



STATE OF KANSAS

KANSAS INSURANCE DEPARTMENT

420 S.W. 9th
Topeka 66612-1678 913-296-3071

1-800-432-2484
Consumer Assistance
Division calls only

FLETCHER BELL
Commissioner

Bulletin 1987-6

TO: All Accident & Health and Life Insurers Authorized in Kansas

IMPORTANT: For Distribution to Supervisor(s) of Kansas Operations

FROM: Fletcher Bell
Commissioner of Insurance

SUBJECT: Use of Certain Types of Lead Cards

DATE: April 7, 1987

The Department has encountered complaints and received indications that some companies and agents are using "lead cards" in Kansas for the purpose of procuring names of individuals as potential insurance buyers. The lead cards are usually directed to potential purchasers of accident and health and life insurance policies, especially medicare supplement and nursing home policies. This Department has found some of the lead cards to be in violation of Kansas advertising statutes and regulations.

Typically, the offending lead card is sent out by a non-insurance related entity which purports to be a resource center for senior citizens. Used in the title or name of the purported organization sending the cards are words such as "Senior Security", "Medicare Services", "Medicare Supplement", "Service Center", "Benefit Service", "Benefit Service Center" and other such words designed to imply to the mailing recipient that the organization is a bona fide governmental or non-profit agency. The names or titles of lead card companies are usually fictitious and are designed to generate responses from elderly consumers. After illiciting responses, the lead card company usually sells responses to insurance companies or agents which contact the individuals returning the cards as potential customers.

Addresses for lead card operations often are merely "drop points" or post office boxes that are collection points for mailings and tend to lead the consumer into believing that the address represents a bona fide insurance business or governmental agency.

The lead cards often incorrectly describe available Medicare Supplement plans, by representing they provide "100% coverage of all benefits not covered by Medicare", when such coverages may not be available, and the policy is not identified. Generally, the lead cards fail to identify the name of the company or agent and fail to advise the consumer that an agent will call on the customer for the purposes of selling insurance.

In the past the Department has found the above practices to constitute unfair methods of competition or unfair or deceptive acts or practices in the business of insurance in violation of the Unfair Trade Practices Act.

K.S.A. 40-2404(1)(a) defines unfair methods of competition or unfair or deceptive acts or practices to include:

- (1) Making, issuing, circulating or causing to be made, issued or circulated, any estimate, illustration, circular, statement, sales presentation, omission or comparison which:
 - (a) Misrepresents the benefits, advantages, conditions or terms of any insurance policy; ...
- (2) Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, misrepresentation or statement with respect to the business of insurance or with respect to any person in the conduct of such person's insurance business, which is untrue, deceptive or misleading."

Furthermore, the department has often found the above cited practices to violate certain sections of K.A.R. 40-9-118 et seq. which govern the advertising of Life insurance and K.A.R. 40-9-100 which adopts by reference the National Association of Insurance Commissioners' Model Rules governing advertisement of Accident and Sickness insurance.


Please be advised this Department will take administrative action under the above cited statutes and regulations against any company or agent believed to be using lead cards which violate Kansas statutes or advertising regulations.

The purpose of this Bulletin is to advise all insurance companies to immediately notify their agents and personnel that the use of lead cards may constitute a violation of K.S.A. 40-2403 either as defined by K.S.A. 40-2404 (1) and (2) or as determined by K.S.A. 40-2406. Further, violations of these statutory provisions may occur as a result of non-compliance with K.A.R. 40-9-100 (5) and (6) or, in the case of Life insurance, the comparable provision of K.A.R. 40-9-118. The administrative regulations cited above implement K.S.A. 40-2404(1).

Page 3

We request that you immediately notify all of your agents licensed in the state of Kansas as to the contents of this Bulletin and, furthermore, request that you acknowledge your receipt and understanding of this Bulletin no later than April 16th.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Fletcher Bell".

Fletcher Bell
Commissioner of Insurance

FB:dbli
3022mw