

**REVENUE: No revenue impact**

**FISCAL: No fiscal impact**

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<b>Action:</b>	Do Pass as Amended and Be Printed Engrossed
<b>Vote:</b>	9 - 1 - 0
<b>Yeas:</b>	Barton, Cowan, Gilliam, Krieger, Matthews, Riley, Tomei, Weidner, Holvey
<b>Nays:</b>	Wingard
<b>Exc.:</b>	0
<b>Prepared By:</b>	Victoria Cox, Administrator
<b>Meeting Dates:</b>	5/18, 5/20, 5/27

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**WHAT THE MEASURE DOES:** Revises life settlement insurance regulations. Prohibits stranger-originated life insurance (STOLI) practice or plan. Defines parameters and reporting requirements for life settlement providers, brokers, producers and agents. Requires disclosures by life insurance providers at the time of certain actions by policy owners. Prohibits life settlement contracts for five years after issuance of life insurance policy with exceptions. Prohibits certain solicitations and adds regulations and restrictions on advertising of life settlement contracts and related products. Grants Department of Consumer and Business Services (DCBS) rulemaking authority. Makes violation of Life Settlement Contracts Act an unlawful trade practice. Prohibits person convicted of felony involving dishonesty or breach of trust from engaging in business of life settlements. Requires persons engaged in life settlement business to inform DCBS of suspected fraud.

**ISSUES DISCUSSED:**

- Necessity of legislation
- Increased inquiries to DCBS regarding life settlement plans
- Insurable interest
- Period of incontestability
- “Manufacture” of insurance policies as investments versus sales of existing policies
- Required disclosures regarding specific financial products may be unconstitutional
- DCBS must ensure that disclosure document does not create compelled speech issues

**EFFECT OF COMMITTEE AMENDMENT:** Clarifies disclosures regarding potential eligibility for public assistance. Replaces prohibition on related party transactions with requirement for relationship to be disclosed. Specifies additional disclosures to insured persons over 60 years of age or terminally or chronically ill and directs DCBS to approve a document containing disclosures. Clarifies that private right of action does not alter provisions related to period of incontestability. Extends rescission period from 30 to 60 days after contract is executed or from 15 to 30 days after life settlement proceeds are received, whichever is the lesser period.

**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 National Association of Insurance Commissioners (NAIC) and another developed by the National Conference of Insurance Legislators (NCOIL), were considered in the drafting of SB 973B.

6/4/2009 10:37:00 AM

*This summary has not been adopted or officially endorsed by action of the committee.*