

**RULES  
OF  
TENNESSEE DEPARTMENT OF INSURANCE  
INSURANCE DIVISION**

**CHAPTER 0780-1-19  
RULES AND REGULATIONS GOVERNING THE CORRELATED SALES OF LIFE IN-  
SURANCE POLICIES AND MUTUAL FUNDS OR OTHER SECURITIES ISSUED PUR-  
SUANT TO THE AUTHORITY VESTED IN THE COMMISSIONER OF INSURANCE BY  
§ 56-3-306, TENNESSEE CODE ANNOTATED**

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**0780-1-19-.01 APPLICABILITY.**

- (1) This Rule shall apply:
- (a) to acts and practices in the advertising, promotion, solicitation, negotiation of or effecting the sale of
    - 1. life insurance policies (which term shall include annuity contracts for purpose of this Rule) in correlation with the sale of shares of a mutual fund or other security, except a variable annuity contract within the meaning of Chapter 0780-1-17.
    - 2. contracts which contemplate the purchase of a life insurance policy in correlation with the sale of shares of a mutual fund or other security, except a variable annuity contract within the meaning of Chapter 0780-1-17.
  - (b) to any acts and practices, whether they involve the use of language disseminated by means of sales kits, policy jackets or covers, letters, personal presentations, visual aids and other sales media in connection with the solicitation, sale, servicing or collection of premiums for life insurance policies in correlation with a mutual fund or other security engaged in by any insurance company, agent, or other person engaged in such correlated sales.
- (2) As used in this Rule, in referring to sales of insurance policies and mutual fund shares, or other securities, the terms “correlated sales” or “sales in correlation with” shall include, but not be limited to, the following:
- (a) sales of life insurance policies and mutual fund shares or other securities as part of an integrated plan;
  - (b) sales in which both life insurance policies and mutual fund shares or other securities are offered as part of the same investment program;

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(Rule 0780-1-19-.01, continued)

- (c) sales programs in which both life insurance policies and mutual fund shares or other securities are discussed and their purchase solicited during the same interview.
- (3) As used in this Rule, “security” shall have the same meaning as set forth in Section 48-1602(G), Tennessee Code Annotated, and shall mean, in addition, participation in common trust funds of any financial institution.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.02 STATEMENT OF POLICY.** There shall be full disclosure of relevant facts in the sale of life insurance policies in correlation with the sale of shares of a mutual fund or other security. Accordingly, this Rule sets forth certain procedures and requirements establishing minimum standards for disclosure of information in sales of life insurance policies and mutual fund shares or other securities. Prior to making any cash sales on a correlated basis, there shall be submitted to the Commissioner a complete, detailed, comprehensive, accurate, certified Plan of Operation.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.03 RESPONSIBILITY OF COMPANY AND AGENT.** No insurance company, agent, or person to whom this Rule applies shall make, in connection with correlated sales of life insurance policies and mutual fund shares or other securities, a proposal or billing other than in accordance with the requirements of this Rule. Every such company must inform its agents of the requirements of this Rule

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.04 TIE-IN-SALES.** The agent, at the commencement of and throughout the sales presentation, must fully disclose to the purchaser that he has the right to purchase a life insurance policy or policies only, mutual fund shares or other securities only, or both life insurance policies and mutual fund shares or other securities.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.05 WRITTEN PROPOSAL.** In any solicitation of an offer to buy, or in any sale of life insurance policies in correlation with the sale of shares of a mutual fund or other security, the prospect or policyholder must be furnished a copy of a clear and unambiguous written proposal not later than at the time of solicitation or proposal is made. A copy of such written proposal shall be kept on file by the agent, or by the company if no agent is involved.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.06 CONTENTS OF PROPOSAL.**

Any proposal referred to in this Rule must

- (a) be dated and signed by the insurance agent;
- (b) state the name of the company in which the life insurance policy is to be written;
- (c) state that the purchaser has the right to purchase the life insurance policy only, mutual fund shares or other securities only, or both the life insurance policy and mutual fund shares or other securities;

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- (d) contain no misrepresentation or false, deceptive or misleading words, figures or state-ments. It must be accurate and complete and state all facts without which the proposal would have the capacity of tendency to mislead or deceive;
- (e) show the premium charge for the life insurance policy separately from any other charge;
- (f) if values which may accrue prior to the death of the insured are involved in the presentation, show the value of the life insurance policy separately from any other values;
- (g) show, if it is involved in the presentation, the amount of the death benefit for the life insurance policy separately from any other benefit which may accrue upon the death of the insured;
- (h) set forth all matters pertaining to the life insurance policy separately from any matter not pertaining to life insurance;
- (i) set forth policy numbers, name of company, and face values of all existing policies of the purchaser, and, if it is proposed that any existing life insurance policy (or policies) is to be surrendered, the policy (or policies) to be surrendered should be indicated and the cash value (or values) thereof set forth; provided, however, that this subparagraph (i) shall not be applicable if the new life insurance is provided under 1. a group life insurance policy; 2. a policy whose cost is borne in whole or in part by the insured's employer or by an association of which the insured is a member; 3. policies covering employees of an employer, or members of an association, which are distributed on a mass merchandising basis and administered by group-type methods; or 4. life insurance policies issued in connection with a pension, profit-sharing or other benefit plan qualifying for tax-deductibility of premiums.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.07 STATEMENT TO BE SEPARATE.** Any bill, statement, draft, or representation sent or delivered to any prospect or policyholder must show the premium charge for the life insurance and any other information mentioned concerning life insurance separate from any other charges or values shown in the same billing, but nothing in this section shall prevent the total of the premium charge for life insurance with any other charges or values shown in the same billing to arrive at the total billing charge.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.08 ADVERTISING AND PROMOTIONAL MATERIALS.**

- (1) No advertising used in connection with correlated sales of life insurance or mutual funds may be used if it is or could be misleading, deceptive, or inadequate in any way.
- (2) The Commissioner may require that certain specified advertising or sales promotional materials be filed. In such event, the receipt of the specified materials shall be acknowledged by the Commissioner and shall not be used if disapproved in writing by him.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

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(Rule 0780-1-19-.08, continued)

**0780-1-19-.09    DUAL LICENSE REQUIRED.** No person shall solicit an offer to buy or a sale of a life insurance policy in correlation with the sale of shares of a mutual fund or other security unless he is licensed as a life insurance agent in accordance with the provisions of Chapter 6, Title 56 of T.C.A., and is also licensed to sell securities by the Division of Securities of the Department of Insurance and Banking, State of Tennessee, in accordance with Chapter 48-1625, Tennessee Code Annotated.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.10    USE OF POLICY PROCEEDS.**

No sales material or plan will be approved when such sales material or plan contemplates the use of policy proceeds, except disability benefits, to purchase securities, whether directly or indirectly.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.

**0780-1-19-.11    VIOLATION.** Companies or persons in violation of this Rule shall be subject to revocation or suspension of license to do business, or denial of renewal of license to do business.

*Authority:* T.C.A. §56-3-306. *Administrative History:* Original rule certified June 10, 1974.