

## **Title 19: Insurance**

### **Part 2: Life Insurance**

#### **Part 2 Chapter 1: (LA&H 67-1) Special Policies.**

#### **Rule 1.01: Prohibitions and Restrictions On Certain Type Life Insurance And Annuity Policies**

##### **1.01.1: Profit- Sharing Policies**

- A. No policy shall be sold or approved for use in Mississippi after the effective date of these rules which provides that the policyholder will be eligible to participate in any future distribution of general corporate profit or that the policyholder will receive any special advantage not available to all persons of the same class holding all other participating types of policies which have been issued and which may be issued by the company.
- B. This section is not intended to restrict or prohibit the sale in this State of policies both of the participating and non-participating type.
- C. The phrase "same class" which appears in this section and in Chapter II is defined to relate only to those recognized underwriting classifications such as age, occupation, sex, health or similar groupings which have a direct bearing upon expectation of life of the person so classified and it shall not include any classification based in anywise upon the date of purchase or the name given by the company to the policy purchased by any particular policyholder or group of policyholders.

##### **1.01.2: Coupon Policies Or Policies With Pure Endowment Benefits**

No policy containing more than one pure endowment benefit (whether or not evidenced by coupons, passbooks or other material generally identified with savings, banking or investment institutions) shall be sold or approved for sale in Mississippi after the effective date of these rules, unless it meets the following requirements:

- A. Contains, clearly and prominently displayed on the face of the policy contract, a statement that the premium includes an extra charge for the coupon (or pure endowment, whichever is applicable) benefits.
- B. The amount of each of the pure endowment benefits shall be separately expressed in dollar amounts and not as percentage of any premium or benefit.

- C. Payment of any pure endowment benefits shall not be made contingent upon payment of premiums falling due after the policy year in which the pure endowment benefit has matured.
- D. Participating policies shall be permitted to contain coupons or pure endowment benefits only if they conform to the requirements of Paragraphs 2 (a) and (b).
- E. The terminology and language of a policy which has one or more pure endowment benefits therein, shall not purport to represent the pure endowment benefit of the policy to be anything other than a guaranteed insurance benefit for which a premium is being paid by the policyholder, and such endowment shall not be referred to as a dividend.
- F. This section shall not apply to any policy in which the amount of any pure endowment or periodic benefit or benefits actually due and payable during any policy year is greater than the total annual premium on the policy for such years.

### **1.01.3: Certain Other Special Policies**

- A. No policy shall be sold or approved for use in Mississippi after the effective date of these rules which provides that any part of the company profits, premiums, dividends, excess interest, savings on mortality, loadings, lapses, or the earnings and or accumulations therefrom are to be payable only to those of a group of policyholders who live and persist in premium payments to the end of a period of time stated in the policy, or to those of a group of policyholders who live and persist in premium payments to the end of such stated period of time and the beneficiaries of those who die prior theretowhile their policies are in force. The purpose of the foregoing provision is to emphasize and implement Section 5642, Mississippi Code of 1942.
- B. No policy shall be sold or approved for use in Mississippi after the effective date of these rules which uses a policy name which implies or may be reasonably construed as implying that only a limited number of persons or some limited grouping or classification of persons will be eligible to buy such policy unless the limitation is related to age, occupation, health, sex or some other classification which recognized underwriting practices indicate is directly related to expectation of life.

Source: Miss. Code Ann. § 83-5-25 (Rev. 2011)

### **Rule 1.02: Misleading Policy Terms Prohibited**

#### **1.02.1 Section 1**

A life insurance policy or annuity contract issued or delivered in this State shall not contain language or words in the context or description that have the tendency to mislead a purchaser

or prospective purchaser to believe he will receive a benefit not in the policy or some benefit not available to other persons of the same class and equal expectation of life.

### **1.02.2** Section 2

No company or person shall deliver within this State, or issue for delivery within this State, any life insurance policy or contract of annuity or other printed material describing premium payments in language which states the payment is a "Deposit", unless:

- A. The payment establishes a debtor-creditor relationship between the insurance company and the policyholder; or
- B. The term is used in conjunction with the word "Premium" in such a manner as to clearly indicate the true character of the payment.

### **1.02.3** Section 3

Any policies of life insurance or contracts of annuity which have heretofore been approved by the Insurance Department but which do not conform to any requirement or requirements of Chapters 1 and 2 hereof shall be discontinued on or before July 1, 1968, or the same shall then become violations of these rules.

Source: Miss. Code Ann. §§ 83-5-35; 83-7-17 (Rev. 2011)

## **Rule 1.03: Misleading Sales Presentation & Solicitation Statements, Representations and Illustrations Prohibited**

### **1.03.1**Section 1

No company or person shall in the sale or offering for sale of any life insurance policy or contract of annuity do any of the following things:

- A. Make any reference to a policy in such a manner as to misrepresent the true nature of the life insurance or annuity contract involved.
- B. State or represent that the prospective policyholder will receive the right to benefits which are not a part of the policy itself or made an effective part of that contract by rider, unless the statement or representation is accompanied by an adequate explanation as to:
  - 1. The nature and source of the benefits to be proven at such time;
  - 2. The conditions under which this would occur;
  - 3. And the consideration therefor.

- C. State or represent that only a limited number of persons or a limited class of persons will be eligible to buy a particular kind of policy, unless such limitation is related to recognized underwriting practices and is plainly stated in the policy.
- D. Offer to sell any policy or contract (1) which is not approved for sale by the company writing the same in the State of that company's domicile or (2) which is in violation of such state's laws if approval is not required; or use any sales presentation, oral or visual, which has not been submitted to and approved by the Commissioner of Insurance of the State of Mississippi. All such submittals must be accompanied by a certificate of the company that such sales presentation (1) is approved for use by the State of the company's domicile, or (2) if approval not be required by such state, is not in violation of any laws or regulations of such jurisdiction.
- E. State or represent that any coupon or pure endowment benefits are earnings on premiums invested or that a coupon or pure endowment benefit in a policy is anything other than a guaranteed insurance benefit for which a premium is being paid by the policyholder.
- F. Make or issue any statements or representations to a prospective buyer of insurance or annuity which are calculated to induce the belief that the premium paid creates a fund which is withdrawable without reference to the cash surrender value or loan provisions of the policy, in any manner other than that actually contained in the contract.
- G. State or represent that the insurance company's profits are derived from lapses, surrenders, mortality savings or excess interest earnings.
- H. Represent that the mere size of a life insurance company or its total insurance in force necessarily affects either the solvency or the reliability of life insurance policies or annuity contracts issued by such company. Make or issue any statements or representations of any kind respecting the financial standing or management ability of any holding company, affiliated, parent or related corporation or associated enterprise.
- I. Make any statement or representation, oral or written, which may lead to a prospective buyer of a policy of life insurance or contract of annuity to reasonably believe that he is purchasing stock in any company or that the purchase of such policy or contract will entitle the prospect to acquire an option to buy stock in any company.
- J. Make or issue statements which will tend to lead a prospective buyer to believe that he will acquire a position similar to that of a stockholder of the company or state or represent that policyholders are entitled to share in the company's profits on a basis similar to that of the stockholders.
- K. Make any statement or representation relating to the growth patterns of the life insurance industry or to the tax status of companies in a context which would reasonably be understood to interest a prospect in the purchase of shares of stock in an insurance company rather than in, or in addition to, the purchase of a life insurance policy.

- L. Make any reference to a company's "Investment Department", "Insured Investment Department" or similar terminology in such a manner as to imply that the policy was sold or issued or is serviced by the investment department of the insurance company.
- M. State or represent that the prospective policyholder will receive special or favored treatment in the allowance and payment of dividends or shall receive dividends based upon a percentage of the premium paid, or upon any stated percentage of the net gain from operations of the company.
- N. Make or issue statements or illustrations regarding the payment of future dividends which may be misleading because they do not make it clearly apparent that said dividends are not guaranteed.
- O. Make or issue statements or illustrations of projected future true dividends, or refunds of any kind or nature on a policy unless such projections are calculated by a recognized actuary based on the company's own actuarial experience, or, where such company's experience is not credible, such projections are calculated by such actuary on the basis of the experience of a company of comparable age, writing comparable lines of business and having comparable assets and resources. Persons representing companies whose board of directors has not adopted a dividend scale shall make no projections, representations or illustrations in reference to dividends.
- P. Make any statement that projected dividends under a participating policy will be or can be sufficient at any future time to assure the receipt of benefits, such as a paid-up policy or the continuation of the basic contractual benefits, without the future payment of premiums, unless the statement is accompanied by an adequate explanation in writing as to:
  - 1. that benefits and coverage would be provided at such time, and,
  - 2. the conditions under which this would occur.
- Q. Make or issue, mail, deliver, publish or use any material of any kind or nature, such as letters, resolutions of the board of directors, drafts or checks delivered in advance, or any similar means of implying that a dividend of monetary return of any kind is being declared or intended to be declared in advance.
- R. Make or issue statements indicating that because a prospect has agreed to furnish leads or recommend the company or act as a "center of influence" for the company, he is entitled to any type of life insurance benefits not available to all policyholders generally; or that the purchase of the policy offered will entitle the holder to purchase or allocate a specific number of other policies; or pay, allow or give, or offer to pay, allow or give, directly or indirectly, any commission or other valuable consideration as a result of the sale of a life insurance policy or annuity contract to any person for furnishing a lead, unless such person is currently licensed in this state to sell life insurance.

- S. Apply for a temporary life insurance license, intending at the time of application not to qualify by written examination as a permanent life insurance agent, provided, however, that this shall not prohibit the issuance of temporary licenses to persons entitled thereto.
- T. Sponsor, for a temporary life insurance license, and individual whom the sponsor is not in good faith considering to permanently contract with as an insurance agent.

### **1.03.2** Section 2

No insurance company, insurance agent, solicitor, nor insurance company representative shall as a competitive or “twisting device”, inform any policyholder or prospective policyholder that any insurance company was required to change a policyform or related material to comply with the provisions of this regulation.

### **1.03.3**Section 3

This chapter shall apply to acts and practices in the advertising, promotion, solicitation, negotiation of or effecting the sale of life insurance. This chapter shall also apply to any act or practice whether they involve the use of language disseminated by means of sales kits, policy jackets or covers, letters, personal presentations, visual aids or any other sales media. This regulation is not intended to be a determination that any act or practice not specified herein is in conformance with any statutory provisions of this State.

Source: Miss. Code Ann. §§ 83-5-35; 83-7-17 (Rev. 2011)

## **Rule 1.04: Penalties**

### **1.04.1** Section 1

- A. Willful violation of these regulations by a company shall be deemed an unfair method of competition or an unfair and deceptive act or practice in the business of insurance and grounds for revocation of a company license, which shall be in addition to any other penalty provided by statute.
- B. Willful violation of these regulations by any agent or other representative of an insurer shall be deemed to be grounds for revocation of his license in the manner specified in Section 5722-12 of the Mississippi Code of 1942 (Laws of 1960, Chapter 367, Section 12.)

Source: Miss. Code Ann. § 83-5-39-49(Rev. 2011)

## **Rule 1.05: Effective Date**

This directive shall be effective as of November 1, 1967.

WITNESS MY HAND this the 25th day of October, 1967.

Source: Miss. Code Ann. § 25-43-3.113 (Rev. 2010)

**Rule 1.06: Note**

All life insurance companies doing business in this State shall indicate in writing to this office their receipt of these RULES AND REGULATIONS and their acknowledgement that they will strictly comply therewith and will immediately advise all of their agents of the provisions hereof.

Source: Miss. Code Ann. § 83-5-1 (Rev. 2011)