

Insurance—Life Insurance—Stock—Licenses — Revocation.

The practice of the Lewis and Clark Life Insurance Company of Great Falls in selling policies of insurance accompanied by a stock purchase contract is illegal and constitutes ground for the revocation of the license of the company or its agent.

George P. Porter, Esq.,
State Auditor and Commissioner of Insurance,
Helena, Montana.

May 6, 1927.

My dear Mr. Porter:

You have submitted to me, with request for an opinion, the following statement of facts:

The Lewis & Clark Life Insurance Company, of Great Falls, sells in this state a twenty pay life general participating policy. Let us take for illustration a policy of \$5,000 upon which the annual premium is \$215.65. Attached to this policy are dividend coupons amounting to about \$30.00 per year, payable each year to the insured upon his paying the annual premium on the policy. At the same time the agent for the above company sells this policy to the insured, and as a part of the same transaction he also sells to the insured a stock purchase contract, copy of which you have submitted to me for inspection.

Without setting this contract out in full in this letter, the substance of it is that the insured subscribes for a definite number of shares of the capital stock of this insurance company at a stated price and authorizes the application of the above interest coupons from his insurance policy in part payment of the purchase price of said stock. The stock purchase contract expressly recites the fact that the policy of insurance is applied for "of even date herewith," and it is apparent, from a consideration of the above plan, that the two contracts, namely, the insurance policy and the stock purchase contract, are in fact but parts of a single transaction.

It is further apparent that the purpose and effect of the issuance of the stock purchase contract is to induce the prospective buyer to purchase insurance in said company.

It is my opinion that the plan above outlined is forbidden by section 6287 of our code, which reads in part as follows:

"* * * no corporation or stock company, acting as agent of a life insurance company, nor any of its agents, officers, or employees, shall be permitted to agree, sell, offer to sell or give, or offer to give, directly or indirectly, in any manner whatsoever, any share of stock, securities, bonds, or agreement of any form or nature, promising returns and profits as an inducement to insurance, or in connection therewith; provided, that nothing herein contained shall impair or affect in any manner any such contracts issued or made as an inducement to insurance prior to the enactment hereof, or prevent the payment of the dividends or returns therein stipulated to be paid. It shall be the duty of the commissioner, upon being satisfied that any such insurance company, or any agent thereof, has violated any of the provisions of this section, to revoke the certificate of authority of the company or agent so offending."

In my opinion the above plan violates the statute I have quoted on two grounds: First, because it is a sale of stock "as an inducement to insurance." Second, because it is a sale of stock "in connection with insurance."

A continuation of the above practice by the company referred to gives you in my opinion, authority under the statute above quoted to

revoke the certificate of authority of the company or agent so offending.

Very truly yours,

L. A. FOOT,
Attorney General.