

**REVENUE:** No revenue impact

**FISCAL:** No fiscal impact

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**Action:** Do Pass as Amended and Be Printed Engrossed

**Vote:** 4 - 1 - 0

**Yeas:** Burdick, Girod, Rosenbaum, Bonamici

**Nays:** George

**Exc.:** 0

**Prepared By:** Lori Brocker, Administrator

**Meeting Dates:** 4/21, 4/23, 4/28

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**WHAT THE MEASURE DOES:** Revises life settlement insurance regulations. Prohibits stranger-originated life insurance practice or plan. Defines parameters for persons acting as life settlement providers, brokers, producers and investment agents. Creates additional reporting, disclosure, and record maintenance requirements for life settlement providers, brokers, producers and agents. Requires disclosures to policy owner by provider or broker no later than at the time of contract signing and specifies contents of disclosure document. Requires certain disclosures to life settlement purchaser. Specifies additional requirements for licensure applicants. Prohibits life settlement contracts for five years after issuance of policy unless certain exceptions apply. Requires annual statement from life settlement providers when settling policy within five years of issuance. Prohibits certain solicitations by insurance brokers, providers, producers or companies. Adds regulations and restrictions on advertising of life settlement contracts and related products. Grants Director of Consumer and Business Services certain rulemaking authority. Restricts certain disclosures about insured. Makes violation of Life Settlement Contracts Act an unlawful trade practice. Repeals certain provisions of Act. Prohibits person convicted of felony involving dishonesty or breach of trust from engaging in, or knowingly or intentionally being permitted to engage in, business of life settlements. Requires persons engaged in life settlement business to inform director of known or reasonably suspected fraud. Defines relevant terms.

**ISSUES DISCUSSED:**

- Stranger-originated life insurance (STOLI)
- Practices that prey on seniors in life insurance context
- Life settlement contract waiting periods
- Interest in death of person on whom insurance policy is based
- Secondary market in insurance policies
- National Association of Insurance Commissioners (NAIC) model act
- National Conference of Insurance Legislators (NCOIL) model act
- Perspective of senior advocacy organizations
- Length of contestability period of insurance policies
- California and Washington STOLI and life settlement legislation
- Insurability of seniors
- Disclosure and consumer protection mechanisms
- Regulation of life settlement market
- Insurance as property right
- Life insurance based on insurable interest
- Funding of policy premiums
- Payment of premiums by employers

**EFFECT OF COMMITTEE AMENDMENT:** Makes a technical revision.

**BACKGROUND:** Life settlement agreements involve the sale of an existing life insurance policy before death for an amount that is generally more than the cash surrender value, but less than the net death benefit. The insured consumer agrees to transfer the policy to a third party for the benefit of an immediate payment to the insured. STOLI is the initiation or issuance of a life insurance policy for the benefit of a person who has no insurable interest in the insured at the time of policy creation. The insured consumer generally has no control over the policy. STOLI is a growing problem in the country and in Oregon, particularly among seniors. A number of states have passed or are currently considering legislation establishing or strengthening life settlement agreement regulations, particularly focused on deterring or prohibiting STOLI transactions. Two model acts focused on life settlement agreements and STOLI transactions, one developed by the NAIC and another developed by the NCOIL, were considered in the drafting of Senate Bill 973A.