

§ 78A-14. Advertising of Viatical Settlement Contracts.

(a) The purpose of this section is to provide prospective viatical settlement purchasers with clear and unambiguous statements in the advertisement of viatical settlement contracts and to assure the clear, truthful, and adequate disclosure of the benefits, risks, limitations, and exclusions of any contract or purchase agreement offered or sold. This purpose is intended to be accomplished by the establishment of guidelines and standards of permissible and impermissible conduct in the advertising of viatical settlement contracts to assure that product descriptions are presented in a manner that prevents unfair, deceptive, or misleading advertising and is conducive to accurate presentation and description of viatical settlement contracts through the advertising media and material used by issuers of viatical settlement contracts and their sales agents.

(b) This section shall apply to any advertising of viatical settlement contracts intended for dissemination in this State, including Internet advertising viewed by persons located in this State. Where disclosure requirements are established pursuant to federal regulation, this section shall be interpreted so as to minimize or eliminate conflict with federal regulation wherever possible.

(c) Every person offering or selling viatical settlement contracts shall establish and, at all times, maintain a system of control over the content, form, and method of dissemination of all advertisements of these securities. All advertisements, regardless of by whom written, created, designed, or presented, shall be the responsibility of the issuer. A system of control shall include regular routine notification, at least once a year, to agents and others authorized by the issuer who disseminate advertisements of the requirements and procedures for approval before the use of any advertisements not furnished by the issuer.

(d) Advertisements shall be truthful and not misleading in fact or by implication. The form and content of an advertisement of a contract or purchase agreement, product, or service shall be sufficiently complete and clear so as to avoid deception. It shall not have the capacity or tendency to mislead or deceive. Whether an advertisement has the capacity or tendency to mislead or deceive shall be determined by the Administrator from the overall impression that the advertisement may be reasonably expected to create upon a person of average education or intelligence within the segment of the public to which it is directed.

(e) Certain viatical settlement contract advertisements are deemed false and misleading on their face and are prohibited. False and misleading viatical settlement advertisements include, but are not limited to, the following representations:

- (1) "Guaranteed", "fully secured", "100 percent secured", "fully insured", "secure", "safe", "backed by rated insurance companies", "backed by federal law", "backed by state law", or "state guaranty funds", or similar representations;
- (2) "No risk", "minimal risk", "low risk", "no speculation", "no fluctuation", or similar representations;
- (3) "Qualified or approved for individual retirement accounts (IRAs), Roth IRAs, 401(k) plans, simplified employee pensions (SEP), 403(b), Keogh plans, TSA, other retirement account rollovers", "tax deferred", or similar representations;
- (4) Utilization of the word "guaranteed" to describe the fixed return, annual return, principal, earnings, profits, investment, or similar representations;
- (5) "No sales charges or fees" or similar representations;
- (6) "High yield", "superior return", "excellent return", "high return", "quick profit", or similar representations;

- (7) Purported favorable representations or testimonials about the benefits of contracts or purchase agreements as an investment, taken out of context from newspapers, trade papers, journals, radio and television programs, and all other forms of print and electronic media.

(f) All information required to be disclosed under this section shall be set out conspicuously and in close conjunction with the statements to which such information relates or under appropriate captions of such prominence that it shall not be minimized, rendered obscure or presented in an ambiguous fashion, or intermingled with the context of the advertisement so as to be confusing or misleading.

(g) An advertisement shall not:

- (1) Omit material information or use words, phrases, statements, references, or illustrations if the omission or use has the capacity, tendency, or effect of misleading or deceiving purchasers or prospective purchasers as to the nature or extent of any benefit, loss covered, premium payable, or state or federal tax consequence. The fact that the contract or purchase agreement offered is made available for inspection before consummation of the sale, or an offer is made to refund the payment if the purchaser is not satisfied or that the contract or purchase agreement includes a "free look" period that satisfies or exceeds legal requirements, does not remedy misleading statements.
- (2) Use the name or title of a life insurance company or a policy unless the insurer has approved the advertisement.
- (3) Represent that premium payments will not be required to be paid on the policy that is the subject of a contract or purchase agreement in order to maintain that policy, unless that is the fact.
- (4) State or imply that interest charged on an accelerated death benefit or a policy loan is unfair, inequitable, or in any manner an incorrect or improper practice.
- (5) State or imply that a contract or purchase agreement, benefit, or service has been approved or endorsed by a group of individuals, society, association, or other organization unless that is the fact and unless any relationship between an organization and the seller or its agents is disclosed. If the entity making the endorsement or testimonial is owned, controlled, or managed by the seller or its agents, or receives any payment or other consideration from the seller or its agents for making an endorsement or testimonial, that fact shall be disclosed in the advertisement.
- (6) Contain statistical information unless it accurately reflects recent and relevant facts. The source of all statistics used in an advertisement shall be identified.
- (7) Disparage insurers, providers, brokers, dealers, salesmen, insurance producers, policies, services, or methods of marketing.
- (8) Use a trade name, group designation, name of the parent company of an issuer, name of a particular division of the issuer, service mark, slogan, symbol, or other device or reference without disclosing the name of the issuer, if the advertisement would have the capacity or tendency to mislead or deceive as to the true identity of the issuer, or to create the impression that a company other than the issuer would have any responsibility for the financial obligation under a contract or purchase agreement.

- (9) Use any combination of words, symbols, or physical materials that by their content, phraseology, shape, color, or other characteristics are so similar to a combination of words, symbols, or physical materials used by a government program or agency or otherwise appear to be of such a nature that they tend to mislead prospective purchasers into believing that the solicitation is in some manner connected with a government program or agency.
- (10) Create the impression that the issuer, its financial condition or status, the payment of its claims, or the merits, desirability, or advisability of its contracts or purchase agreement forms are recommended or endorsed by any government entity.

(h) The words "free", "no cost", "without cost", "no additional cost", "at no extra cost", or words of similar import shall not be used with respect to any benefit or service unless true. An advertisement may specify the charge for a benefit or a service, may state that a charge is included in the payment, or use other appropriate language.

(i) Testimonials, appraisals, or analysis used in advertisements must be genuine; represent the current opinion of the author; be applicable to the contract or purchase agreement, product, or service advertised, if any; and be accurately reproduced with sufficient completeness to avoid misleading or deceiving prospective purchasers as to the nature or scope of the testimonials, appraisals, analysis, or endorsement. In using testimonials, appraisals, or analysis, the issuer makes as its own all the statements contained therein, and the statements are subject to all the provisions of this section.

(j) If the individual making a testimonial, appraisal, analysis, or an endorsement has a financial interest in the issuer or related entity as a stockholder, director, officer, employee, or otherwise, or receives any benefit directly or indirectly other than required union scale wages, that fact shall be prominently disclosed in the advertisement.

(k) When an endorsement refers to benefits received under a contract or purchase agreement, all pertinent information shall be retained for a period of five years after its use.

(l) The name of the issuer shall be clearly identified in all advertisements about the issuer or its contract or purchase agreements, products, or services, and if any specific contract or purchase agreement is advertised, the contract or purchase agreement shall be identified either by form number or some other appropriate description. If an application is part of the advertisement, the name of the issuer shall be shown on the application.

(m) An advertisement may state that issuer is registered in the state where the advertisement appears, provided it does not exaggerate that fact or suggest or imply that a competing issuer may not be so licensed. The advertisement may ask the audience to consult the issuer's web site or contact the department of insurance and/or the state securities regulatory agency to find out if the state requires licensing or registration and, if so, whether the issuer or its sales agents are licensed.

(n) The name of the actual issuer shall be stated in all of its advertisements. An advertisement shall not use a trade name, any group designation, name of any affiliate or controlling entity of the issuer, service mark, slogan, symbol, or other device in a manner that would have the capacity or tendency to mislead or deceive as to the true identity of the actual issuer or create the false impression that an affiliate or controlling entity would have any responsibility for the financial obligation of the issuer.

(o) An advertisement shall not directly or indirectly create the impression that any state or federal governmental agency endorses, approves, or favors:

- (1) Any issuer or its business practices or methods of operation;
- (2) The merits, desirability, or advisability of any contract or purchase agreement;

- (3) Any contract or purchase agreement; or
- (4) Any policy or life insurance company.
- (p) If the advertiser emphasizes the speed with which the viatication will occur, the advertising must disclose the average time frame from completed application to the date of offer and from acceptance of the offer to receipt of the funds by the viator. (2001-436, s. 7.)