

PUBLIC

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Herbert and Debra Bailey

92-03624

Name of Respondent

IDS Life Insurance Company

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on October 27, 1992, Claimants Herbert and Debra Bailey, who appeared Pro Se, alleged that Respondent IDS Life Insurance Company, by and through their Financial Planner Roger Reetz, arranged to meet with them for the sole purpose of persuading Claimants to surrender a tax deferred Investors Syndicate Installment Certificate and IDS Term Life Policy to invest the cash value in an IDS Variable Universal Life Policy. Claimants further alleged that Respondent, by and through Mr. Reetz, failed to disclose the fact that they would be liable for income taxes due on income earned from June, 1971 through June, 1989 and the change benefitted Respondent and Mr. Reetz. Claimants contended that they were led to believe their IDS Life Term policy was no longer adequate because it did not offer payment options as does the Variable Universal Life whereby they were led to believe the transfer was a rollover and found later it was not the case. Claimants further contended that Respondent, by and through Mr. Reetz, included Claimant Debra Bailey on a disability policy which Claimants did not want, which caused them to lose cash value in the policy. Claimants asserted that Respondent did not properly handle a loan on the policy whereby not one penny of their premium had been directed toward paying a \$1,200.00 loan when in fact it should have been close to half paid off. Claimants further asserted that if Respondent informed them, they would not have been invested in this product. Claimants argued that Respondent's actions caused them to lose \$4,072.00.

Respondent IDS Life Insurance Company, by and through their in-house counsel Gary R. Irwin, maintained that Claimants Herbert and Debra Bailey received full and fair disclosure of each and every transaction, including tax liability. Respondent further maintained that after reviewing Claimants' current portfolio and listening to their goals and objectives, Respondent suggested

changes that would assist Claimants achieving their goals. Respondent contended that Claimants made decisions based on full and fair disclosure of the investment options and all expenses were disclosed on the application signed by Claimants and on confirmations received. Respondent further contended that the issues raised in the Statement of Claim are in reference to two insurance policies sold by them, but these issues are not subject to NASD arbitration and Section 1 of the NASD Code of Arbitration Procedure provides that "disputes involving the insurance business of any member which is also an insurance company" are not subject to NASD arbitration, thus this claim should be denied.

RELIEF REQUESTED

Claimants Herbert and Debra Bailey requested \$4,072.00 in actual damages.

Respondent IDS Life Insurance Company requested the claim be dismissed in its entirety.

AWARD

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Homer J. Henning, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants on October 16, 1992 and by the Respondent on March 17, 1993.

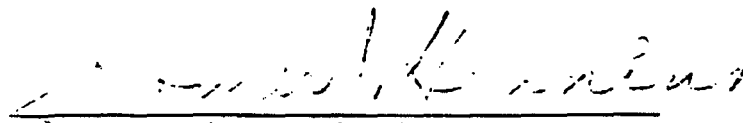
And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent IDS Life Insurance Company is liable and shall pay to the Claimants Herbert and Debra Bailey the sum of \$900.00 in actual damages.
2. The parties shall bear their respective costs.
3. The \$125.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimants Herbert and Debra Bailey shall be retained by the NASD, Inc.

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AFFIRMATION

I, **HOMER J. HENNING**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



Signature of Arbitrator

DATE OF DECISION: May 24, 1993