

STATE OF NEBRASKA

DEPARTMENT OF INSURANCE

William H. McCartney
Director

September 25, 1991
CB-77



E. Benjamin Nelson
Governor

BULLETIN

TO: All Insurance Companies Authorized to Transact Life Insurance In Nebraska

FROM: William H. McCartney
Director of Insurance

SUBJECT: Unfair Trade Practices, Replacements and Sales Promotion

The Nebraska Department of Insurance has received inquiries involving the solicitation or sale of life insurance products to consumers affected by questions regarding the solvency or financial stability of competitors. It is imperative that companies, agents and brokers act responsibly to avoid contributing to circumstances that may lead to irrational public action. In some instances, questionable newspaper advertisements have been placed by competitor agents, agent mailings, and personal contacts by agents or phone calls from agents stating as fact, rumors and unofficial reports concerning certain life insurance companies have been made. While it is acceptable for companies and its representatives to explain its own financial strength, it has been and still is prohibited for companies and its representatives to repeat market rumors or circulate news articles questioning competitors' solvency, or redistribute articles or information prepared by others.

These statements, advertisements, implications or innuendos about the solvency or condition of other companies may be a violation of:

1. Neb.Rev.Stat. §44-1525(1)(d) concerning misleading or misrepresenting the financial condition of any insurer;
2. Neb.Rev.Stat. §44-1525(2) concerning untrue, deceptive or misleading advertisements or statements; and
3. Neb.Rev.Stat. §44-1525(3) concerning derogatory, false or maliciously critical statements about the financial condition of an insurance company.


Bulletin CB-77
Page Two

Increased replacement activity attempting to capitalize on public hysteria over the financial condition of insurers is particularly suspect and will be scrutinized by the Department of Insurance. This includes product and compensation schemes which seem to be applicable only to replacement situations.

State law still prohibits insurers, agents or affiliates from using the existence of a guaranty association in the context of a sale, solicitation, or as an inducement to purchase insurance. However, the public should have access to information concerning the positive aspects of the industry. One important mechanism is making the public aware of the existence of a guaranty fund system. This Department intends to make the public generally aware of this safety net.

In order for all of us to have a positive impact on today's industry concerns, I request your immediate attention to this bulletin. Appropriate administrative action against companies and/or agents violating or failing to act in compliance with Nebraska law and regulations will be pursued without hesitation. As usual, companies will be held responsible for the conduct of its agents engaged in any of these activities. All Nebraska representatives should therefore be reminded of their obligations and the spirit and intent of this bulletin.

Your individual action can make a significant difference in promoting renewed public trust. Collective steps to promote public confidence in the industry as a whole must also be implemented in order to promote the general health of the life insurance market.


WILLIAM H. MCCARTNEY
Director of Insurance