



Wisconsin Council of Life Insurers
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Allianz Life Insurance Company of North America
 American Equity Investment Life Insurance Co.
 Ameriprise Financial Services, Inc.
 American Family Life Insurance Company
 Aviva USA
 Catholic Knights
 CUNA Mutual Insurance
 Equitable Reserve
 Guardian Life Insurance Company of America
 Genworth Financial
 MetLife
 National Guardian Life Insurance Company
 Northwestern Mutual
 Prudential Life Insurance
 State Farm
 Thrivent Financial for Lutherans
 WEA Trust

MEMORANDUM

TO: HONORABLE MEMBERS OF ASSEMBLY INSURANCE COMMITTEE

FROM: CONNIE L. O'CONNELL,
WISCONSIN COUNCIL OF LIFE INSURERS

SUBJECT: LIFE SETTLEMENT REGULATION – AB 758

DATE: MARCH 11, 2010

The Wisconsin Council of Life Insurers, an organization representing both domestic and nondomestic life insurance companies licensed in Wisconsin, strongly supports Assembly Bill 758 providing consumer protection in life settlement transactions.

Assembly Bill 758 provides critical consumer protections within life settlement transactions, particularly those transactions known as Stranger Originated Life Insurance (STOLI). STOLI schemes involve investors, who are wholly unrelated to an individual, acquiring life insurance on that person solely to profit from his or her death. The sooner the person dies, the higher the profit. In effect, STOLI allows investors to speculate on the insured's life. This practice disregards state insurable interest laws that mandate life insurance not be used for wagering on human life.

The Wisconsin Office of the Commissioner of Insurance, the Department of Financial Institutions, consumer groups, the Elder Law Section of the Wisconsin State Bar, AARP, the Coalition of Wisconsin Aging Groups, the life insurance industry, the National Association of Insurance and Financial Advisors, and others strongly support AB 758.

AB 758 is similar to laws adopted by Ohio, Iowa and Minnesota. In order to deter the manufacture of life insurance policies, AB 758 includes limitations, **but not a ban**, on

the ability to settle a policy that carries one or more “hallmarks” of this kind of arrangement within 5 years of purchasing the policy. These hallmarks do not exist in a normal insurance purchase and include: 1) an agreement to sell the policy; 2) a separate analysis of the purchaser’s mortality; and 3) premiums which are financed without any personal stake on the part of the purchaser. Even if a policy is initiated with one of the hallmarks, the five year limit does not apply if the individual has a hardship need to sell the policy such as bankruptcy, illness, divorce, etc. In an abundance of caution, the legislation includes rulemaking authority for OCI to identify additional hardship causes to allow earlier settlement of a policy that has the characteristics of a STOLI transaction. Further, an individual who purchased insurance for legitimate protection reasons will not be subject to this limitation at all.

This targeted provision, along with the consumer disclosure and other provisions in AB 758, will allow the legitimate life settlement market to continue to operate but will greatly discourage entities from the manufacture of life insurance policies for profit. The life settlement industry is opposed to this bill and is supporting alternative legislation. The measure they support does not include the five year limitation on suspicious transactions and creates loopholes that would allow the sale and marketing of STOLI schemes to continue.

The Wisconsin Council of Life Insurers strongly encourages you to support AB 758 to effectively regulate life settlement transactions and create a strong deterrent for STOLI. Please do not hesitate to contact me should you have any questions.