding members were sent again on July 23 and Aug. 6, 1986.

43 of the 55 NAIC members responded to the survey. Results are tabulated in the chart below.

- () = Blank Response
- N/A = Responded Not Applicable
- ? = On answers to Questions 5 & 6 generally indicates an equivocal response depending on outcome of this survey or "Yes, if a problem in other states."