

Legislative History for Connecticut Act

<u>SB524</u>	PA 729	<u>1967</u>
<u>Senate</u> : P. 2055,		(1)
<u>House</u> : P. 5373- 5375		(3)
<u>Insurance</u> : P. 1-37, 208-239		(69)
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and House of Representatives Proceedings

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CONNECTICUT  
GEN. ASSEMBLY  
SENATE

PROCEEDINGS  
1967

VOL. 12  
PART 5  
2036-2530

June 3, 1967

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THE CLERK:

Calendar 1307, file 1469, substitute SB 524, An Act concerning Sale of Insurance through Credit Cards. Favorable report of the Joint Committee on Insurance.

SENATOR PICCOLO:

Mr. President, the Clerk has an amendment. I move that we waive the reading of the amendment. It is a technical one.

THE CHAIR:

The question is on waiving the reading of the amendment. Is there objection? If not, the reading is waived.

SENATOR PICCOLO:

Mr. president, this was given very thorough and exhaustive study in the committee. I urge acceptance of the committee's favorable report and passage of the bill as amended.

THE CHAIR:

The question is on adoption of the amendment. All those in favor, indicate by saying Aye. AYE. Opposed? The amendment is adopted. The Chair will rule that it is a technical amendment. All those in favor of the acceptance of the committee's favorable report and the passage of the bill as amended, signify by saying Aye. AYE. Opposed? The bill as amended is passed.

THE CLERK:

Calendar 1308, file 1470, substitute SB 669, An Act concerning the Solicitation of Charitable Funds. Favorable report of the Joint Committee on General Law.

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CONNECTICUT  
GENERAL ASSEMBLY

HOUSE

PROCEEDINGS

1967

VOL. 12

PART 11

4937 - 5501

Wed., June 7, 1967

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mbs

MR. SPEAKER:

Question is on acceptance and passage of the bill as amended by Sen. Amend. Sch. A, will you remark?

W. BEGG, 86th:

The purpose of the bill is to formulate a 13 member commission that would look into the qualifications of electors. This is a good bill and it ought to pass.

MR. SPEAKER:

Will you remark further? If not, all those in favor of accepting and passing the bill as amended by Sen. Amend. Sch. A, will say Aye, all those opposed, the bill is passed.

THE CLERK:

Calendar 1518, Sub. SB 669. An Act concerning the Solicitation of Charitable Funds, file 1470.

B. AVCOLLIE, 94th:

I move acceptance of the joint committee's favorable report and passage of the bill.

MR. SPEAKER:

Question is on acceptance and passage, will you remark?

B. AVCOLLIE, 94th:

This bill does some housekeeping in the area of charitable funds statutes, it is a good bill and it ought to pass.

MR. SPEAKER:

Question is on acceptance and passage of the bill, all those in favor will say aye, all those opposed, the bill is passed.

THE CLERK:

Calendar 1529. Sub. SB 524. An Act concerning Sale of

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Insurance through Credit Cards as amended by Sen. Amendment Sch. mbs  
A, file 1469.

T. DONNELLY, 159th:

I move adoption of Sen. Amend. Sch. A and I would ask that the reading of the amendment be waived because there is a copy on the members desks.

MR. SPEAKER:

Question is on adoption of Sen. Amend. Sch. A, is there any objection to the reading being waived, if there is none the gentleman may proceed.

T. DONNELLY, 159th:

Rather than speaking on the amendment itself because it becomes pretty much a brand new bill I would move for the adoption of the amendment and I will speak on it as the bill.

MR. SPEAKER:

Question is on adoption of Sen. Amend. Sch. A, all those in favor will say aye, all those opposed, the amendment is adopted. Question now is on acceptance and passage of the bill as amended by Sen. Amend. Sch. A, will you remark?

T. DONNELLY, 159th:

The purpose of this bill is to give protection to the insurance buying public in the state, once or twice each year, we see in the local newspapers across the state warnings issued by the state insurance commissioner, warning people not to buy mail order insurance from companies not licensed in the state of Conn. because if they have any problems with the company or if the company should go broke or if a claim is not paid the Conn. state

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insurance commissioner can give them no protection whatsoever, this is a bill designed to regulate certain types of sales of mail order insurance, it is a good bill for the people of the state of Conn. I move its passage.

MR. SPEAKER:

Will you remark further? If not, the question is on acceptance and passage of the bill as amended by Sen. Amend. Sch. A, all those in favor say aye, all those opposed. The bill is passed.

THE CLERK:

Calendar 1522, Sub. SB 10014. An Act concerning Occupational Licensing, as amended by Sen. Amend. Sch. A, file 1531.

E. LASSMAN, 46th:

I move for the acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

MR. SPEAKER:

Question is on acceptance and passage in concurrence with the Senate, the Clerk will read Sen. Amend. Sch. A.

E. LASSMAN, 46th:

Mr. Speaker, I think I can explain the amendment and we can waive the reading of it.

THE CLERK:

Sen. Amend. Sch. A. In section 12, line 9 and 10, delete "has been authorized by the public utilities commission" and insert in lieu thereof the following "is in connection with the rendition of public utility service."

E. LASSMAN, 46th:

Mr. Speaker, I move for the adoption of the amendment.

JOINT  
STANDING  
COMMITTEE  
HEARINGS

INSURANCE  
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1967  
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INSURANCE

THURSDAY

FEBRUARY 9, 1967  
10:45 A.M. to  
1:45 P.M.

Senator F. H. Piccolo, Presiding

Members Present: Senators: Ives, Janovic  
Representatives: Simons, Stevens, Begg,  
Ciampi, Stavnitsky, Vicino, Salamone,  
Oliver, Bigos, Breeman.

S.B. No. 524 (Senator Janovic) AN ACT CONCERNING SALE OF  
INSURANCE THROUGH CREDIT CARDS.

Chr. Piccolo: Are there any legislators here who would like to be heard first?

Sen. Janovic: Yes, Mr. Chairman, gentlemen: I submitted Bill No. 524, which I believe everyone has a copy of, which is self-explanatory. I submitted this Bill because I felt that this is for the best interest of the public, and I urge the passage of this Bill. Being on the Committee on Insurance, I think I should listen to the pros and cons and let others do the speaking at this time but I just wanted to show my position. Thank you, Mr. Chairman.

Sen. Piccolo: Thank you, Senator. At this time the chair will recognize speakers by hands.

Mr. Wholley: Thank you, Senator. My name is Gerard T. Wholley and I am Chief of the License and Claims Division of the Connecticut Insurance Department. We have prepared a statement which we distributed to the Committee members and I would like to read the statement:

"While this bill was not introduced into the Legislature as a direct request of the Insurance Department, we do feel that we can give considerable support in favor of passage of this type of legislation.

Traditionally the merchandising of insurance has been in direct contact with the agents, salaried representatives of insurance companies, or officials of the companies themselves. Invariably this method allowed the opportunity for the insured to receive as complete information concerning the coverage as possible and allowed the representative of the company to answer questions which arise concerning the type of contract, the cost, and other factors concerning the policy.

Within the past few years, there has been introduced principally through the facilities of companies issuing credit cards, the opportunity to buy many products including insurance contracts. Generally, this starts with the sale of fairly simple travel accident coverages and/or life insurance coverages. Even with such limited type coverages, we feel the possibility of misunderstanding the coverage, of failing to be aware of certain exclusions, is quite prominent. Even in the limited field of travel accident insurance, there are many, many different types of forms available to the purchaser with differing amounts of benefits and differing conditions for coverage.

It is quite disturbing to the Department to see the increase in the sale of insurance being vigorously promoted through this means, and most recently comes the availability of other lines of fire and casualty insurance through credit card solicitation. Even with the presence of a competent agent or representative of an insurance company, many situations do arise which lead to misunderstanding of an insurance contract. Now where a buyer is to purchase insurance through a credit card facility, and it is dependent entirely upon him to complete the complicated application and to be able to understand in a manner that will protect his interests fully the various rating formulas involved in the purchase of either automobile insurance or home owners insurance, we believe can lead to serious problems for the insured and also for the company issuing such contracts.

Misinformation placed on an application for a home owners policy or an automobile liability policy could lead to the company declining liability in the hour of need. It is possible that this information would be listed by an applicant in all good faith not realizing the implications of his insufficient or improper answer.

We do not wish the Department to appear to be opposing progress. To the contrary the Department has vigorously supported programs which we felt were in the best interest of the general public. However, in this particular case, we do not feel the sale of insurance through credit cards is in the best interest of the public, and we urge this committee to give favorable consideration to this particular bill."

Chr. Piccolo: Any members of the Committee have any questions they would like to ask Mr. Wholley?

Chr. Piccolo: Senator Ives?

Sen. Ives: No questions.

Rep. Oliver: Sir, you are familiar with Sec. 38-71 of the Connecticut General Statutes which, I understand, provides that any person who acts either in his own behalf or as representative or agent for any other person as an insurance agent unless such person holds a license then in force should be fined not more than \$500. or imprisoned not more than three months, etc. Isn't this adequate protection?

Mr. Wholley: It only obliquely comes into the problem. We have had several different credit card programs presented to us. In analyzing that statute and a couple of others related to the problem but principally concerning paying commissions to unlicensed persons, many programs have been disapproved because the acts of the credit card company were interpreted as the acts of an agent or broker and the programs disallowed in the state. Other programs were cleared because they had by-passed successfully because of no payment of commission or other valuable consideration to the soliciting credit card company. It is a question of taking money from the right hand and putting it into the left hand.

Rep. Oliver: I see.

Mr. Wholley: We have not been able to solve the problem with that statute.

Rep. Oliver: The question of travel insurance - it occurs to me that I have never flown out of Bradley Field, but I think in New Haven we have those travel insurance machines. What is the difference between using travel insurance machines and going to a desk at a busier airport and having the little lady there in a red suit, with a little hat on, and giving her your credit card and buying that \$25,000. worth of trip insurance?

Mr. Wholley: I don't know if they use the credit card facility at the airports but the clerks at those counters are licensed travel accident agents. The man servicing the vending machine is a licensed agent.

Rep. Oliver: A licensed insurance agent, or a mechanic.

Mr. Wholley: No, he is a licensed insurance agent. There is an exemption in the law on travel accident as far as

qualifications of agents are concerned. It's almost an automatic registration which limits their authority to travel accident only.

Rep. Oliver: Well, the crux of the bill then would mean that when I go to Bradley Field instead of using the machine I walk ten feet and go to the booth, that I have to pay cash or use a check - I can't use my credit card?

Mr. Wholley: No, I don't think it does mean that at all. There is no reason why credit can't be extended for the purchase of any line of insurance. We are talking about the solicitation of all lines of insurance via the facility of a credit card house. There is a distinguishment at the moment, at least in my mind, between extending credit for the purchase of insurance bought from an agent against a credit card company soliciting directly these lines of insurance. One involves credit, the other involves solicitation.

Rep. Oliver: Right. But the bill says "negotiate" a contract of insurance and I presume that when you negotiate a contract of insurance you are actually looking for a sales proper so this forbids the use of a credit card in the sales process.

Mr. Wholley: The solicitation by the credit card company in negotiating solicitation.

Rep. Oliver: It says "solicit or negotiate".

Mr. Wholley: I think they are almost anonomous terms.

Rep. Oliver: That means that you can't use it at the booth. I have to pay cash.

Mr. Wholley: I don't think so. It does not mean that. No more than if I went into an insurance agent's office and this is now being used in the state and two or three agents' offices. The Check Account Plan of the Hartford National and a few of the other banks where the agent can charge that premium into the approved Charge Account Plan. That is not the Hartford National or any other bank doing the soliciting for the insurance, that is just a medium of financing.

Rep. Oliver: I see. One further question. Don't we want to regulate the insurance contracts rather than the way they are sold.

Mr. Wholley: My position in the Department is handling complaints, among other things, and in this area a great number of problems do arise. I also agree that in regulating the rates forms and so forth it is an immense area that needs supervision.

Rep. Oliver: Thank you, sir.

Rep. Bigos (45th District): You don't have records of any specific complaints from the use of credit cards. I mean your Department is the clearing house for many complaints, but you have a record of complaints where the use of credit cards has led to abuses of any kind, haven't you?

Mr. Wholley: The complaints that I have received about credit cards generally go for the solicitation and negotiation. I don't recall offhand any complaints on the settlement of a claim.

Rep. Bigos: But has the insured been in anyway put to a disadvantage? Did you say here there might be a misinterpretation of the coverage purchased in that it might not be complete and so forth? Has it actually happened or is this theorizing?

Mr. Wholley: I think it is theoretical at the moment.

Rep. Bigos: You think it has happened, you say?

Mr. Wholley: No, I said I think we are theoretical at the moment on it.

Rep. Bigos: But you have not had any specific complaints in that area have you?

Mr. Wholley: Not where the insured has found himself without coverage in his hour of need. We are hoping that that won't arise.

Rep. Bigos: How long has this been going on?

Mr. Wholley: A very short period of time, it may be as far as fire and casualty is concerned it is almost brand new.

Rep. Bigos: Then you have no experience to really go on, have you?

Mr. Wholley: Not from that standpoint, no.

Chr. Piccolo: Are there any other questions by any members of the committee?

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Chr. Piccolo: Thank you, Mr. Wholley, for your presentation. Anyone else who wishes to be heard in favor of this bill?

Mr. Coughlin: My name is William Coughlin, Jr. I am Vice-President and Legislative Chairman of the Independent Mutual Insurance Agents of the State of Connecticut. Our association is made up of some six hundred member agencies and I am also here as a representative of the Connecticut Insurance Producers Council which is made up of the Connecticut Association of Life Underwriters representatives and representatives from the Connecticut Association of Independent Insurance Agents representing some five thousand producers in the State of Connecticut. I am here to speak in behalf of S.B. 524 which was introduced by Senator Janovic. I have a brief statement which I would like to read in its behalf:

"It is the public policy of the State of Connecticut to require any person, firm or corporation who solicits or negotiates the sale of insurance contracts to meet the qualifications for licensing of the Insurance Department. This measure is intended to implement that policy by prohibiting the solicitation and sale of insurance - i.e. fire and casualty, life, accident and sickness contracts, all kinds of insurance, through the medium of credit card facilities or organizations.

Similar measures have been enacted in "Florida and New Hampshire and have been proposed in Massachusetts, New York and New Jersey. In addition, the Attorney General of Maryland has ruled such credit card sales to be in violation of that state's insurance laws.

This bill effectively precludes the circumventing of insurance agency licensing requisites by prohibiting insurance companies making arrangements with large credit card facilities for the express purpose of soliciting insurance.

Equally important, the insured receives an opportunity for proper insurance counsel with respect to limits of insurance, proper coverage for his particular risk and a reasonable survey of his insurance needs in addition to proper service on claims, accident reporting and obtaining endorsements when dealing with a licensed agent vs. the credit card solicitors.

For these reasons and many other, the Independent Mutual Insurance Agents of Connecticut support and

and urge your support of this measure. I might also add that I am a licensed agent from Wethersfield. Thank you.

Chr. Piccolo: Any questions by members of the committee?

Rep. Stevens (122nd District): Sir, would you have any objection to this practice if the people making the contacts were licensed agents?

Mr. Coughlin: I believe that the organization or the person making the contact is a licensed agent. Our objection is that the local agent on the scene, among other objections, is not there to help in reference to completing the application, helping the insured, etc.

Rep. Stevens: That is because this is done through the mail?

Mr. Coughlin: Yes, sir.

Rep. Oliver (104th District): What about the machines? What is your position on machines in airports selling travel insurance?

Mr. Coughlin: I would say that it works to the detriment in many cases of the individual. Although I think the machine situation, which I am not too familiar with as I have never taken advantage of it myself, is in reference only to travel accident on airplanes or some such thing. You can't get into too much difficulty in filling out a brief application and putting into a machine at the airport. Our objection extends from this premise into other lines of insurance which Mr. Wholley of the Insurance Department pointed out relatively recently has been getting into the automobile insurance business and into the other areas of fire and casualty insurance and it is in these areas in particular that we feel problems might arise with the person applying for the insurance, not being able to fill out the application. We have difficulty ourselves now filling out some of these company applications and not having proper counsel from the time that he desires to take out insurance until the time he has the claim.

Rep. Oliver: But as regards the machine, it takes quarters. You have no serious objection if the machine was changed so that it took one of those plastic credit cards?

Mr. Coughlin: I am not sure I understand.

Rep. Oliver: Well, the machines take quarters now, right?

Mr. Coughlin: I guess they do.

Rep. Oliver: Maybe they take fifty cent pieces too, if you can find any. If you put your plastic card in there instead of a quarter - there are machines now that change dollar bills. We can do amazing things with machines. Suppose you had a machine that took credit cards?

Mr. Coughlin: I think our objection would be the same. We object to the principle on which this is based.

Chr. Piccolo: "Any other questions? Anyone else who wishes to be heard in favor of the bill?"

Mr. Bland: Good morning, Mr. Chairman, members of the committee. "My name is Herbert R. Bland of West Hartford. I am appearing today for the Connecticut Association of Independent Insurance Agents, Inc., of which organization I am a member, past President, and the Chairman of the Legislative Committee.

We enthusiastically endorse the purpose and intent of S.B. 524 to prohibit the sale of all forms of insurance through the facilities of credit card companies.

Gentlemen, the business of insurance is one of many complexities. This is particularly true in the area of the portion of the business devoted to the understanding of policy coverage and the relationship of the needs of individuals to this coverage. Professional insurance agents spend a lifetime preparing and developing their abilities to intelligently serve the public. Their qualifications are regulated by this State with a considerable degree of intensity and this we applaud.

And now enters the modern day cure-all for all mankind's financial problems -- the credit card! Through its medium I can fly anywhere in the world, I can purchase all the liquor I need, I can rent cars, I can buy gasoline and tires, I can buy fancy gifts for my wife, I can have the finest hotel accommodations, and I can eat in the world's greatest restaurants -- and more recently I can purchase insurance! For all of this I 'pay later'.

Now, gentlemen, as an average individual, I think I know enough to decide where I want to fly and what airline I want to use; I know my preference in

liquors and in the cars I rent; I am able to detect which gas provides the best performance when used in my car and how long the various makes and types of tires last; I unfortunately know my wife's taste in expensive jewelry; and finally I know a good hotel when I see one and I pride myself upon my discernment of good food. But as an average -- or even above average -- individual, I doubt that I normally would have the ability to wisely counsel myself concerning my needs in the purchase of insurance with its many ramifications. Yet when my purchase is solicited through the medium of a credit card this is exactly what I am asked to do, or what is suggested to me. As an Independent Insurance Agent I am diametrically opposed to the method of doing business propounded by the so-called 'direct writers'. -- but even these people as our very formidable competition, offer the customer something more than the opportunity to make his decisions based on a bunch of printed words received through the mail!

Very much involved in any consideration of this matter is the question of the legality of this solicitation through the means of credit card listings. The question has been raised in many other states -- most notably Maryland and Oregon -- whether under such conditions the Credit Card Company was acting illegally as an insurance agent; whether it was in effect receiving a commission, a fee, or other consideration for procuring or influencing the procurement of insurance when it is not licensed pursuant to law to so act. These questions are important gentlemen -- and very pertinent to the question. Yet it would be our inclination to 'put them all to bed' with the more overriding consideration of whether the public be served or the public be mis-served by such plans and proposals! It is the public -- in its most broad context 'the people' -- who must be protected against these devious -- if not illegal -- schemes.

Several states have legislated in this general matter and we applaud the action of such states as New Hampshire, Oklahoma and Florida. Other states have been able to regulate through their Insurance Departments on this matter and we applaud their action. In Connecticut it would appear that we require legislation and we commend such to your attention.

May I quote -- admittedly out of context although I have the entire thing if you wish it -- from a solicitation letter which is provoked through the

system under attack and which would hopefully be banned by the legislation you are considering:

'When you read the enclosed brochure, you will note that coverage is thorough; the cost is low; and Imperial has an established prompt, efficient, country-wide claims service. We are eager to demonstrate the convenience of this new program offered by Imperial, an affiliate of the American Oil Company. There is no obligation...no salesman will call.'

Well, I don't need a salesman because the first several phrases tell me I am 'able to learn all' by reading the brochure -- and I have the brochure -- and furthermore if the salesman did call.... Well.

We submit gentlemen that solicitations of this type are not in the Public interest, and we urge your support of the passage of S.B. 524."

I do not have enough copies this morning, but I will see that they are furnished and I will leave one with the Secretary. Thank you...

- Sen. Piccolo: Are there any questions by the members of the Committee? Is there anyone else who would like to speak in favor of this bill?
- Mr. Beamus: My name is Ralph Beamus. I represent the Connecticut State Life Underwriters Association. The Committee approved S.B. 524 as outlined by the previous speaker.
- Chr. Piccolo: Thank you for your brevity.
- Mr. O'Brien: My name is John O'Brien representing the Connecticut Petroleum Council. I apologize for being a little late for the hearing and I understand that some sort of an announcement was made at the beginning regarding the lateness of the notice of the hearing and that people who were not prepared to testify today could file a statement with the committee, is that correct?
- Chr. Piccolo: That is correct. We are allowing you to four weeks to file statements. I would think though that, if possible, we would appreciate them in two or three weeks. But we do not intend to act on these bills for one month.
- Mr. O'Brien. All right. Thank you, sir.
- Chr. Piccolo: Is there anyone else who would like to be heard

in favor of this bill? Seeing no hands, is there anyone here who would like to be heard in opposition to the bill?

Mr. Reed: My name is Harold Reed, Jr. and I am appearing on behalf of the Connecticut Bankers Association. Seeing certainly that there is an insurance problem here, but what concerns us from a banker's point of view is that I don't see that it is a credit card problem. Most people involved in banking these days visualize the time in the reasonably near future when credit cards will more and more replace other mediums of exchange and computer equipment becomes more sophisticated and less expensive. More and more charges will be handled through credit cards and less and less through more traditional mediums of exchange, such as cash and checks. It seems to me that it would be a real step backward if Connecticut adopted a rule which said that any particular item could not be handled by way of a credit card. Now I make no pretense of being familiar at all with the insurance problem involved but as I have sat here it would seem to me that we are really not talking about credit cards at all. We are talking about a problem that seems to involve solicitation by unlicensed persons by mail, or perhaps misleading description of coverage in mail communications - something of this sort. But not credit cards. Credit cards are not, it seems to me, the root of this problem at all, and we couldn't try to regulate the credit card when the abuse is somewhere else. Thank you.

Chr. Piccolo: Any questions?

Rep. Oliver: Do any of the banks you represent promote credit card arrangements?

Mr. Reed: Oh, certainly. The Connecticut Bankers Association is an association of all the commercial banks in the State of Connecticut, which would take in any one of the banks whose charge plan cards may have been heard about in their occasional advertising.

Rep. Oliver: Do any of these banks now engage in the solicitation or negotiation of sales of insurance through credit cards?

Mr. Reed: No. To the best of my knowledge none of them does at this point and I don't think frankly that any of them would. However, it doesn't seem to me that the problem would be solved for example by the exclusion of bank credit cards because we don't know what this whole thing is going to grow into, and,

in addition I do know of one potential area of bank participation in insurance which I don't think should be objectionable to an independent insurance agent and this is insurance of the type that goes right along with the credit card. Many companies offer plans which insure you against the loss you would otherwise incur if you lost your credit card. Now, this isn't casualty insurance this is something that is sort of part and parcel of a credit card operation or at least could be so considered. I suspect that some of the banks might consider that sometime in the future.

Rep. Oliver: Do you think that particular form of insurance is prohibited by this bill?

Mr. Reed: No, I think it is prohibited by this bill.

Rep. Oliver: You think it would be prohibited by this bill?

Mr. Reed: I know that other speakers have said that is not what it means, but to me what the bill says is that you could not pay an insurance premium by way of a credit card regardless.

Rep. Oliver: You mean your credit card is a credit right.

Mr. Reed: Yes.

Sen. Ives: Mr. Reed, if I understand your remarks, you don't object to the prohibition of the solicitation of insurance so long as they can pay for it through a credit card arrangement. In other words, you don't object to solicitation of the insurance. What you want is to be able to have them purchase - pay for not purchase - through it.

Mr. Reed: Definitely that. Now as far as the banks are concerned I think we have no reason to object because none of them have the problem. However, I will say the credit card companies, banks, and the big ones, the little ones and so on, it seems to me, are no more subject to criticism than is anybody else who solicits a more or less captive group by mail.

Rep. Ciampi (89th District) Waterbury: I am just curious on this credit card as far as cash - that is what you are getting at. In other words, you don't if a man buys a contract instead of paying money he can take his credit card, put the number down and get the money back and the agent receives his commission. Is this true?

Mr. Reed: Yes, quite.

Rep. Ciampi: But suppose a man purchased life insurance, more or less, and he puts a binder on the contract with a credit card certifying that this money is payable to him, what happens then when the bank receives, we'll say, this credit card - will they vouch for this as far as premium payment.

Mr. Reed: If I understand your question, when a credit card voucher comes in and the credit card is a valid card and has not been terminated, the same kind of a problem as you would have with a bad check, but if there is a valid card and the voucher is signed by the customer, the holder of the card, sure they are bound to honor it.

Rep. Ciampi: All right, thank you.

Chr. Piccolo: Anyone else who cares to be heard in opposition to this bill?

Mr. Hallett: Senator, members of the committee, my name is James B. Hallett. This is the first time I have appeared before this committee in 1967. You probably saw me with the permission of your Chairman taking pictures so that I could match faces and names. I picked up a few now and if the pictures are good you will get them. Normally, I will be speaking before you many times during this session on behalf of the Travelers Insurance Company, the Health Insurance Association of America and the Life Insurance Association of America. The great bulk of your domestic Connecticut companies belong to these trade associations. The Health Insurance Association has about 333 members, the Life Insurance Association has nearly 200 representing probably 90% of the accident and health and life insurance sold in the United States. I state these three organizations for which I will be speaking before you many times during this session on the bills that will come up in the next week, so as to get myself straight before you; hoping that you will - any of you - at any time if you have questions call on us to give you the facts and then the argument -- the facts first which we take it to be our duty to bring to you. I must mention right away that these organizations that I belong to, as well as the Travelers Insurance Company, are 99% agency companies. They do not sell insurance unless through an agent. Yes, there are direct writer members but they are in the minority. I also state to you that since my salary is paid by the agents who write for the Travelers I am very interested in their views and

from 1948 to 1950 was Counsel for the National Association of Life Underwriters in New York. I hope I am agency oriented and I hope my good friends who have spoken to you are aware of that fact. I would like to present to you a middle ground on this and I think the previous speakers have touched upon it. Most of us first saw this bill last Friday. You know how far behind the Clerk's office is in even recording them and getting the bills before us. We had not been aware that it would be put in here. Normally, when you have problems you try to highlight the abuses and correct the abuses. You don't try to throw the baby out with the bat. This is a very real problem to all lines of insurance and the whole concept of mass merchandising in relation to the individual qualified, professionally examined and trained agents - all lines. The long range mass merchandising is obviously a problem to them, but I would suggest to this committee consideration, and other people, I am sure, will bring this to you, either in their oral testimony or in written material filed with your Chairman, that there are other approaches to this problem. In the first place, let's get the statute straight. New Hampshire has passed a law, Florida has passed a law. The Florida law is being contested for constitutionality not on this point but in an attempt to tax the out of space insurer. We will know the answer to that a long time hence. New Jersey last year put in a bill of this kind but they excepted from its application travel accident. They did not extend travel accident to this. A conversation I had within the week with the Insurance Commissioner of that state, who is supporting the bill - he is quite in favor of travel accident and would even consider some excepting of life if he had the power to regulate the area. That bill will go in again in the New Jersey session. I understand, however, and this was mentioned, the question of doing this by regulation and Oklahoma and Maryland, I am informed and I will verify this, have solved the problem by regulation. I do not believe they have wholeheartedly and completely abolished all credit card solicitation. This leads me to a perspective route for Connecticut. We have had in Connecticut since 1955 the Unfair Trade Practices Act. That specifies certain acts, in Section 38-61, which are automatically deemed unfair trade practices and give the Commissioner the power to issue cease and desist orders, etc. In addition, there is a section in which he can redefine new areas if he thinks they represent unfair competition or unfair trade practices. This is Section 38-63. This is a route which, I think, at this time and that is up to the Insurance Commissioner, Mr. Wholley to decide if

that is the route they want to take. Using that route, with notice of hearing and regulations, you would hear all sides. Now, if there are abuses in advertising which, as you gentlemen know, many of you are in the business, is covered by the National Association of Insurance Commissioners Advertising Code. For those who are not covered by the state, and Connecticut has adopted this, they are reached by the Federal Trade Commission. That has been a jurisdictional problem, so there are two areas where they can be attacked. You can get advertising on that. You can get unlicensed solicitors through our normal agency licensing statutes. I was very interested to hear that Mr. Wholley had allowed some plans to go through because there was no problem in them of licensing. This is a large, growing and complex area. I take the middle ground. My company does not now have a case - we lost one - we may have one next week competitively. I was informed just a day or so ago that there are over 72 million credit card holders in the United States. You know, those of you who are in the business, that you are competing against the sales of television, luxuries, a car, a trip to Florida and everything else before you can get that insurance premium with good coverage. If it is the wish of this committee, however, to do this, I suggest that those areas which are clearly subject to regulation which exist now in the writing - some Connecticut companies are writing it and many out-of-state companies who are doing business in Connecticut and are members of the Health Association or Life Association - are doing this business countrywide. It is very competitive. They are quite willing to work out reasonable regulations controlling agents and everything else. But if philosophically it is your wish to do this by legislation, I earnestly suggest to you that you consider seriously first what New Jersey proposes to do, exempting travel accident and next life insurance with such limits as you want. I am the first to agree if a man can buy \$100,000. of life insurance with a credit card he is not getting the good counsel that an agent could give him when maybe he needed an ordinary life policy, or some reducing term on his mortgage insurance. You could set those limits by regulation and I suggest to you, and will document this later, that if you wish to take the route of statutory and not have the Commissioner work this out by regulation, where all sides would be heard on the complex problem, that you exempt life and health and then give the Commissioner the power to establish those reasonable regulations by which time you will have found specific abuses, complaints by the public, areas of violation, that you can go after. If there are any questions, I

would be happy to try to answer them. As I said before, I haven't got too much depth in this. We tried to catch up in a hurry and get some information. I didn't hear anything in Mr. Bland's and Mr. Coughlin's statements that they wanted specifically this exact language in the bill. They are reasonable people, I have known Mr. Bland for a long time and we could talk about the possible amendment of this bill and re-present it to the Committee.

Rep. Donnelly (159th District): Mr. Hallett, in your opening remarks you mentioned that your company is an agency company. Are you speaking on behalf of these agents - your position is their position.

Mr. Hallett: That is it. My position - I hoped I got it through - was the middle ground on this bill. As you know, it is a very complex subject. We are all in favor of good straight regulations of the violation in advertising, protection of the public, proper agent licensing, and above all proper agent training. I haven't got too much depth in this particular credit card phase because the one case that we had was lost pretty quickly and we don't have any now. We might competitively have one tomorrow. My hope is that we don't throw out the baby with the bath by abolishing all credit cards' solicitation. That you explore where the abuses are and lead us to regulation or statutes that would correct those abuses.

Rep. Donnelly: Mr. Hallett, if I may go a little further. You are familiar with this credit card solicitation, are you? The type of thing that the bill is concerned with.

Mr. Hallett: I only know that there are credit card organizations, the oil company type of thing - I don't happen to have one myself -

Rep. Donnelly: What I am getting at is this from my point of view the whole purpose of insurance is settling the claims. I would like someone to tell me here how the claims would be settled and handled by solicitation by mail.

Mr. Hallett: I am going to ask for a friend in the audience who is here to speak who is an expert in this. I believe that the company which writes the credit card coverage handles the claim. Now, if my company wrote it we would handle it country-wide admitted in every state. How a mail order company

would do it, admitted in one or two states, I do not know. I presume they would hire local adjusters for that. I cannot answer that question. Is this something you would like documented in any presentation we make to the committee in the next month?

- Rep. Donnelly: I would just like to know how the claims are handled, if there is anybody going to be on the side of the insured.
- Mr. Hallett: I would like to introduce Mr. Robert Ruis from New York City, who represents a member company of the HIAA, Continental Casualty in Chicago, who has far more depth in this than I do
- Rep. Visino (34th District): Sir, I always have a problem trying to follow the middle of the road positions on a number of issues. Am I to understand that you would like this legislation to leave the door open a little bit for the companies.
- Mr. Hallett: I would like to first find out what are the specific abuses in the public interest. If there are clear abuses documented either complaints of policy holders or all the areas that Mr. Wholley has problems with, document those - correct those. I would prefer to see it by regulation, notice of hearing of the Insurance Commissioner where everybody can come in and say their piece. If it is this committee's wish to do this by statute through the medium of this bill, I would suggest to you that for the time being anyway you exempt those areas which are already in operation giving the Commissioner broad powers in addition to what he has under the Unfair Trade Practices Bill to issue reasonable regulations under it and stop any trouble in that area. I would not cut this off sharp.
- Rep. Vicino: As the language of the bill now appears, it mentions "solicit or negotiate such contracts" making it mandatory that this solicitation be excluded or negotiating under the credit card system. Are you in agreement with this? Can you give me a yes or no. Would you agree that people who are soliciting or negotiating insurance should be licensed, that is under the credit card system.
- Mr. Hallett: No question about it, anybody in contact with the public ought to be licensed to the extent of what he is trying to sell. Mr. Wholley mentioned the case of the travel accident. My company sells it. It can only sell one policy - can't change it - it is that or not and in most states they get an examination - they have to be licensed but you

don't need to take the LICU or CPCU to do that. Now, the airport thing in the machine will only sell you one kind of policy, I believe. But solicitation and negotiation, certainly, people contact the public.

Rep. Salamone: Mr. Hallett, if I understand some of your remarks you are in favor of buying life and accident-health through credit cards with regulations by the Insurance Department; in other words, you would like to see this go through and then if someone gets into a problem at that time try to correct the system. I understand you said that by regulation if and when the Commissioner receives problems where somebody is in trouble in that they bought something they did not understand at this time the man has the right to go to the Commissioner and say that he has just purchased a life policy and it is not really what he wanted and now that his wife has passed away he is not going to collect because she did not die on a train going to Chicago. Is this what you feel we should continue to allow people to buy life and accident insurance through credit cards any only after you have the problem to regulate it.

Mr. Hallett: I have to back off. I can't answer your question, sir. The point is that if your committee were going in an Executive Session and this were the last day of the session and you had to get this bill out or not at all I don't think there has been presented to you enough of first the specific abuses and next methods of correcting them for you to make an informed judgment of the whole aspect of this business. I had hoped that this would be done by regulation where all these problems could be heard. I already indicated to you that I have very little depth in this field. I would like to know more and will learn more. My hope was that if you are decided to go ahead exempt those fields that are now the majority, I believe, of the coverages - travel and accident and life and put in the power for the Commissioner who knows best the power to make such regulations. He already has it on the advertising. He can go after that but if he feels that the legislature wants to exempt these and he is to put in the regulations he wants everybody gets into the act, talks about it and it comes out in regulations to protect the public, which is the first interest.

Rep. Salamone: Mr. Hallett, do you feel that in this particular instance here whereas someone advertises on the basis of purchasing insurance, whether it be Life or A & H, through a credit card and in that advertisement it would possibly be just where you write your name and address and we will charge it to your credit card. Then, on that basis there would not be the facilities of an insurance agent. Some of the pitfalls could be that the people who issue these credit cards would possibly make their clients feel that they could purchase insurance without the facilities of an agent and this, I believe, is where all your problems stem from. On the other hand, there could be a possibility where the services of an agent are rendered and the man says to the agent "I have a credit card, I would like to use my credit card as a means of putting the deposit or binding your company." So possibly how would you prevent people from purchasing insurance through advertisements on the basis that they could use their credit card and on the bottom it would so that no agent will call as you know in today's economy people don't want to be bothered at the door. But yet when something develops the first one they are talking to is their agent, or they need him for some advice or counsel. How would you get around something like that?

Mr. Hallett: I can't answer it now except what I believe to be in some of the regulations prohibiting the credit card company itself from doing any solicitation, the solicitation must be by the insurance company or the licensed agent. The other suggestion of you, as an agent, extending credit to a prospective insurer through any means you wanted, a credit card or anything else, I think that would be up to the individual agent. If he wanted to extend credit to his policyholder, I think that would be up to him. Have I answered your questions?

Rep. Salamone: Up to today there is no way that any credit can be extended on life policies; it has to be strictly a paid transaction. In other words, in life insurance and accident and health nothing is effective until a premium is paid, and I believe it is against the law to have an agent pay premiums for life insurance for his client.

Mr. Hallett: Do you have sixty or thirty days to remit to the company?

Rep. Salamone: You have thirty days of grace.

Chr. Piccolo: I believe that there was a gentleman going to answer a question that was submitted to Mr. Hallett?

Mr. Ruis: My name is Robert Ruis, Continental Casualty Company, Chicago, Illinois. In regard to your specific question, I would like to say that claims under a credit card are handled in the same manner as any other insurance policy. Depending on the company involved, the claim can be settled locally, they can be settled in a branch office or a regional office and it would vary according to the company involved.

Rep. Donnelly: Mr. Ruis, you mentioned that the claim would be handled in the same manner as any other type of insurance. Would you please tell me what that method is?

Mr. Ruis: Well, the claim form would be made available either by the agent on the credit card case or the company, depending on the arrangement. Then this claim form with the pertinent information would be sent to, as I said before, depending on the company, to either the branch office, regional office or home office for adjusting.

Rep. Donnelly: You mentioned agent on the case, Mr. Ruis. It is my understanding that this is being solicited by mail and there is no agent nereby, maybe in the home office somewhere, maybe out-ot-state possibly.

Mr. Ruis. That is not entirely correct. It would depend again upon the company. As Mr. Hallett said, there are numerous plans in this area. Our company, for instance, has a plan under individual policies approved in the fifty states by the Insurance Department as to form and rate, depending on the local legislature and, therefore, it would not be per se mail order as you said.

Rep. Donnelly: Who would handle it locally? Let's take a case and follow it through. A man has an automobile policy purchased by mail. He has an auto accident. What does he do the day he has the accident? What does he do when he runs to the phone booth?

Mr. Ruis: Sir, I couldn't respond to your question with regard to automobiles because our company does not market that insurance through credit cards, so I would have to pass.

Rep. Donnelly: You are not here to speak in favor or against this bill as far as it pertains to the solicitation of automobile insurance then?

Mr. Ruis: Sir, I think it is not advisable to restrict the insurance public from selecting their mode of insurance. I think throughout the years it has been developed that people find the most economical way to purchase

insurance. Now, if a party, I mean a citizen of Connecticut, decides that he would like to purchase insurance through, shall we say, a credit card facility for his automobile and home I think that you should leave it to his discretion, if that is his desire. I think it should be left to his discretion.

Rep. Donnelly: Mr. Ruis, you mention restricting the insuring public. I feel that we have a duty here as members of the legislature to protect the insuring public and possibly I have to agree with your last statement. If I was not a member of this legislature maybe we ought to let this thing go; let people see how bad it could possibly be. But since I do have the responsibility, as a legislator, I would still like to know how the claims are going to be handled. Is there going to be anyone representing the insured when he has a claim? Can you answer me this question?

Mr. Ruis: I can't specifically answer in regard to automobile because I don't know and our company does not handle this, but for instance our company as far as accident and health is concerned, we have branch offices, we have them in most of the states; we have one in Connecticut; we have agents, and certainly under circumstances there is always advice and counsel available from our company and the agent.

Rep. Donnelly: I am a little bit confused, Mr. Ruis, I hope you can help me a little bit. This is solicited by mail, possibly from an out-of-state agent. How is he going to help the insured if he has a claim in Connecticut and this agent may be in Chicago?

Mr. Ruis: Well, this is one method of marketing through a credit card facility. As I said, there are others where you have a local state agent who countersigns the policies and is available for counsel.

Rep. Vicino (34th District): Sir, you mentioned that at times you have a claim form that is probably included with the policy sent out by your home office, branch office, what have you. Is this the case at times when the policy is marketed through the branch or home office?

Mr. Ruis: At times, yes sir.

Rep. Vicino: And you find that people fill out these claim forms without any difficulty at all and send them right back to you and the claim is then settled.

Mr. Ruis: The type of insurance that is marketed, to my knowledge, is, for lack of a better term, rather simple - it is travel accident, accidental death and dismemberment

and it is a question of if the insured has died, he is dead and there is no question, you pay under the limits of the policy. The same with a dismemberment. It isn't as involved as it could be, for instance, I agree in an automobile accident case where detailed local investigation would be necessary.

Rep. Vicino: You feel that there would be no problem here with the insuring public filling out their own claim forms even in the event that there was no agent in the area?

Mr. Ruis: I don't think so under the type of coverage that we are marketing at the present time. I think that Mr. Wholley from the Insurance Department indicated that there were no known complains in regard to settlement of claims as to whether there is coverage or what have you.

Rep. Salamone (84th District): Do you sell hospitalization through credit cards with your company, Continental Casualty?

Mr. Ruis: When you say hospitalization, you mean ..

Rep. Salamone: The regular hospitalization plan, so much a day for room and board, miscellaneous expenses, surgical expenses, etc.

Mr. Ruis: To my knowledge not.

Rep. Salamone: You don't sell that?

Mr. Ruis: No, sir.

Rep. Salamone: There is one thing that I would like to know. If a person purchases insurance through his credit card from an advertisement, who is paid the commission?

Mr. Ruis: The commission is payable according to the various state laws - I am not just speaking about our own company - either to the local state agent or to the non-resident agent who is the agent for the entire company country-wide.

Rep. Salamone: In other words, someone applies for insurance and somebody back in the home office sees this application come in and issues the policy. Now they have a commission so they at their discretion disburse this commission.

Mr. Ruis: No, sir. I wouldn't say at their discretion.

Rep. Salamone: Well they could pick a resident agent or a non-resident agent. Who gets paid for this? What

happens to the guy who is out there at eight o'clock in the morning till nine and ten o'clock at night trying to pick up commissions?

Mr. Ruisis: Well, under some of the company's plans any licensed producer in a given state can submit an application. We, at the present time, are looking into this and I do know that some companies make it clear in their advertising material that any licensed producer can submit an application for one of his clients and then he is billed in accordance with normal procedure.

Rep. Salamone: As a nationwide agent I am restricted to sell business for one company; I can't sell for other companies. In other words, under my contract I would not be able to solicit business through credit cards.

Mr. Ruisis: Well, I think that because of your own contractual obligations which you have rather than any other restrictions.

Rep. Salamone: Here again, I think this is only another method of restricting or limiting the man trying to make a living selling insurance. If the insured do have a problem they should have uncomplicated forms to fill out and send back.

Mr. Ruisis: I don't think so, sir. Because I think if we for a moment just examine why this field has grown to what it is today is because there has been a demand in the public. For example, the plan for the accident and health and some of the life plans require no medical history. Equipped then with an adverse medical record you can qualify for this coverage and can be protected. The coverage is reasonable; it is available without a long-form application and I think demand by the public has shown that this is in the public interest. May I say that if any company should decide to enter into this field, for instance the company that you mentioned, I don't think it is known that they are opposed to it today - maybe they would want to enter it five or ten years from now. I think the credit card is the only - is an extension of credit. It is a central course of premium collection.

Rep. LaRosa: In regard to accident and health, as you stated, where there is no evidence of insurability, I would like to get that clear in my mind. Assuming that a man has purchased a contract through a credit card, without the solicitation of an agent, and he has an adverse medical history, although there are not any questions with regard to his medical history, and a claim is

presented, would the company contest the claim? Is there a waiting period? Or what would be the procedure to be sure that this man would receive his benefits. Because I know that in many contracts one of the standard provisions is that there is a sixteen day waiting period in accident and health. Now, how would this credit card explain to this client that there is a sixteen day waiting period. How would this credit card explain to this client on a pre-existing condition. This is where the problem would be, I believe, because how would the credit card explain whereas this man has purchased this policy through the mail and he knows that he can use the means of his credit card to pay for it? How are all these provisions explained to him and how are they coped with in the event of a claim?

Mr. Ruisis: Our company does not market hospitalization insurance where the information you just cited, I think, may be necessary. We are simply marketing twenty-four accident and health, meaning accident insurance where previous information of medical history is not required; is not necessary and would have no bearing on it. So, if the coverage is effective at, let's say, 12:01 A.M. of today and the accident happens at one minute thereafter it is my understanding that the claim would be paid.

Rep. LaRosa: What I am getting at is this. In other words, you are just talking in regards to marketing accident and health and when you talk accident and health to me that includes hospitalization protection and various accident insurance as a result of whether it be an automobile accident or plane or whatever you have. So, you are saying that your company is marketing through this basis just accident insurance pertaining to an accident on a -- for example maybe they write \$20,000. for a \$27.00 premium annually. But accident and health to me means loss of income, hospitalization, and many various other things where there should be some form of registering a man's medical history and this does happen. Do you think that people should purchase accident and health in the form of hospitalization and income protection through the means of a credit card?

Mr. Ruisis: Sir, I think it would depend on the plan and it is very difficult for me to say yes or no in this case because I think you would have to, in all fairness, under what circumstances, shall we say, a true hospitalization plan would be marketed. I can only say

that in our experience we have marketed over-age Golden 65 insurance with a six month waiting period for pre-existing conditions. On sickness we have not marketed through a credit card facility. We have marketed through the local state agency but it can be done. My company at present, to my knowledge, has no plans to enter that field.

Sen. Piccolo: Are there any more questions?

Rep. Oliver: Can you tell me so far as your company is concerned and credit cards, do you market insurance for example from gasoline stations, restaurants, luncheonettes, etc.?

Mr. Ruis: I don't quite understand what you mean.

Rep. Oliver: I am specifically talking about gasoline credit cards. Could we buy your company's insurance somewhere in the United States through a gasoline credit card at a gasoline station or service station?

Mr. Ruis: No, sir.

Rep. Bigos: Stanley Bigos from the 45th District. I would like to ask Mr. Wholley a question. Mr. Wholley, could you tell me please whether the credit card solicitors place their insurance with a credit card company which has become licensed as a company, or do they place their insurance with some established insurance company, for instance, Continental has a representative here.

Mr. Wholley: Generally the insurance involved is placed with a major insurance company. The credit card solicitation is not by the credit card company but probably for example with the Imperial Casualty Insurance Company, which is a subsidiary of another company.

Rep. Bigos: Well, that being the case then the interests of the insured are pretty well protected because they are the very same companies that would furnish the coverage and all the services if the insurance was brought to an agent, am I right? Or a direct writer?

Mr. Wholley: I think it points more to a direct writer in the situation you describe there.

Rep. Bigos: But there was considerable concern expressed here that the interests of the insured might not be properly protected. Now, since the insurance is placed in about the same companies that concern should disappear, should it not?

Mr. Wholley: Our concern, basically, goes to the original purchase of the insurance and that the applicant for the

insurance (1) understands what he is buying and (2) that the coverage that they advertised would be adequate for his needs and that he properly applied for it giving all of the proper information. It has been mentioned in earlier testimony that the Department has no concrete complaints concerning abuse in this field. I agree with that statement again. Our concern is a preventative type of thing. We get several thousand complaints a year from our citizens now; many of them have to do with misunderstanding between the insured and the agent over what they purchased directly from the agent. We are a little concerned that in no face to face or arms length dealings that the situation could become quite chaotic. Now, as far as the physical handling of claims by these companies - frankly it presents little or no problem as far as I see it. There would be no difficulty in an out-of-state company in this arrangement from assigning to local claims agencies the settlement of claims. That portion of the problem doesn't worry us too much. It is in the original sale of the contract that we are concerned.

Rep. Bigos: But your licensing laws then would not take care of this defect, would it? Why wouldn't they?

Mr. Wholley: In what respect Mr. Bigos?

Rep. Bigos: You say that the insured has no one to go to for advice. Someone is selling him this insurance. Now, is that someone an unlicensed person?

Mr. Wholley: In the case of the Imperial Casualty, the way it came around the licensing law that there would be no payment of any nature directly or indirectly from Imperial Casualty to the American Oil Company, if that is the right oil company; that whatever expenses were involved would be absorbed by the oil but here one is just a subsidiary corporation of the other.

Chr. Piccolo: Are there any further questions?

Rep. Oliver: Mr. Wholley, earlier in your testimony you said that the Insurance Commissioner had the power to regulate abuses and so his feeling was that we could follow the middle ground. Specifically focusing on the question of regulation, do we have these powers?

Mr. Wholley: I seriously doubt that we have the enabling authority on the books at the moment to regulate this problem. I think if the legislature wanted to spell out specifically the regulatory authority covering this area we could proceed that way as well as any other way -

it's one way or the other - but I don't think we have the necessary regulatory authority now.

Rep. Oliver: The bill talks in the terms of the facilities, that includes mailing lists I take it?

Mr. Wholley: Yes.

Rep. Oliver: All right. So what could happen, could it not, an insurance company could buy the mailing list from a credit card company and directly solicit them?

Mr. Wholley: They could, yes.

Rep. Oliver: They could also buy the lists of say Life Magazine or Look Magazine and do the same thing?

Mr. Wholley: I presume so.

Rep. Oliver: Is this going to make any difference?

Mr. Wholley: We are still concerned with the solicitation - where they get their names from doesn't matter.

Rep. Oliver: I am going to ask Mr. Hallett exactly what they do about these things but I wanted to get your feeling on it.

Mr. Wholley: As far as our observations are that they mail to their own credit card holders like sticking it in with the bill, etc.

Chr. Piccolo: Mr. Oliver you had a question you wanted to ask Mr. Hallett?

Rep. Oliver: Yes. Mr. Hallett how do your companies operate. Do you buy mailing lists and then when you solicit do you enter into agreements with credit card companies to insert material of some sort in with their regular mailings, or both, or neither, or what?

Mr. Hallett: I can only answer one that we no longer have, and that was some years back. I think you would have to ask Mr. Ruis on that. I believe that my company at that time, or at any future one, would insist on controlling the advertising. That anything mentioning our name would have to have our approval, and if we had any doubts about it, we would show it to the Commissioner.

Rep. Oliver: Yes, but how does it get out there?

Mr. Hallett: I believe that it would be mailed from the office of the local agent. Now, in the large cases of the oil companies, I don't know those. I don't know how they operate - they may do the mailing themselves.

Rep. Oliver: Who does know?

Mr. Hallett: I think Mr. Ruis would know.

Mr. Foley: My name is Patrick Foley and I am representing the American Home Insurance Company at this hearing. The American Home Insurance Company in New York is licensed in the State of Connecticut and we currently solicit insurance using the facility of the credit card. When I say solicit, the American Home solicits in our own envelope and mails directly to the credit card holder. It is not a solicitation by an unlicensed person and in every state we have a licensed agent who receives a commission on the program. Not only that, but in our solicitation material there is always a paragraph that you may take this to your local insurance agent or have him submit it to us on which he will receive a commission.

Rep. Oliver: How do you get these lists?

Mr. Foley: From the credit card company.

Rep. Oliver: This is a financial arrangement, I take it. Does it involve an exchange of money for this sort of thing?

Mr. Foley: We pay them in states where it is permissible to pay them a fee for their credit card lists.

Rep. Oliver: Does the payment depend on the size of the list, or the size of the sales? Or both?

Mr. Foley: It is usually- we pay them only for the billing in those states where it is permissible and it is usually a nickel an item - 5 cents an item.

Rep. Oliver: What is an item?

Mr. Foley: Quarterly payments.

Rep. Oliver: Oh - in other words a sale.

Mr. Foley: No. The sale is made directly by the company. The only facility we use is the company's billing facility - some work through a bank charge card or anything else.

Rep. LaRosa: The sale is made by the company and you said that the commissions are given to the local agent. Is the local agent an employee of the company?

Mr. Foley: I was going to explain next how our program operates. When it originally came up we had conversations with Mr. Wholley and I believe this was one of the states which took the longest period of time to obtain an approval and all these questions were raised by the Insurance Department as I am sure they did with all the other plans in this state. The American Home program is one wherein we not only bill to the credit card but we also take direct billing where requested. In many states we have both billing through the credit card and directly from the customer. Now, on the particular program I am talking about - the Mobil Oil Program - there are licensed brokers on the program. I believe Alexander & Alexander is the broker and they are licensed in most jurisdictions and they receive a commission on the business. However, if the individual who is solicited desires he may take that to his own agent and submit it to the company. Then we comply with the required licensing laws of each particular state and if it requires any state that he has to be licensed for our company where he can't submit brokerage business we then license him and pay him the commission.

Rep. LaRosa: But meanwhile your company has established in every state that it does business one man, or maybe two men, who are considered the local agents and receive a commission through the facilities of your company, and actually the policyholder in essence does not actually receive his services because everything is done by the home office.

Mr. Foley: Well, we are writing an accidental death and dismemberment policy and there is very little service on the policy - the original policy was approved in 1964 and this one was approved sometime in 1965 or 1966. Due to the shortness of time I was unable to do my homework on it. All your A & H policies in this state have statutory uniform provisions and in one of the uniform provisions is described how the insured goes about his notice of claim. Some of the things that have been brought up this morning and I would like to clarify them, if I might. One of the agents representatives alluded to the fact that there was no solicitation in Maryland or in Oregon of credit cards. There is. I will submit a written brief showing the various states where we are doing business and I believe it is almost every state in the union with the intentional exception of one where we decided we would not like to do this

type of business. One of the items I thought was misleading advertising. You currently have sufficient legislation on the statutes to protect yourself from having the citizens of this state receive misleading advertising. On top of which the Federal Trade Commission sets down an outline of rules and regulations on how you solicit insurance through the mail. They even sent out descriptions of what words you may use and you must comply with these if you are an American insurer using the mails to solicit. I believe, if need be, that there are many companies that write insurance through the mail. The one I think most prominently of has seven million employees - an automobile insurance company. Now, certainly they have been doing it for years and the only explanation that covers it there is the policyholders receive what comes on a card. The Commercial Travelers of the various states solicit through the mail and they write disability incomes with thirty days, ninety days out periods and it is all laid out in the advertising material. Around this whole problem if you have the State Insurance Department request the carriers soliciting through the mail to submit the application - I should say the advertising material - now this particular bill brought on I am sure by the agents' association for their particular interests. I don't blame them for protecting themselves, the point is is it in the best interests of the people of the State of Connecticut? Or the people of any state? Where you have adequate legislation, where you have a State Insurance Department in Connecticut, if not the best, second to none of the others as far as professional capacity and capability of handling these things. Some of the questions asked the service of an agent on a claim. Well, I have automobile insurance through an admitted carrier, the Atlantic Mutual, and the only thing they hand you out is a little claim service directory. If you happen to get in an accident in Connecticut, they have a little star - see New Haven and when you look at New Haven they have a branch office. Some of the other states they list the adjusters, Taylor & Taylor, Crawford & Company, etc. I have a claim file here of a loss we paid in this very area for an automobile accident where a man drove across the divider into a utility truck and killed himself. It was handled, I know this may be of interest to you, the request came in for the proof of loss and it was handled by Court & Company in their branch office here in Connecticut. This is a man who paid a \$9.00 premium quarterly for \$25,000 insurance for himself and \$12,500 for his wife. The question I would like to ask is, if his agent ever solicited him for this type of insurance?

Now, everyone wants to make sure that the insured public gets full knowledge. I am going to send copies of our brochures up to the committee, a sufficient amount of them, the simple application that is required which asks that he sign his name, his date of birth, his wife's name, if she is going to be insured, and the dependents names, and also they ask his occupation. We ask the occupation for a cross-check, we would like to know who is buying our policy. We find a tremendously large number of insurance agents in many states purchasing. In fact in the State of Texas 27% of our insured are insurance agents. It must mean we are giving out a good product. I don't know. It is an all risk twenty-four hour policy. We started out with two exceptions and we got clobbered. Every pilot in the country bought it. We were covering private pilots and private planes, so we revised the policy that is why I am not sure of the date of the re-submission, but I would like to give you an idea of the type of accident so you will know we are not selling a steamboat. A man was killed in a landslide. Two people were killed in a tornado. Another man choked on a nut. Another fellow fell through a plate glass window. Now, these are things that are covered on an all risk accident policy and I challenge all the agents in all the states of the union, and I would say not 10% of them could tell you all of the risks that are covered and we don't know until we get them. We paid three losses in the State of Connecticut under this program. Here is another one where a child was killed sleighing, another fellow was under an automobile and the jack slipped and the car fell on him. I think these are illustrations of some of the unusual ones. Here a husband and wife drowned together - that cost us \$37,500. and I think we got a total premium of about \$48. So we get down to the economics of it. The reason I believe this insurance, particularly the accident, hasn't been pursued by the agents is that economically the commission they receive doesn't warrant their time when they can go out and sell a home owner's or life insurance policy with 55% commission. They think a fellow like myself is a little overworked so I might be a sub-standard risk and they put a nice floater on it would probably cost me \$300. for \$10,000 worth of insurance and the agent will get a 55% commission. Now I have no complaint because I am a licensed life agent, I am a licensed broker and a licensed agent for several companies in New York, as well as being an attorney, and I don't feel I am capable to sell all the types of insurance that are on the market today. If you look at the experience of one of the companies in this room as to insurance

agents errors and omissions, you will find that they stopped writing it in a lot of cities and put a \$5,000 deductible on it. Now I am not saying that the agents don't know their business, some of them are very capable people - they make a professional attempt to know their business inside and out to advise their clients properly. They get into the area of estate planning once in a while which might get them into a little trouble because of the tax law - in fact I trust that most of the lawyers aren't too sure what the law is. I think we have to look at the whole problem. If the method of making available to the rest of the nation insurance coverage which they need. Now why are they buying it? In two years and nine months on this one program the American Home Insurance Company has paid 3¼ million dollars in losses - accidental death only.

Rep. LaRosa: What was the premium revenue?

Mr. Foley: Well, I would have to get a list of the policies. The premiums for each policy is maximum about \$40,00 a year, \$10.00 a quarter, if you insure your wife and children.

Rep. LaRosa: I mean the total premium.

Mr. Foley: I don't have it with me. I didn't have enough time. I have a month by month list of the losses that were paid on it.

Sen. Janovic (20th District): We can be discussing this till next week, but what I am interested in here - what you are saying here is that the method of handling claims and you are referring to only accident and dismemberment. I would like to get back to what one of the speakers here previously mentioned - a credit card for trip travel insurance and it was mentioned that when a person dies he was dead so there is no problem in the settling of the claim. This is what you are saying also..

Mr. Foley: No, I am not.

Sen. Janovic: Excuse me. You mentioned here claims that were settled through a person being killed in an auto, choking on a nut, etc. Dismemberment, you lose an arm - there is only one way of losing an arm - you lose an arm - period. Now I think what we are interested in here is how do you settle claims for automobiles, for home owners and the various coverages that are in effect today. Now your credit card on your trip accident insurance - all you have to do is be alive and be able to sign your name and you are

insured under the underwriting of this. Now can you do the same with automobile, home owners and other coverages that you have. I would just like to know.

Mr. Foley: Do you mean do you feel that we could write ..

Sen. Janovic: Could it be simplified to the point where automobile, home owners and other lines can be written the same as you do under the trip travel insurance on the credit card. I think this is where the confusement has been here.

Mr. Foley: I think that if you take enough time and study what you need in your application, the necessary underwriting information, you might be able to write automobile and home owners on a similar type of program.

Sen. Janovic: Well perhaps we are not giving enough information here.

Mr. Foley: Right now it is being done.

Sen. Janovic: Well, that is what we are trying to find out here.

Mr. Foley: The government employees are writing their automobile insurance through the mail, I think it is the only way to write automobile insurance - they must get sufficient information to write the policy.

Sen. Janovic: But that is not on a credit card, is it?

Mr. Foley: I don't write through credit cards. When you come down to it the real thing here is using the names of the credit card holders and soliciting. Our insurance company is directly soliciting these people the same as if we would buy a list from a book corporation, Reader's Digest (who don't sell their list) or anybody else. It is the same as I receive mail from companies licensed to do business in the State of Nebraska only, every day you will letters in the mail from mid-border mailing lists somewhere. The only difference here is that we bill our premiums or allow the individual to bill his premiums through the credit card facility that he has. Now, earlier Mr. Reed made the remark that we are coming to a point in time where you will be doing everything on a credit card - you won't be writing the traditional check. It would be a great step backwards because you are going in the opposite direction to the trend in the handling of money transactions. There will be less and less cash money and less checks as times go on. The computer systems are becoming so developed that you can go into the Bowery Savings Bank in New York City and they have ninety tellers around one big room; you hand in your book and it punches the number of the book on the

machine and the IBM 360 makes all the transactions. It enters the interest, deducts the amount you took out and adds it all on one line - one little transaction. If you go to some of the local banks and you haven't been there for three years they fill two pages with individual interest computations. As we come closer and closer to on line on time computers you are going to come closer and closer to the day when you carry a little card around and with maybe the only identifying number will be your Social Security number on it; that will be your bank account number and everything else and you will handle all your transactions. The phone company and everybody else is talking now of the day in the not too distant future where this will be the method of doing business. So at that point you turn around and break legislation. I think you have to look at the real purpose behind the legislation and be honest with the intent - what the insurance law of this state is there for. It is there to protect the public not to protect any individual group.

Sen. Janovic: I understand Mr. Reed's stand on this and appreciate it. Let me ask a question. Are you interested in the underwriting or just in the method of collecting? Through this credit card?

Mr. Foley: It is purely a method of billing the premium. It has nothing else to do. Since we hired IBM to handle our...

Sen. Janovic: That was my question. Are you interested in the underwriting of this insurance or just the method of collecting?

Mr. Foley: No, I am interested in underwriting. Your main concern here is .. you're worried, or at least the bill is, that the solicitation or negotiation of a contract by a credit card..

Rep. Salamone: (84th District): How many agents does your company employ?

Mr. Foley: I couldn't answer that. I'll give it to you in writing when I submit my written brief on it. I would say that on automobile we had over 2,000 not too long ago.

Rep. Salamone: This man and wife that died together and this other man that choked on a nut, how simple was it for his beneficiary or estate to get this money?

Mr. Foley: The money is payable to the estate unless there is a specific request for a designated beneficiary right on the card. Now, how simple that is, it depends how simple the law on decedent's estates are in

the various states and what the requirements are in probate. In some states you can pay up to a certain amount without going to probate, in other states if the estate is above that amount you must hire a lawyer and go to probate.

Rep. Salamone: All right. Now here is a man and wife who died, I guess they drowned together, and they had a fourteen year old boy or girl - they know nothing about this policy because their father bought this policy through the mail.

Mr. Foley: May I show you an example of it?

Rep. Salamone: How many claims are not paid because the beneficiary of the estate does not know about these policies because there is not a local agent who could help these people ..

Mr. Foley: I will submit in my report the name of a claim that was paid under this situation. A man and wife were on their farm in the midwest when we had one of these tornados that whipped through the town and there was a flood and the house washed away and they disappeared. We had no knowledge that they were dead until the next time we mailed out a bill and all the mail went to the nephew and the nephew presented the policy, and told us they had died.

Rep. Salamone: Answer me, how many people have not collected because the beneficiary of the estate did not know these policies were in force and there was not an agent.

Mr. Foley: I have no way of knowing that anymore than anybody could answer that question about any insurance sold.

Rep. Salamone: Just for your own information, Nationwide has adopted deductible of \$500. for \$34. a year.

Mr. Foley: The American Home likes it.

Rep. Salamone: So, well the Nationwide agents aren't that bad?

Mr. Foley: I didn't say Nationwide or any other nation, but this is a problem that I am familiar with.

Chr. Piccolo: We are continuing the hearing. I will say at this time that we will allow one more question and then we would like to continue with the next bill because it would appear that perhaps the Committee should study the feasibility of a specific sub-committee for this particular bill.

Rep. Breeman (149th District): My ulcer dictates that we leave very shortly. Just to go back, you have indicated that in the states that you solicit by direct mail you also have representatives and it is the prerogative of the insured if they would like to go to the representative and collect the commission.

Mr. Foley: No, to their own representative.

Rep. Breeman: To their own representative. But in practicalities this just doesn't happen. If a person is solicited by mail they will send the premium directly to the company bypassing the agent because they are not aware of the agent in this particular situation. Right?

Mr. Foley: That is correct, the same as automobile insurance solicited the same way.

Rep. Breeman: By the same token, you have indicated that you paid a nickel for quarterly premium to the credit card company.

Mr. Foley: Where permissible.

Rep. Breeman: Where permissible. So in effect what you have got or done is that you have licensed the credit card companies as agents.

Mr. Foley: No, Under the insurance laws of the various states you have various laws as to what agents are. There is a specific section of the law that allows 5% collection fee to anyone who collects premiums - Massachusetts is one that I know right off the bat. Just like in New York City the banks collect the telephone bills and Con Edison bills and get a fee. In Massachusetts if you went into the bank and the bank had an arrangement with the Travelers or somebody else to collect their life insurance premiums or their automobile premiums in that bank they would collect it and get 5% without being licensed.

Rep. Breeman: You had indicated earlier that even with the resident agents, or the general agent, you still have upwards of several thousand claims a year from the insured that they really didn't understand the coverage that they had purchased.

Mr. Wholley: I think I said that the Department received several thousand complaints a year many of which can be traced back to a misunderstanding between the agent and the perspective insured.

Rep. Breeman: Right. So don't you think that we would be only compounding the problem if the insured were buying

coverages through the mail. How does the brochure explain the double limits coverage as opposed to the single limit uninsured motorist when we get to the vehicle?

Mr. Wholley: That is their attitude. They compound the problem.

Chr. Piccolo: The hearing on S.B. <sup>524</sup>~~254~~ is hereby concluded.

S. B. No. 526 (Senator Amenta of the 6th District) AN ACT CONCERNING MOTOR VEHICLE PHYSICAL DAMAGE APPRAISERS.

Mr. Wholley: Senator in the interest of brevity, I have a very short statement. I have distributed this to the members of the committee:

"The Department can lend support to the passage of this requested legislation. We have had a continuing problem with insurance companies over the value of damage in a given accident which quite frequently revolves around the competency of the person assessing the damage on behalf of the insurance company.

Quite frequently companies will employ the services of independent appraisal companies to perform this function for them, and it is not uncommon to view two or three reports on a given accident finding the figures varying to a considerable degree.

It is felt that with this type of legislation, standards can be established to determine the competency of applicants for such a license, which would definitely operate in the best interests of the public."

Chr. Piccolo: Any questions?

Rep. Salamone: Mr. Wholley, This is just for the independent adjusters, in other words, the companies who have their own employed adjusters?

Mr. Wholley: Yes, this is not This is not an adjuster function as such, the appraisal of the damages, that is right.

Rep. Sakamone: Then, as I understand it, every employee of an independent firm should be a licensed appraiser.

Mr. Wholley: Yes, that is what their function is. They are holding themselves out to the public as an appraisal service for a fee and then they would come within the scope ..

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Representative Salamone, Presiding

MEMBERS PRESENT: Representatives Stevens, Bigois, Oliver, Allen, Donnelly.

Chm. Salamone: We will open the Insurance Hearing with Senate Bill 524. Is there anyone to speak in favor of S.B. 524?

S.B. 524: AN ACT CONCERNING SALE OF INSURANCE THROUGH CREDIT CARDS.

William Coughlin Jr, Vice President and Legislative Chairman of the Independent Mutual Insurance Agents Association of Connecticut: In February, on very short notice, the full insurance committee did have a hearing on this bill and our association at that time submitted a written statement as well as testifying at the hearing and I merely wish to refer back to that at this time. In addition to that, I also have a written statement which I would like to refer to at this time. I also have copies of that which I would like to leave with the committee. This is an memorandum in support of S.B. 524 which was introduced by Senator Janovic. Senate Bill 524 would prohibit the solicitation and sale of insurance contracts, i.e., fire and casualty, life and accident and sickness through the medium of credit card facilities or organizations. It emphasis in that first sentence that it prohibits the sale and solicitation of such insurance contracts. The intent and design of this measure is directed in no way to curtail or prohibit the extension of credit through credit card facilities for the purpose of premium payment. I would like to emphasis that statement again, the intent and design of this measure is directed in no way to curtail or prohibit the extent of credit through credit card facilities for the purpose of premium payment. The last sentence of this bill - "Credit Card business as used in this section means the business of extending credit to persons who are holders of credit cards issued by the credit card facility or organization entitling the holder to pay the charges for purchases or other transactions through the credit card facility or organization" is solely designed as a definition of the term "credit card business" as found in other sections of this bill. It should not be construed as a prohibition of extension of credit for the purpose of paying insurance premiums. This measure deserves this committee's favorable attention for its intent is to safeguard the insurance buying public by assuring them, they will receive:

- (a) proper insurance counseling and survey in respect to limits, coverage and needs of the individual risk,
- (b) proper updating of insurance limits to the changing needs of the insured,
- (c) effective claims service and counsel without delay
- (d) efficient and up-to-date accident reporting service

- (e) prompt and accurate coverage clarification and validation by an insurance agent or broker, trained to solicit and service insurance accounts.

The insurance business is complex and technical and requires the services of a professional to provide adequate service to the public. Direct mail experts tell us the average member of the insurance buying public does not read more than the bold print, the price and the first two paragraphs of a brochure before he makes up his mind to buy. The fine print exclusions, generally, go unnoticed until a claim is presented and declined. The insurance industry is a highly technical, competitive industry and the insurance buying public is not sufficiently informed to purchase insurance effectively without the advice and counsel of a trained member of the industry. If the public is left to cope with the Madison Avenue slogans, layouts and design without proper counsel, then a situation of "Buyer Beware" is sure to develop. Similar measure have been enacted in Florida and New Hampshire and have been proposed in Massachusetts, New York and New Jersey. I understand this morning that a similar measure in New Jersey was just passed by the House of Representatives by a vote of 64-0 and is now going to the Senate. In addition, the Attorney General of Maryland has ruled such credit sales to be in violation of that State's insurance laws. The Independent Mutual Insurance Agents of Connecticut support and urge your support of this measure. I would like to make two other brief comments. From the information that we can gather in reference to the critics of this proposed legislation, I would like to point out one or two pertinent points. All three producers groups in the State of Connecticut support this measure. At the hearing in February, the Insurance Department spoke in favor of it and I would like to repeat again, as I have emphasized in the statement, the bill does not outlaw payment of insurance premiums by means of credit cards. I think if someone reads this very clearly that it is easily ascertained that this is not the intent of the bill. This payment of insurance premiums by various means of credit, including credit cards, is now being done and is approved by the insurance department. We have no objection to this at all. The bill clearly indicates the intention is to prohibit solicitation and sale of insurance through credit cards and not to prohibit premium payments for insurance. I have several folders that could be referred to to illustrate some of the points that we have been talking about here this morning, but I do wish to emphasize once again the primary purpose of this bill is to prohibit the sale and solicitation of insurance through credit cards and not the payment of premiums.

Chm. Salamone: Any questions from the committee?

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Rep. Bigos: I suppose that the Agents Association explored the legal end as to whether or not this is a proper law, if they have is there any chance that this might be considered in restraint of trade.

Wm. Coughlin: No, I don't think so, sir. It has been passed in other states, as I have indicated, and our association has checked into this point and do not believe that the way we have worked this bill that it is in restraint of trade in anyway. We are only talking about the point prohibiting the sale of insurance through credit cards, not the payment of premiums which seems to be where the bulk of the opposition lies.

Rep. Bigos: Wasn't there some talk that this would lead to Congressional investigation.

Wm. Coughlin: I do recall reading that a Representative from the State of California indicated something along this line.

Chm. Salamone: In otherwords, it is not unconstitutional.

Wm. Coughlin: Not as far as we know.

Rep. Bigos: Now when you say not as far as you know, the first part of my question was whether you did get legal opinion on it. The fact that two states, Florida and New Hampshire, have adopted the law does not mean that the constitutional laws. I did ask whether this had been explored by....

Wm. Coughlin: May I check with one of my associates here. Referring to a gentlemen from our association office in Albany, New York, he says that it has been checked into and found to be constitutional but it has not been tested.

Herbert Bland, Legislative Chairman for the Connecticut Association of Independent Insurance Agents: We have, as Bill Coughlin and his group, appeared before you early in February when this bill was first heard, at which time we submitted a written memorandum concerning it, which I believe answered certain questions in that regard. I don't think I will belabor the committee, our feelings haven't changed, our primary memorandum was drawn to the complexities of this business, that we are in and sell and the inapplicability of the solicitation of insurance through this medium has been something that is likely to be banished.....damning to the public. A question was raised by Rep. Bigos concerning this California Congressman who has proposed that there might be some inquiry into the Congressional level as to whether or not coverage being restricted through this method of being sold was improper. First, I would have to agree with the other associations

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statement that the law has been tested in those states which it has been passed and found to be constitutional, that does not mean persay that it would be found constitutional in the State of Connecticut, however, I think we can draw some solace and comfort from the fact that it has been tested in other places. There is, which I will see that it is copied for you gentlemen, a brand new article in one of the trade journals, which I am sure is the one that Bill Coughlin made reference to, the National Underwriter issue of April 7, probably one of the leading magazines in the insurance trade journals. A letter from a fellow businessman and associate of ours up in Massachusetts to Congressman Brown of California questioning some of his reasons for wanting a Congressional inquiry. He has made some very fine points which I am not going to go into, because you can read very easily when we give you reprints of this article, but which shows the dollar sense to this thing and all the hullabalu that is made for the inexpensive aspect of insurance sold and solicited through the medium of credit cards does not being very valid. He has got some for instances in here which are pretty pertinent and he gets into two or three conclusions which I would like to talk about, there are some proposals that he comments on here earlier in his article which involves the expenditure by people of upwards of \$150.00 a year and his comment is and I think holds true, it that anyone paying \$150.00 or more for an insurance policy should not be buying anything as limited as some of the contracts that are offered and should have the benefit of reasonably expert opinion. I think he might even have left the word reasonably out. The money spent should be for something which would fit into our basis for realistic protection and the second comment is that in every state that he knows of, and I think he is correct, the insured has no recourse or little recourse, through his own insurance department in the event of disagreement with the company and not licensed in that state. He points out in this article that one of the leading companies offering insurance through the medium of credit card is from the state of California, which I thought was rather interesting, which is where Congressman Brown comes from. I would like with your permission to see if this article is reprinted, it just arrived on our desk yesterday and we will see if there are enough copies for the committee, because I think that it is very pertinent. Other than that, I would also like to refer back to our original memorandum for your information.

Rep. Oliver: Mr. Bland, how does the solicitation by the use of credit card differ from solicitation by any other mail device?

Herbert Bland: I don't know that it does, I don't know but what the final and more sweeping gesture would be to proclude all mail order solicitation of insurance and I think that the committee is well aware and

If my state gets out of order here, I think it is the State of Wisconsin which has passed legislation, including all mail order solicitation of insurance, which bill has been tested through several court degrees already and has withstood the test and if I am not incorrect and have only one more court of final resort, which is the Supreme Court of the United States. We are not personally responsible for the introduction of this bill, Senator Janovic feels very strongly on this and was responsible for the introduction on his own part. I think that this question was raised in the hall before, why not go whole hog, if I may use that expression, there is always the inference to that proclude anything being done through the mails may cross Federal lines, although, as I have said the State of Wisconsin has already gotten into this thing and so far has made it stand up. We have been worried for years about this, of course the old clique I believe, was that the Federal Crate Commission would always take over and control these things. This has not proven to be a fact and there is junk mail, whether it be a list from some credit card organization or whether it be through some other medium that lands on my desk at home everyday in the week. I think I can separate it and throw away most of it.

Rep. Oliver: It has been suggested in a letter to the committee and perhaps it will be in open testimony that exemption which the insurance dealing actually where the debtor-creditor relationship and the credit card arrangement itself, that is, the credit card holder who has insurance insuring him against loss of his card or perhaps against damage if he were to die, things of that nature. What is your position on this.

Herbert Bland: I don't exactly feel personally as anywhere as near as strongly if it were quite a restrictive debtor-creditor relationship, as representing our organization, primarily where are people are involved in the sale of general insurance or property and casualty insurance or what have you, we are seriously concerned of the poorly purchased insurance of that nature and not perhaps something that guarantees against the loss of credit card or against the death involved if the card holder should die while the debt was outstanding.

Mr. Bush, President of the New England Life Underwriters Association: For the reasons giving to you by the two preceding speakers and the material they have given to you and etc., I would like to register our association in favor of S.B. 524.

David Rosen, Chairman of the Insurance Producers Council of Connecticut: This represents the three large insurance agents associations. I would like to speak in favor of S.B. 524. For the same reasons that have been numberated by Mr. Coughlin and Mr. Bland, we feel that the

bill is one that should be passed and is for the good of the public. The complete disclosures of policy features and provisions is just glossed over it is not completely disclosed in any brochures received. We as agents are able to discern it, look at it and understand it and we are afraid that the buying public is not that well educated and knowledgeable enough to buy properly through the credit card solicitation. Also, we are concerned about the fact that sometimes the solicitation is done by companies that are not that strong in Connecticut and we are always concerned about the jurisdiction of the Insurance Department might have over some of those companies that might or not might be licensed in the State of Connecticut. The constitutionality that has been brought up, of course, has been covered, and probably will be covered further again, we feel that this point is a matter of opinion. We feel for the good of the public, for the need for an independent agent to explain, to go over the features of life insurance, accident and health, casualty insurance, automobile insurance, whatever might be, we feel that the purposes of this bill are worthwhile.

Chm. Salamone: Is there any questions from the committee? Are there anymore speakers in favor of this bill? As there anyone to sepak in opposition of this bill.

Patrick Foley, American Home Insurance Group, New York: We are admitted to do business in the State of Connecticut. I also appeared at the hearing on the 9th of February, at which time I said I would produce additional information on my statement, I would like to submit that to the committee now if I might. What I would like to do instead of wasting time and going through all these things again, I would just like to repute the errors that have been proposed again today by the various gentlemen who spoke. First item, you need an insurance agent to explain the coverage, absolute must, no mail order business because we don't want any competition. I have an article which I would like to submit copies to you from the Iowa Association of Independent Insurance Agents, 14 advertising ideas and the authors are Richard C. Grossman, President of that association and Stewart Ulrich the Secretary-Manager. I would like to read this into the record, it is very short. These are methods in which to increase your business and one of them was use a combination of different media. An agent in Rhode Island used several different media and finally settled on a combination of radio and direct mail to promote a new automobile policy just issued by one of his companies. The company pays for a portion of this advertising. During a period of 5 months, this agent sold 500 policies as a direct result of this advertising, with an average of \$93.00 per policy. He had to make only two personal calls, incidently, 67% of these new customers came from Allstate, a direct mail operational and over the counter operation. Where is the

personal counseling, here are 500 policies that were written without it by mail order the same way that most of the companies do credit card business write the insurance. In the material that I gave the committee, you will find a copy of our policy and one of the statements was that the policy was ambiguous in fine print, if you have any trouble reading it, I would be surprised, because it is required that every line in this policy be written in 10 point print a regulations of the National Association of Insurance Commissioners. It fully details all the exclusions and coverage and all the conditions in the same size print. There is a copy of the solicitation material, and we get the bugaboo that the material is inadequately explained. On the back of it there is a copy of the Federal Trade Commission to the mail order insurance industry effective July 14, 1964. Any piece of advertising that is put into the mail, must be in compliance with this particular guide line, otherwise the Federal Trade Commission make a very quick visit to your shop and wants to know why. One of the items raised by one of the gentlemen who spoke in favor of the bill was in Maryland there is no credit card operation. I disagree with him, because we write in Maryland insurance where our company solicits credit card holders of Mobil Oil. One of the things was that this bill has been tested, it has never been tested, but is being tested currently in the Federal Courts in Florida. No decisions has been reached because it is being tried on green stipulation of facts which have not been submitted by the Insurance Department. On the question of the constitutionality of this bill, the United States Supreme Court in the F.C.C. vs. Travelers Health Association, 362 U.S. 293, stated that the solicitation sale and collection of premiums for an insurance by interstate mail constitutes interstate powers. I think that that might fall under Federal regulation. One of the gentlemen claimed that he wanted to do away with all mail order insurance, well this is where we get back to that this is a self interest bill, the agents want to do away with sale of insurance through mail order, as I state before this committee on February 9th what do you do with these commercial travelers and the commercial travelers association of the other states in the United States. What do you with the companies that are admitted to do business in the state of Connecticut to sell insurance via mail order. Now there is something wrong when you have laws which allow this to be done and you have groups of people who are interested in making a living selling insurance wanting to prohibit competition and that is the only thing. This full disclosure, at the latest hearing, on page 36 for the record, was a statement this morning has been consistently you need expert explanation of the various coverages. To quote Mr. Wholley of the Insurance Department, "I think that the department receives several thousand complaints a year, many of which can be traced back to a misunderstanding between the agent and the respective insured. Now nobody is perfect and I think you have to look at this as a bill again to eliminate competition. I think primarily you have to look at

it in the true light, that this solicitation by insurance companies of a market that is not being adequately serviced by the agents. You can't get out and see every single person in the State of Connecticut who wants to buy insurance or every single person in your district and do an adequate job of explaining an automobile policy to them or a homeowner's policy, or an inland marine floater or any accident and health policy. It is just a physical impossibility and many of these mail order insurance solicitations reach socially economic groups that you as an agent may not wish to write business for or your company may not wish to write business for. I think that you must realize that these companies provide a service, you want to be able to explain the insurance coverage to your insured, however, I am sure that many of the people would like to look at the coverage themselves and read it and understand it. There are an awful lot of lawyers in this state who might be able to read one of these contracts without too much trouble and understand what is provided and I don't think that they need expert explanation. There are many group policies that are sold by agents in this state through employers, which I am sure that the individual insured is never seen by the agent and the only thing that he has to describe the coverages is a brochure provided by the agent or the company. I would really like to set this record straight, this bill is in restraint of equal competition to sell insurance in this state, each insurer that is selling this is admitted in the State of Connecticut to the best of my knowledge, I know the INA is, the Continental Casualty and the American Home and as far as not having stability and not being under regulation, any company that is admitted in this state is under the regulation of the Insurance Commissioner and if it doesn't have adequate stability the Commissioner can suspend its authority to do business in the state. It has been done in the past in this state.

Rep. Stevens: I have two questions, first of all in the statement that you gave us today sir, it says under that penalty application you will find the right of the insured to pick his own broker or agent. Is this the application?

Patrick Foley: I am sorry, it is in the back panel of the brochure.

Rep. Stevens: Well that answer that one. The second question that I have is, are any payments made from your insurance company to a Mobil.....

Patrick Foley: No payments from Connecticut through Mobil Oil Company for the services rendered under that plan, the statement any insurance department to that effect signed by an officer of our company.

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Rep. Bigos: Would you consider this to be a bill which has devised a new marketing method? Is this bill, let me state it another way, one to do away with a new method of marketing insurance?

Patrick Foley: It is not a new method to market insurance, its a mail order insurance its been going on in this state and in this country for over 50 years. This is primarily mail order solicitation of insurance by an insurance carrier. The only thing you do, is you put a statute on the books that can be interpreted by different people at different times in a different life until such time that you have a defendent coach ruling on it in the course and I said that I believe that you interfere here with the constitution.

Rep. Bigos: Is your company a direct writing registered company?

Patrick Foley: In my letter we have 14 agents in the State of Connecticut, 901 agents in the United States, on every piece of business we write an agent or a broker receives a commission

Rep. Bigos: And what would their position be on a bill like this?

Patrick Foley: The agents? Well I presume that the gentlemen who getting the countersigning commission in various states would be against this bill, because it would be taking money out of his pocket.

Rep. Bigos: You did say that the policies require, are quite easy to understand. Which one are you speaking of?

Patrick Foley: I believe so, the one I handed you is an all risk policy and it has been approved in this state.

Rep. Bigos: The bill will apply to all types of policies.

Patrick Foley: Absolutely, I mean if you are talking about automobile policies, that bill has been ready.....as I stated before this committee at the last hearing and they have been doing it as long as they have been admitted in this State.

Rep. Bigos: You don't think that the services of an agent would be quite valuable in the case of a policie, like an automobile policy, which seems to be the one that produce our biggest volume of business.

Patrick Foley: I think in some instances it could be a very necessary service to certain people.

Rep. Bigos: Where would they go to if they need

Patrick Foley: Where do they go now, they buy it through the mail, I am

sure and you can ask the Insurance Department what is the percentage of claims of misrepresentation or bad claim service against one of these mail order automobile insurers and then take a look at some of the other insurers that are licensed in this state and maybe even domiciles in this State and what is their record of complaints not only through the Connecticut Insurance Department but from other Insurance Departments to Connecticut about the way they service their policies outside the state.

Chm. Salamone: Is there any commission paid to the credit card company?

Patrick Foley: No.

Chm. Salamone: Is there an expense allowance paid to the credit card company?

Patrick Foley: No, nothing is paid, no fee, commission or expense allowance is paid to Mobil Oil by the American Home in the state of Connecticut and as I said there is a letter in Mr. Holly's file to this effect.

Chm. Salamone: In otherwords, they render this service free of charge.

Patrick Foley: In the State of Connecticut, in certain states, such as Massachusetts where it is permissible to pay an expense allowance, an expense allowance is paid.

Chm. Salamone: This is Mobil Oil? In otherwords, you don't know if any other credit card company is receiving commission or expense allowance for services rendered.

Patrick Foley: I would doubt under the laws under the State of Connecticut that they could receive a commission or expense allowance. I will say this there are companies writing insurance where banks are collecting the premium in this State where they have been allowed to receive an expense allowance, on mortgage protector insurance where the bank is allowed an expense allowance in this State. Now I don't know if the banks can be licensed and I don't know if the bank has a license, but I do know that banks receive an expense allowance.

Chm. Salamone: Are you talking about the Savings Bank Life?

Patrick Foley: No, I am talking about mortgage protector insurance, it would be accidental and sickness insurance and it is added on to the mortgage payment and it protects the insured from being sick or as a result of an accident being unable to

work and earn the income to pay his mortgage payment, it picks up the mortgage payment from either 14 or 28 days out or 21 days out, or whatever the respectable period is and pays it for the term of the mortgage of five or ten years or whatever the condition of the policy is.

Chm. Salamone: This is sold by an agent?

Patrick Foley: No, it is sold by a company, there may be an agent on the case, but they allow the bank a fee for servicing that and they don't allow the credit card companies a fee to collect the premium to the best of my knowledge.

Chm. Salamone: But a bank teller doesn't sell this policy.

Patrick Foley: The bank mails out in its stationary the mailing or the insurance company mails it out. Now the agent doesn't go and see the thousands of people who are depositors or mortgagors of the bank or lending institution he uses the mails again, this is all solicitation via mail. He receives a commission on that, just as the agent in this case receives a commission on the mail order insurance solicited in this state via the facilities of this credit card.

Rep. Oliver: I still don't understand why Mobil Oil let you use their mailing list. Do you purchase their mailing list, do you rent it?

Patrick Foley: Do we purchase their mailing list, in some instances we do purchase mailing list for solicitation of this nature, I am not sure if we purchase their mailing list persay.

Rep. Oliver: What I want to know is why Mobil Oil let you use their names they have in the State of Connecticut, I can see why they might let you use them in Massachusetts, because you are going to pay them some sort of commission, but why do they let you use them in Connecticut.

Patrick Foley: I think you will find that the reason they do this, is that they don't want to discriminate between the ability of an insurance company to solicit some of their card holders and not others. They would like to treat all their credit card holders equally and they let us solicit the whole list and we don't double up the fee in Massachusetts to make up for the fee in Connecticut.

Rep. Oliver: In otherwords, looking at the picture from Mobil point of view and yours you are able to work it out.

Patrick Foley: Let me put it this way, Mobil receives a nickel an item in the states where permissable and if you bill it four times a year that is twenty cents and all it is is an expense reimbursement it is not a fee or a commission in those states where permissable for a fee reimbursement for the actual cost of billing. There is no profit made on them, there is no profit made by Mobil on the billing.

Rep. Oliver: Why not, they do not have any expenses do they?

Patrick Foley: Well they have the expense of running the computer.

Rep. Oliver: If they don't make any profit then why should they do it?

Patrick Foley: As I said, they want to make available through authorized insurer a program for insurance protection.

Rep. Oliver: No, I don't accept that Mr. Foley, Mobil Oil would have a stock holders derivative suit I should think.

Patrick Foley: Well, I think Mobil could give you the answer, I am not really speaking for them, because I am not in the position to speak for them.

Rep. Oliver: Right, but you deal with them and I want to know why the Mobil Oil company should do something so generous.

Patrick Foley: I would have to defer that question to Mobil I am not in a position to answer for them.

Rep. Champi: I think every insurance company in Connecticut solicits through the mail and your saying that your company will solicit through the mail too, but the only difference is when they solicit through the mail and they get a reply back, their agent goes out and speaks to the individual and you are also saying that it is physically impossible to service the people in my district, which I 14,500, you are speaking of me as an individual, that I can't possibly do it, but there are other insurance agents in my district who could go ahead to the mail and if the people are interested just as if your people are interested to call on them personally and explain these contracts to them. They have their finger on the pulse, so it is not physically impossible to service the people in the State of Connecticut by individual agents this is a fallacy, because everyday out of my office we probably send 30-40 pieces of literature and when we get the answers back we send our agents out there, so this is not true.

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You are saying that this individual who started this radio program sold 500 hundred policies, how long did he take to do this.

Patrick Foley: Five months.

Rep. Champi: I see, what were you saying about some letter from Iowa.

Patrick Foley: I would like to give you copies of it, I think that there might be one misunderstanding, did you say that every company in Connecticut that sends out applications through the mail, has an agent going to see each person who responds.

Rep. Champi: I did not say applications, I am saying literature. Are you interested in more life insurance, are you interested for protection for your income, are you interested in a better deal in car insurance, these are not applications, it is just material to solicit new business.

Patrick Foley: This difference of when you send out an application and when you just send out a solicitation to a list of people you know you want to go and make a pitch to them. The difference here is you give a person a program with explanation of the coverage of the program and if they want to buy it they buy it. Your not saying you are going to get around to them after they have had accident or have been dead for a week or two. You send out 40-50 brochures, and say look I have a new deal.....

Rep. Champi: And you send out 40-50 applications, excuse me now, do you know when you send out these application that the people have insurance already or are they.....

Patrick Foley: We are soliciting them to see if they would be interested in it, we send out the applications, if the fellow reads and decides he wants its, he sends it in. If you get 50 applications back, I am sure if you go out and if you explain the coverage well, I don't think that you can make 50 calls a day to adequately explain coverages in the policy which is explained in a brochure. Maybe while you are going out to make those 50 calls, if it had been the same 50 people they could have had the application back in and we would have been bound on it, he may have been in an automobile accident and killed and we would have paid \$25,000 and you might not have been able to get there yet to make the presentation.

Rep. Champi: You just saying that the people who are buying your insurance through the application do not have any insurance at all.

Patrick Foley: I did not say that, they might have a lot of insurance.

Rep. Champi: I am saying the same thing, they might already have insurance, so all we are saying is, that we are going to go up and see them.

Patrick Foley: You don't want the competition of mail order insurance. You want to make an individual presentation.

Rep. Cahmpi: I would definately like to see that way.

Patrick Foley: Then I don't think the bill is drafted right, I think the bill should be to prohibit mail order insurance, if that is what you want to do, instead of singling out one particular area.

Rep. Champi: The only thing that I want to get clear is when you say that I can't meet 50 people, because some of them might be dead, the same thing pertaining to you also.

Harold Reed, Jr, Connecticut Bankers Association: As I told you at the last hearing, at the present moment none of the Connecticut banks are involved in solicitation or negotiation of insurance contracts under several credit cards plans that we have in the state, however, we are interested in the bill because we are in the credit card business and I'll suggest to you as I did a couple of months ago, that I do not believe that this even remotely a credit card problem. There is no element of this problem which relates to credit cards mailing list, anymore than any other kind of mailing list. At Mr. Oliver's request, I submitted a supplemental paragraph which might be added to this bill, as an absolute minimum, I think should be added in the interest of anybody's credit card business and that section says that the preceeding language that you already have before you should not be contrued to prohibit payment of any insurance premium by use of a credit card. I think that this is elementary. Second, the solicitation or negotiation of any insurance contract protecting the card holder against liability or loss resulting from theft or loss of his credit card. This is a coverage which seems to be perfectly appropriate for a credit card organization to offer to the card holders. If the card is loss there is a an exposure to liability, it is not coverage that is commonly given in any other policy as I understand it. Second, insuring the payment of all or any part of present or future debts owed to the credit card organization in case of death, disability or unemployment of the card holder, in otherwords, credit life, accident and health type of insurance. Once again, it is very common in all debtor-creditor relationship to provide this kind of coverage. It is ordinarily available, almost exclusively, atleast more easily, in group form and the only person who can provide the group coverage is the creditor. Third, insuring

any collateral for such debts against casualty or any other loss or damage. Now at the present time, debt which arise under credit cards and other revolving credit plans, generally, are not secure, but I will predict for you that the time is very near when they will be insured and I think it is perfectly proper once again for the creditor who must have this collateral insured to provide a plan for which that insurance can be offered. Last, insurance otherwise insuring the debtor-creditor relationship between the credit card organization and the card holder, and this is a catch all, because I feel that I have, although I have tried to cover the minimum things that I think must be covered, I am no insurance lawyer and I am a little afraid that I haven't covered them all. Who knows what kind of coverage we may have available in the credit field within a few years. Although I did not provide for it, I would suggest to you, for example, travel insurance is also an appropriate coverage. Especially if the credit card is used in charging the cost of traveling. As you know, if I go out to the airport to take a flight, I can talk to a young lady at a counter out there, who is a licensed agent, I have never known her to offer any advice or guidance, I also can throw a bunch of 25¢ pieces in a machine and I have never known that to offer me any advice or guidance either. The fact we have submitted this proposed supplement to the bill, let me emphasize there is no endorsement of the bill itself. Problems that you have before you are mass solicitation problems. They have nothing to do with credit cards as such. I will offer you my personal constitutional lawyer opinion for what it is worth, I don't think there is any chance in the world that a provision regulating only credit card mailing list is constitutional, regardless, of whether the solicitation by way of the mail is so much interstate commerce as to be beyond the power of the states. As you know, literally everyone sells mailing list. State of Connecticut Motor Vehicle Department sells mailing list. Now there is no rational justification that I can see for saying that a creditcard mailing list is different from any other mailing list. If you are going to regulate one, I think you have to regulate them all. If you do regulate them all I am not certain of the constitutionality, but at least I think you have a better chance, than if you try to regulate just one. I point out also that when you talk about a credit card you talk about a plan of revolving credit, where charges can be made from time to time and they are billed and the balance goes up and down, there may or may not be service charges made on the account. The credit card is one type of revolving credit, there are other types, the charge card that you get from an organization like Sears Roebuck for instance, is a revolving credit card, but it is not a credit card within the definition that you have in this bill. Once again, there is no rational distinction between use of a bank

charge card or one of the national credit cards which is a three party relationship and the use of, for example, the Sears card, which is a two party relationship and as you know insurance is sold through the Sears card and can be charge, and the premiums can be charged. Without going any further, even though I have said it two or three times already, I want to say that I can see no credit card problem here, since the last hearing of this committee like I imagine most of you have, I sort of watched what came along in my mail and I have gotten 20 odd solicitations of type of insurance we are talking about. None from credit card companies, none had anything to do with credit card companies and like most of the people in the world these days I have got loads of credit cards. I still got over 20 solicitations and I think that reflects the area where the problem is, if there is a problem and my recollection is that the insurance department at the last hearing said that there are no known abuses in this field at this time.

Chm. Salamone: You said that there was no other company that gave coverage if you lost your credit card, except the credit card company.

Harold Reed: No, I believe that this coverage sometimes comes in homeowner's policies, but I also believe that there are many people who are not eligible for homeowner coverage and this is not the type of insurance that an individual is likely to go out and buy and even that an agent is likely to come around and sell. If it comes along in a package, like a homeowner's policy, that's fine, but if it is not in that package as I say I am no insurance lawyer, but I'll bet that there are not very many sales made outside of the group solicitation of the credit card company itself.

Chm. Salamone: In otherwords, you feel that it would be alright to buy life insurance through credit cards, in otherwords, accident, casualty or automobile insurance, in your opinion there is no need for an agent to bind insurance through a credit card media is alright. Is that what you are saying?

Harold Reed: What I am saying is, without consideration of any type of insurance, one coverage compared with another, that there is nothing more wrong in buying it through a credit card solicitation than in buying it through any other mail solicitation, there is no difference. All I receive in the mail, is a brochure, it has an application, I fill it out or I don't fill it out and whether there is any credit card mailing list involved or not, to me is totally insignificant.

Chm. Salamone: You are talking about the mailing list, you are not talking about the actual purchasing of the insurance. In otherwords, you feel that it is perfectly alright to buy casualty insurance through the mail, without an agent.

Harold Reed: I have no opinion, all I am saying is that there is no difference between the credit card mailing list than anybody's else's mailing list. I am no insurance lawyer, but we have an Insurance Commissioner, and in my experience, every Insurance Commissioner in this country has plenty of power to remedy any abuse that exist. I believe that in this state, if there is something wrong for example, with credit cards that it would classify the credit card solicitation as an unfair, misleading kind of thing, that he has the power to classify that arrangement as an unfair trade practice after notice and hearing and as long as he has that power, I don't see the need for this legislation.

Chm. Salamone: I think the problem here is this, not the mode of payment, but the mode of buying. I have many credit cards in my wallet and I think it is a good way to buy, I mean that I pull into a gas station and tell the man to put five dollars worth of gas into my tank, I pay him with my credit card. I don't see anything wrong with this, I think what we are trying to determine here is if buying a product that the average person.....know you say that you are not an insurance lawyer, but to buy something like life insurance without any consultation, I am not going to say that every insurance man in the business is an educated man and knows everything about insurance, but don't you feel that the average person would have a better knowledge of what he bought, if at the time of the sale that there was somebody there explaining to him what he is buying and what he would get in the future, because you don't show him anything, like a can of beans, you as a lawyer know what you tell your clients today they are apt to forget tomorrow, so the constant contact or the constant consultation with somebody who has sold you this product is necessary.

Harold Reed: I think it is always desirable, where possible, for insurance to be sold on a personal basis, with all the advice in the world, but what this committee has before it, is a proposal that says I can buy insurance from a mail solicitation, providing only if it doesn't come from my credit card company. Now, coincidentally, because I am a financial lawyer, I know some of the credit card companies and I respect them very much, and I think by enlarge what I get through the mail, assuming that I am not going to have any insurance agents help in making my selection, what I get through the mail from my credit card company, is likely to be better than what I get through the mail because I am on some other sucker list. Now I think that you are shutting off, perhaps, the most reliable statement

of the mail solicitation business and I don't think that it makes sense.

Chm. Salamone: In otherwords, you feel that some guy sitting in the Mobil office or wherever it may be, knows your insurance needs without even consulting you.

Harold Reed: No, I am not saying that and I wouldn't say it, but if you want to take an example of a good credit card company, take American Express, now they have industry tie in they are just a pure credit card company. I know enough about the company to feel that when before they sell to a mailing list and permit it to be used in an insurance solicitation, they pay some attention to the coverage offered and its relationship to state law. You are telling me that I cannot buy a policy from them, but I can buy a policy from some fly by night company out in Texas who is not qualified to do business in the State of Connecticut. It seems to me that you don't have a credit card problem, you have a mass solicitation problem and if you are going to worry about mailing list, worry about everybody's mailing list, don't worry about credit card mailing list, they are not that much different.

Rep. Stevens: As an attorney, do you feel that if this bill were passed that there is any rational basis for discrimination against credit cards that would tend to uphold the constitutionality of this bill?

Harold Reed: No, I think that it is clearly unconstitutional in my own mind.

Rep. Stevens: What is the primary basis for that opinion on your part?

Harold Reed: The discrimination, the unreasonable classification of regulating, this mailing list and telling everybody else you go ahead everything is fine, but nobody can use credit card mailing list.

Ed Forbes, Vice President of Beneficial Life Insurance Company of Los Angeles. Our company is the pioneer of what we call the mass merchandising of high limit, low premium coverages. Our first client in this field was Diner's Club, some 9-10 years ago. We started merchandising Travel Accident Insurance to the members of Diner's Club by a direct solicitation by the company offering the members of Diner's Club the option of paying the premium directly to the company or charging it to the facility of their Diner Club Credit Card. We have now, I think more premium of this kind of business than any other company in the United States, where premiums are billed through the facilities of the third party. In each one of these cases, the literature which goes out to the customer is explicit in conformity

with the regulations and laws of the states of which we must mail it, because we use the identical literature in all of the states into which we mail. All of the states are governed by the NAIC uniform code for advertising to which we conform, we maintain the file required which are subject to audit. We also observe the rules and regulations of the F.C.C. advertising code. The client who receives the solicitation in the privacy of his home, read the brochure or he doesn't read it, if he reads it and is motivated to buy the insurance he complete the application, if he has questions about it and he is advised by an insurance counsellor and wishes to avail himself of the services of this counsellor, the company is pleased, because if the application is submitted a commission is paid. Now, Diner's Club and other credit card companies rolled in this form of insurance, is to furnish the company with a preselected list of prospects, who profiles we can ascertain from the marketing standpoint, so that we can yield a product which is relatively simple and which would fit the need of that particular type of clientele. There are all forms of credit cards, as you might know, the Diner's Club features a select group of people who travel frequently, and we used the Travel Accident approach there. One of our other account is May Company, which is a large department store chain which has nationwide affiliation. The department store customer is a different type of customer, doesn't travel quite as much, doesn't need quite the same type of protection. We try to sell him something else, we try to sell him what we call a hospital indemnity coverage, which pays him so much a day income, while he is hospitalized for any reason. We have all combinatins of this sort of offering, all of which are made in states where we are licensed to do business on forms which have been filed and approved before they got solicited by the Insurance Departments of the various states. The application forms are, where they are part of the policy, contain underwriting information, insome cases which we act upon, by either accepting or rejecting on a non-medical basis. We conduct this business directly with the insuring public. I have heard a few misstatements here that I would like to correct and set the records staight on. Early in the hearing some gentlemen made reference to the fact that a Wisconsin law which outlaws this form of solicitation has been upheld by the courts. The Wisconsin law which he refers to is one directed towards the mailing into Wisconsin by companies not licensed to do business in that state and may have been properly upheld by the courts of that state. This is not the issue here, the bulk of the companies which do this sort of business are solid, substantial, nationwide companies soliciting on a 50 state basis in most cases for very large and reputable credit card organizations. It is impossible, because we use the theory of the magic of numbers in order to issue these coverages that are just based on an application without underwriting

or age limitation in some cases. There is no difference between the solicitation to the customers of a particular credit facility or the solicitation in a newspaper advertisement which ask you to complete an application and send it or in a magazine ad, which you tear out a card and mail it in with the application and the policy is returned to you with a bill for the premium. We heard the agents says that they have no objection, whatsoever, to the billing and collecting of the premium through the credit facilities. I am somewhat at a loss then as to what the intent and purpose of this bill is, because the final function served by the credit facility is to bill and collect the premiums after the insurance company has decided to issue the contract. Prior to that time, of course, we use their list there is no secret about this. These list are valuable to us, because they identify segments of the public which have specific insurance needs. There is no pressure at point of sale, our literature is a matter of record and there is no controversy about what we told the insured about his coverages. If there is an inconsistency between the literature and the actual coverage, I am pretty sure that the courts in your state and any other state, would hold the company to its printed word. On the otherhand where there is an interview and there is an agent, it is entirely possible that it can be a communication misunderstanding, which a year later gets obscured by time and by the memory of the people involved. Mr. Foley pointed out that Mr. Wholley of the Connecticut Insurance Department was mindful of this in pointing out that the bulk of complaints that he had involved misunderstandings between live agents dealing face to face with their insured. We are offering, in a sense, a one stop service to a party who has already established his credit and who can be billed and the savings in the billing are passed back to the client. We do pay a fee to the Diner's Club. We pay a per item fee for their service in billing and collecting, this is their business, this is how they make their bread and butter. More important, particularly, in the case of the Diner's Club, they actually advance the premium on behalf of their card holder to us, just as they do when you go to a restaurant and order a meal, that restaurant is sure of being paid, whether or not the Diner's Club ultimately collects the account. This is true of the insurance arrangement we have with Diner's Club. The moment a party signifies he wish to have the premium authorized, Diner's Club is obligated to send us the premium and the contract goes into effect immediately, whether or not Diner's ever collects that premium. This is another service which is afford by the credit card facilities. What we are getting down to, I guess, is a question between the clean pipe rack type of merchandise and the custom tailoring. Beneficial Standards is an agency company. Only about 14% of our total premiums, even though we are the largest writer comes through this route, the other 86% of our premium comes through independent agents or specially contracted agents of our company for whom we recognize the need to go out and actually see the public on complex

different or out of the ordinary insurance situations. We are not seeking to replace the agent, we merely seeking to supplement services he performs for the insuring public by filling in a gap that he does not have the time or inclination to fill in himself. We are selling coverages which the average agent, if he had in his portfolio, would not find it worthwhile to go out and solicit. This we think is the real issue, the issue is whether or not the public is demonstrated the fact that it wishes this form of insurance, by reason of the fact that my company alone has 3/4 million policyholders buying this kind of insurance. The issue here, gentlemen, is whether or not the public which has demonstrated its desire to buy insurance in this way is being served by legislation which selects a particular method of distributing information about insurance and which makes available to the consumer a particular way to pay his premium. I think that this is the only item that we have at issue this morning. If it is bad persay, to solicit a customer directly, without the intervention of an insurance agent and then this bill is not the bill should be considering. I would be very pleased to answer any questions about my company's method of operation or the subject in general.

Chm. Salamone: You said that your company, Beneficial, two different types of policies, one for the Diner's Club and one for the May Company.

Ed Forbes: We have a full portfolio of policies, which are equally available to our individual agents or to the credit card customer, there is no differential in premium rate.

Chm. Salamone: I don't mean that, you said that through your credit card solicitation, people who have Diner Club Cards you send them a certain type of policy and people who shop in the May's Department Store you send another one. How do you know, sitting back in your home office, who is who. I mean how do you know that the guy that shops at the May Company is not a Diner Club holders.

Ed Forbes: It is material, immaterial to us, after all it is the customer who receives the solicitation who makes the final judgement as to whether he is the person for whom this solicitation is directed.

Chm. Salamone: Yes, but you said that you were tailor making this thing to fit their needs.

Ed Forges: We attempt, through market research, to attach mailing to ascertain the need of a particular group, for example, we think in our good business judgement, not advantageous to us to sell a \$100,000 Travel Accident policy to the typical department store customer, because he is not the segment of the public that would give us the biggest output per mailing. We are in business, quite understandably,

to make profit and we must select our solicitation towards those people which we think will be impelled to buy the product. We have only one chance, we don't have the advantage of the agent who goes out on an estate plan or on a custom tailoring situation, we don't have the advantage of actually meeting and knowing our client. He has to introduce himself to us. He has to decide if he wants this. If this doesn't appeal to him, if he sees this brochure and says this is not for me, we never hear from him. If he sees the brochure, reads it and says that I want this insurance, the decision is completely his. He fills out the application, he completes the questions, he signs the authorization and he thereafter meets the monthly bill for his credit card. This is a decision made completely by the consumer and this bill is going to deprive him of the right to do that.

Chm. Salamone: In otherwords, he decides what coverage he wants and you decide by some computer who should buy what. What kind of application would you send me in difference to Representative Bigos here. I am a Diner Club credit card holder and his wife shops in the May Company.

Ed Forbes: I explained to you sir, we take a shot at trying to reach the needs of a particular group, the same way a newspaper ad take a shot in the dark, the same way a magazine ad takes a shot in the dark, the same way a mail order solicitation takes a shot in the dark. The credit card solicitation is a shot in the dark, if you want to so term it.

Chm. Salamone: You also said, if an agent and you prefer an agent that makes a personal call, at that time a commission is paid. I believe this is what you said.

Ed Forbes: If one our clients receives a brochure and is mindful of the direction thereon, that he can submit it to his own independent agent or broker and third take it to the independent agent or broker who would definately be in control of that client, if a man thought that much of him to go to him for advice and then we would pay commission to the person who submits the application.

Chm. Salamone: If the agent did not submit the application or did not, or if the applicants did not designant an agent, what would happen to the commission.

Ed Forbes: The commission is absorbed in the experience.

Chm. Salamone: The company keeps the commission, no commission is paid.

Ed Forbes: That is not strictly true, because....

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Chm. Salamone: If you will let me use the example of the Diner's Club I will disabuse you of this almost immediately. We....

Ed Forbes: We started using the Diner's Club almost nine years ago, we were in a fairly virgin area, we were trying to plow back some of the savings in the billing and collecting to the insured, so we reduced our premium somewhat below that of what we would normally require actuarially to issue this coverage. We were saving the additional cost of billing and collecting. As we found out at the end of three years experience, we had a lower loss ratio than the actuaries had estimated, even at that lower premium. Instead of keeping the money, we increased the benefits without increasing premium to every outstanding member who held a policy of that kind. The same thing happened two years later, we had two additional years of experience, we find out again that the loss ratio had dropped below 65% which was the **actuary** assumption. We gave a further increase voluntarily, by endorsement, to every outstanding policy holder without an increase in premium. We are in business to make a profit, but we are not in business to make an undue profit. Of course, competition forces us to give the most to the public protection for its dollar. If we don't do it, our competitors will step in and take that account away from us. This is business.

Chm. Salamone: You have an agency force type of customer, you said. How does your agent feel, if he is out knocking his brains out and you send out a credit card and your commission is not paid to anybody you just garbage it up and put it in your pocket, you say that you give it back to the insured. You are taking bread and butter out of this man's mouth, he is out there servicing other accounts for this company.

Ed Forbes: We are selling the type of coverages that he can not and will not sell. He will not sell a policy where the premium is \$3-5 a month, he can't pick up the phone to even justify that type of a call, he is better off being the custom tailor in this business rather than the plain pipe rack merchandiser.

Chm. Salamone: I think if you continue you won't have customer tailoring anymore, the guys are going to be out of business. Another thing, you said that you pay the Diner's Club a fee, are they a licensed agency.

Ed Forbes: Yes we do, for the services that they perform, we do not feel that they are required to be licensed. They are in a business. We are not commissioning them, we are paying a flat fee for a service that they perform that we would otherwise have to perform and that is the billing and collecting of premiums.

Chm. Salamone: In other words, you have a deal with the Diner's Club where instead of paying an agent a commission, you will pay them to bill the insured. You are paying them, no matter what you call it. I am talking about an insurance company splitting commissions, or whatever you want to call it, to unlicensed insurance company or agency.

Ed. Forbes: I think that your definition of splitting the commissions might be slightly inaccurate, because we do not feel that we are paying them commission, there is no percentage of premium paid to Diner's Club. We are doing the same thing with Diner Club that another company might do, for example, with the IBM service bureau or a bank. This is not an insurance function, this is an administrative function. The insurance function is performed completely by the company, we receive the applications, we solicit them, we underwrite them, we issue the policies, we maintain the policies service, we pay the claims, all this is under the jurisdiction of the insurance department in various states which we operate. Diner's Club function is twofold, they furnish us with a prospect list and in turn they bill and collect the premiums on our behalf, and remit the monies to us, which is not a percentage of the premium a flat amount per item billed.

Chm. Salamone: Let's do it this way, let's take an insurance company that has an agency force and they.....let's take a debit company, let's say that a debit company has an agency force and an agent goes out and sells a life insurance policy, but the insurance company feels that because they feel that it is best as far as their interest, instead of paying this man to go out and collect every week, let's get a guy off the street and give him \$50 a week to go collect premium. That is all he does, he has nothing to do with selling insurance. You feel that this is alright.

Ed Forbes: I don't see where this has any bearing on this legislation, but if it isn't a function that is reserved to a person who holds an insurance license, I see no objection to salary someone to collect premiums. We have salaried people in our home office collecting premiums.

Rep. Champi: I would just like to get one thing cleared up in my mind. A few fellows made a statement about the individual agents who sell any type of insurance has more complaints to the commissioner or one of his staff. Is this true Mr. Wholley, let me put in another thought. Even if you do have, let's say, more complaints from the word of mouth of the agents, the owner of the contract still has his contract and when they say that this man misinterpreted this contract to me, all you do is look into the contract and this is binding. Is this not true.

Gerard Wholly, Insurance Department: My original response at the first hearing, I think, was in answer to a question that Rep. Bigos, concerning whether or not we had any complaints because of the sale of insurance via credit card facilities. My response at that time, was that this was a relatively new venture and I think at that time we were also talking more in the fire and casualty field, than we were the life, accident and health, and because it is something that is so relatively new, we do not have the complaints that we would have from the direct sale between agents. I think that is how I responded in February and would so respond today. As far as our present thinking on this matter, are concern runs to the solicitation by unlicensed companies for the sale of insurance through the facility of a credit card. I think I am too a member of the Diner's Club and I think that I hardly ever get a billing from the Diner's Club or very, very frequently with my billing is contained solicitation for accident and health and life, I think, primarily, accident and Health from the Beneficial Standard. I am not being solicited by the Beneficial Standard, I am being solicited by the Diner's Club, and I don't think that our records indicate that the Diner's Club is licensed as an insurance agent.

Rep. Champi: This is a matter that I want to clear up, even though an individual does complain to the Insurance Commissioner's office that he has been misinterpreted, the insurer still has his contract and this is a binding thing, I would like to clear this up, what you are inferring is that you probably do a better underwriting job than the individual does, I don't believe that this true.

Ed Forbes: No sir, I didn't infer that at all. What I said was that our printed lists forever, whereas the memory of a person who interview as does all human conversation of being obscure.

Rep. Champi: That is true, but don't you think .... I mean, also, that when we are going into our sales pitch, more or less, after they sell them they have this contract, just like when you send them a contract. I never saw any of your literature, but some of it must stand out in bold print and some must be in small print and they probably get the interpretation differently, but the contract is the binding piece.

Ed Forbes: I am certain, where a case of misrepresentation which we in our bad judgement, used in the literature, that the courts would hold us to it. They would hold a company for a misrepresentation by an agent. I have been in the insurance business ever since I got out of law school and I think its problem has always been trying to set out the facts in a situation where the insured claims that he told an agent of a condition and the agent advised him not to put it on the application. This is the classic case where you get involved in litigation. Now, Mr. Wholley just said that this program is

relatively new in this State, we have been soliciting Diner Club members in this State for nine years, it is not relatively new. We have a family group volume of premium on which we pay the state a premium tax, we have had a relatively small incident of service complaints, we pay our claims promptly, our coverage is such that there are no real defenses to it and it is just that easy. It is a clean business, we have been operating here for nine years and there is no record of any evil, there is no charge against our company that we have misused our privilege of asking the citizens of your State to consider on their own right, without the presence of an agent, whether or not they want this contract. This is all we are asking. If a man feels that he needs representation of an agent, and an agent has sold himself to that client to the extent that this man relies on the agents advice, we are not going to be able to make that sale. We can only sell those people who feel that this is a product that they want when they read our literature and decide. Now you have got to remember, you can't listen to charges that this literature is false and misleading, because this literature is designed in accordance with the standards of regulation under which we must operate. If it is false or misleading, the remedy is not in this legislation, the remedy already exists in the insurance laws of several states including your state, to make us stop doing this and lift our license if we are flagrant. This legislation does not attempt to cure that, this legislation is directed particularly toward one form of solicitation directly to the public and not towards all forms of solicitation directly to the public, for this reason I personally believe that it would be held unconstitutional, nor do I feel that any attempt to correct the evil, other than the fact that the public is given a chance to purchase insurance of its own free will, without any pressure, so it so desires to do so and if it doesn't and seeks the service and advice of an agent you can tailor make a plan, which does meet the needs of that particular person.

Rep. Champi: I would just like to have one thing cleared up, and I think that Mr. Wholley also said it, when he gave that statement about more acquisitions against the individual agent, I think he was referring to primarily the casualty business, but I would like to find out if you are strictly speaking about the accident business and health business.

Ed Forbes: Right, we have more problems, quite frankly, with situations where the insured and the agent and usually with all honesty and good faith, disagree as to exactly what happened at the time the application was taken. This is a recurring problem and we are constantly faced with it. It plagues us as it does the insurance department and the court. We are mindful of it, we do everything we

can to guard against it. We train our agents to take applications properly to get the proper information. We are an agency company, however, if an individual in the privacy of his home completes an application and puts down a misstatement, there is no possibility that he can charge that misstatement to an agent. That is his and he has to live with it.

Chm. Salamone: The fellow from American Home Insurance Company said that they solicit the business, the American Home not the credit card company. In your particular case, does Beneficial or does the Diner's Club solicit business.

Ed Forbes: The literature which is put in the Diner's Club billing, is a letter signed by Alfred L. Golden, who is the Vice-President of my company on stationary of my company. The application is an application directed to Beneficial Standard Life Insurance Company, it is sent by the prospective insured to our company directly. It is a solicitation of our company, the only thing the Diner Club does, is tells its members and quite properly, that if they wish to authorize Diner Club, Diner's Club will bill and collect their premium for them. We have to say it, it is in the literature, but it isn't a solicitation of insurance by the Diner's Club, it is an offering of the services that they have been organized in their charter permits them to do, and that it to offer to their customers the right to bill services, goods or commodities on their Diner's Club card and receive one bill for all of those purchases at the end of the month.

Chm. Salamone: Who envelope is it?

Ed Forbes: The envelope is a Diner's Club envelope, the literature is piggy-backed into the envelope by the insurance company, it is piggy-backed into the envelope by the fire extinguisher company, or whoever, but in the final analysis, the customer is being confronted, not by the Diner's Club, but by the product.

Chm. Salamone: But they are being solicited by the Diner's Club.

Ed Forbes: They are not being solicited by the Diner's Club, the Diner's Club sells nothing, except their service. The Diner's Club is not a merchandiser, the Diner's Club is a service organization. It does not sell insurance, it does not sell meals, it does not sell suits or any other of those items, those are sold by retailers and merchandisers. We are in no different posture when we use the facilities of the Diner's Club than any of those other people, which is the reason why, I believe, that this legislation is discriminatory and therefore, unconstitutional.

Rep. Salamone: Thank you, you did a very good job. Any other questions? Anybody else in opposition to S.B. 524?

John Reed: I am the Insurance Supervisor of the American Express Credit Card. I am here only to express our interest and our concern in the proposed legislation. Since it does seem to discriminate against the credit card verses of a mailing list mailing activities. I would like to point out, and it will be the same type story, the workings of American Express in our insurance program. We act only as the billing agent, the solicitation is done by the underwriters, the solicitation material is prepared by them, the policies are written by them, they are registered in states by the underwriter as soon as the approval of the Insurance Commissioners has been received in the various states. Then their underwriter's use our mailing list. Then they send us a listing of card holders and premiums to be billed. We are very careful in acknowledging any questions on insurance, that we never give policy interpretation, the underwriters have a policyholders service for that. If a card holder wrote to American Express and said please cancel my policy, we are very careful to say that, very careful not to say that we will cancel your policy, we are not in the insurance business. We say we have forwarded your request for cancellation on to the underwriter. We never refer to billing premiums, we bill insurance charges we prepay the premiums as a service for a card holders to the underwriters and we bill insurance charges and I do feel that the legislation in question is discriminatory and it seems to be more of an insurance question rather than a credit card question.

William Reynolds, Vice-President of Imperial Casualty and Indemnity Company, Omaha, Nebraska: I am appearing here today to voice our objection to this bill. I will try to hold my remarks as brief as I can, because I recognize that the gentlemen are becoming tired and also three of my associates and I travelled all night to be here from Omaha from a meeting in Des Moines yesterday afternoon. Imperial Casualty is a licensed company, licensed in 48 states, the District of Columbia, including Connecticut. Our policy forms are approved by the State of Connecticut, our rates are approved by the State of Connecticut, our material is subject to review and approval by the State of Connecticut. Our company is examined by the State Insurance Department and we file our financial statement with Connecticut each year and pay premium taxes in this state.

Rep. Oliver: You work through a credit card company.

William Reynolds: Yes we do, our operation is in conjunction in this area with the American Oil Company.

Rep. Oliver: Do you send it out in an American Oil Company envelopes or your own envelopes.

Wm. Reynolds: No sir, all of our mailings are accomplished in Imperial envelopes with Imperial's own solicitation materials.

Rep. Oliver: I noticed that there was some interest and I am going to inquire of the gentlemen who spoke later on about this, but the American Home envelop, who return address was ~~was~~ Home Insurance, but it looked like a Mobil envelope. Do your envelopes look like the Amoco envelopes.

Wm. Reynolds: I have here an envelope that we use add the only difference between this envelope, is this envelope is being used in several states here, we say for American Oil Credit Card customer and in certain states and most states, we also include the emblem of the American Oil Company, but we identify it as a mailing from Imperial Casualty and Indemnity Company, Omaha, Nebraska. All the material is returned to us.

Rep. Oliver: Does the American Oil Company give you the same courtesy as they give, Mobil gives American, that they don't charge you anything.

Wm. Reynolds: I think there, I might save all of our time, by explaining that both American Oil Company and Imperial Casualty are are wholly owned subsidiaries of Standard Oil Company of Indiana.

Donald J. O'Sullivan, Assistant Council, Continental Insurance Company. As I read this bill, it is apparently designed to knock out sales by mail solicitation and up to know this has been the general patterns of sales of insurance, mainly accident insurance, to credit card holders. If this is so, I think the implication of the bill should be emphasized. Credit cards are merely a method of financing premiums and not a sales method in itself. I believe you all realize that there has been a long tradition in insurance to sell through advertising and mail and a proposed legislation in my mind, is merely a first step toward prohibiting such methods of selling. I have serious questions as to the constitutionality of this bill. It appears to me, before the police power of the State can be used to prohibit an established method of vending, there must be substantial proof of abuses of the likely hood of abuses and the evidence that is available to me that is available to me does not support this. As far as our group is concerned, we write accident insurance for the credit card holders of one major oil company, City Service Oil Co., this company has about 1 million credit card holders and we have insured about 25,000 card holders, approximately 20,000 of their spouses and about 680 of these are Connecticut residents. Our files contain no complaints about how the insurance is handled, or claims, a search of our records within the past two weeks, showed that no complaints were made to any public authority or Insurance Department. The records of the Connecticut Department are available to you to verify this fact. I believe this bill is supported mainly by organized

agents groups and yet our company has made the same policy which we made available to the City Service card holders to our agents to sell on an individual basis, the same premium and the same coverage. We have not had any appreciable response to this, while it may just be economically unfeasible for an individual agent to set up a new account for a premium of \$24 a year, prohibition of the use of credit cards facilities for the payment of small annual premiums of this type may have only one effect, mainly, that the type of insurance usually sold by means of this facility will not be available to the general public. We oppose this legislation on the grounds that is it an unnecessary prohibition of an established means of selling insurance. Actually, aimed at prohibiting all sale by mail and further there is a serious question that this is unconstitutional. I would just like to make two more points, one on the Wisconsin law that was referred to, this law is designed to make the act of selling or offering insurance by mail, in Wisconsin, an act that will subject the insured to the laws of Wisconsin. It doesn't prohibit it, it regulates it, such solicitation by making this out of state insurer subject to the laws of Wisconsin and we as a matter of fact have corresponded with the State of Wisconsin, even though we are an admitted insurer and have had approval of this City Service policy. So that the Wisconsin rule that has been mentioned, does not prohibit the solicitation of insurance by mail. Further point that has been brought out about the, whether or not the context can be construed according to the material or according to the conversations of the agent. I think ultimately the court must construe any context and this they will do by looking beyond, if necessary, to look at the advertising that was submitted or look at the conversations of the agent and all this will be included in the courts decision.

Joseph Norton, Continental National American Group: I have proposed to talk on two or three points of constitutionality as previous speakers said. Somewhere a previous speaker said that the constitutionality of this type of legislation has been tested. I think that Mr. Reed testified on the fact that there has only been litigation on this type of legislation to our knowledge in one state, and that is the State of Florida and it is still in the Federal Court, so if there is other information to this effect, that the constitutionality has been tested, we would like to know about it. Mr. O'Sullivan who spoke previously, talked about the Wisconsin statute, and I think that he has explained that clearly. This type of solicitation is not barred in Wisconsin, it merely makes the foreign carrier, a non-admitted and non-licensed and a non-domestic carrier subject to the same controls that the domestic or licensed company would be subject to. One of the previous speakers talked about and quoted a person in Massachusetts as saying that this type of contracts were written in fine print and they give it to you in the big print and take it away in the small. The broadest Travel Accident contract

we sell are sold through this type of facility and as a matter of fact, the application taken requires no health question, there is no warranty not even representation, the application is not made part of the contract. The only exclusions are at war and impairities to my knowledge. So it is broad coverage and there is no implication there. There is broad coverage and the premium is reasonable and the people buy it. I think this legislation will deprive a great many people in Connecticut, of whom I am one, of coverage that I would like to see succeed. And I think, in so far as the public is concerned and if we are primarily interested in the public, they should be permitted to buy this kind of coverage as they see fit. I think the legislation, probably, would not stand up constitutionally either, several Insurance Commissioners and their legislative councils have so stated this to me in other states. I think it would be unwise.

- S. Daniel Julianni: You have heard from agents, you have heard from insurance companies, I want you now to hear from a buyer. I am that buyer. I hope that I represent a number of other buyers. I have purchased insurance from agents, I like agents, I work with them and they are very helpful, however, in July of 1960 I suffered a heart attack, I was in the hospital and after that heart attack, agents would talk with me, but they hardly wanted to do business with me. As a matter of fact, I have quite a bit of difficulty getting additional accident insurance and I would have had to pay a very high price for life insurance if I wanted it. I now have credit card insurance, if you want to label that way, I need this insurance for my Travel purposes, I need it because I have a family, I did have a larger family than I do now, I don't want to leave my family in need. The amount of insurance that I bought through agents, was not enough to take care of my needs, because that insurance was bought and paid when my income wasn't what it is today. As time goes on and as we increase our earnings we need more coverage. I say thank goodness for the fact that there is a mass method of merchandising, whatever it may be. I agree with some of the men that have been here before me who have said that your problem is not with credit cards it with something else. I would object to any curtailing of any method of marketing any product whatsoever so long as the method is legitimate, it is fair and it is honest and I have heard of nothing which has indicated to me that the marketing methods for any type of insurance that comes through the mail is improper or unreasonable. I can make up my own mind, I can make up my own mind I am sure, I have an Insurance Department that I can appeal to if I have any questions, I also have a lawyer that I can appeal to, I have insurance agents which I can consult. I think that the general public is able to judge for itself and it should not be curtailed of this opportunity to make up its own mind. If there are any questions, I will be delighted to answer them. I am a customer, I want this insurance, I don't want to be deprived of it and don't mind this material coming over my desk or coming over my doorstep.

- Chm. Salamone: Mr. Julianni, in otherwords, an agent could not sell you additional insurance, but you could buy it through credit card.
- Mr. Julianni: This is correct, I asked for additional insurance and I was told that I couldn't get it because of my health history.
- Chm. Salamone: From the same company, a different company, this brings up a question that I would like to ask one of these gentlemen. Are your contracts through credit cards different than the ones sold by agents.
- Ed Forbeds: No, we sell the same contracts through agents, in fact, in states like New York we have several hundred policies sold directly by agents, the exact same form....
- Chm. Salamone: The only point I bring out is this, here is a man that could not buy insurance through an agent, but he brought is through a credit card.
- Ed Forbes: We would take an application from him as long as he doesn't have our policy already.
- Chm. Salamone: In otherwords, he can buy it through an agent or through the credit card.
- Rep. Oliver: Mr. Coughlin, suppose American Home or one of the others, bought mailing list and took them and sent them out in their own envelopes and their envelopes did not look like Mobil envelopes and they didn't mention Mobil anywhere and I got this form and I decided that this was the type of policy that I wanted and I sent back and I sent out the first premium by check and it came back well now you have paid us the first one, but in the future you can handle it through Mobil if you want. Do you have any objection to this.
- Mr. Coughlin: If I understand your question, No, I don't think I do. You are talking about subsequent billings being paid by the oil company.
- Rep. Oliver: What then, Mr. Coughlin, is the difference between them soliciting with the mailing of the credit card before the contract is completed.
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- Mr. Coughlin: I think that the solicitation by the oil company lends a certain amount of predence to the material that the individual is receiving.
- Rep. Oliver: That I will grant you, but that is one of the things that I am a little concerned about on American Home, because it looks like the Mobil ~~XXXX~~ envelope, but suppose the credit card company and the

insurance company devise a vehicle that only specified at the bottom of the application form that you can bill it through X credit card company or suppose an insurance company made arrangements with 3 or 4 credit card companies and said you can bill it either one of these five ways.

Mr. Coughlin: Again, I have some difficulty following exactly what you are driving at, but I think that I understand it. Our position is that we object to the solicitation and sale of insurance through the use of credit card facilities. We do not object to the billing of premiums or the collecting of premiums or any other credit arrangement which the individual makes.

Rep. Oliver: Right, but what I am asking is this, when you say the credit card, do you mean the mailing list and the trapping of the credit card company. Suppose you cut away all the trappings and use the mailing list, but the fellow that receives it has no way of knowing that he got it from that mailing list.

Mr. Coughlin: Our particular purpose of this legislation here is to reference of the credit card facility organization to the sale of the insurance. There is an overall problem, that has been pointed out, in reference to the entire area of solicitation through the mail. At the hearing in February we referred specifically to areas developing in the future, perhaps, and, I think, maybe the Insurance Department did this too, in reference to automobile insurance, casualty insurance and other line of insurance beyond and above the present Travel Accident.

Salamone: I would like to thank everyone who spoke and the questions that were asked of the speakers by member of the committee were just so that we could come to some kind of a conclusion and we hope that we did not offend anybody or didn't lean too hard on anybody, but if you don't have a hearing of this type, you really can't make a sound decision. Hearing and seeing no more speakers, we will conclude the hearing. Thank you.