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**NCOIL ENDORSES EXPANDED ANNUITY STANDARDS,
REOPENS LIFE SETTLEMENTS DEBATE**

Napa Valley, California, November 15, 2006 — The National Conference of Insurance Legislators (NCOIL) took strong action on critical annuities and life settlements insurance issues during the NCOIL Annual Meeting here, adopting a *Resolution in Support of Expanding Annuity Suitability Requirements* and forming a Subcommittee to reevaluate a long-standing NCOIL *Life Settlements Model Act*.

The annuities resolution, sponsored by NCOIL President Sen. Alan Sanborn (MI), resolves that NCOIL “encourage state insurance regulators to promulgate the National Association of Insurance Commissioners (NAIC) *Suitability in Annuity Transactions Model Regulation*.” According to the resolution, which the NCOIL Executive Committee adopted on November 11, the NAIC model “imposes requirements on producers and life insurers in order to protect individuals from unsuitable transactions and provides State Insurance Departments with the authority to take reasonable and appropriate corrective action when they identify unsuitable recommendations.”

The NAIC amended and renamed its *Senior Protection in Annuity Transactions Model Regulation* in 2006 to expand suitability standards to include individuals of all ages.

On November 10, the NCOIL Life Insurance & Financial Planning Committee held a spirited debate regarding the future of the NCOIL *Life Settlements Model Act*. Since the model’s adoption in 2000 and readoption in 2004, issues have developed regarding life settlement transactions in which an individual purchases a life insurance policy using borrowed money, with the intent to sell that policy to investors after the expiration of an initial two-year contestability period.

The Committee deferred its bylaws-required review of the NCOIL model and, instead, created a Subcommittee to examine the model and related issues. The Subcommittee may seek to amend

the NCOIL bill in its current form or to draft a new version. The group, chaired by North Dakota Rep. George Keiser, will report on its activity at the 2007 NCOIL Spring Meeting.

At the Napa session, North Dakota Insurance Commissioner Jim Poolman, chair of the NAIC Life Insurance and Annuities (A) Committee, described a recent lawsuit against Coventry First, one of the largest buyers of life settlements, in which the company is accused of cheating customers via bid-rigging and non-disclosed payments to settlement brokers. Commissioner Poolman also discussed amendments he has proposed to an NAIC *Viatical Settlements Model Act*, including one that would expand a policy's incontestability period from two (2) to five (5) years.

George Coleman, representing the American Council of Life Insurers (ACLI), voiced opposition to the emerging investor-initiated life insurance schemes and urged NCOIL to sunset its model act. He said that the NCOIL model does not adequately regulate the current marketplace.

Doug Head, representing both the Life Insurance Settlement Association (LISA) and the Life Settlement Institute (LSI), also opposed investor-initiated life insurance transactions. However, he cautioned that attempts to regulate the life settlements market must take into account an individual's property rights to a policy.

At the 2006 Summer Meeting, the Life Insurance & Financial Planning Committee had deferred review of the NCOIL life settlements model pending additional discussion.

The November 9 through 12 NCOIL Annual Meeting took place at the Marriott Napa Valley Hotel & Spa.

NCOIL is an organization of state legislators whose primary focus is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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