

February 7, 2008

Dear Colleague:

As President of the National Conference of Insurance Legislators (NCOIL), I am urging your support of the NCOIL *Life Settlements Model Act* as adopted in November 2007 at our Annual Meeting. The model was approved unanimously by legislators from across the country after nearly two years of interested party input and intense discussion and debate. This model, which achieved legislative and industry consent, addresses a very vital concern to your state—that of illegal Stranger-Originated Life Insurance schemes, or STOLIs.

As defined by the 2007 model, STOLI is a practice or plan to initiate a life insurance policy for the benefit of a third party investor who, at the time of policy origination, has no insurable interest in the insured. These transactions violate state insurable interest laws and negate the very tenet of life insurance, often leaving seniors and their beneficiaries vulnerable.

Whether STOLIs are broached by your state insurance department or insurance and other industry representatives, the issue—if it is not already—soon will be on your state's insurance committee agenda. I would encourage you to introduce the NCOIL proposal, as we believe that it is a strong model that protects the property rights of individual policyowners while addressing STOLI abuses.

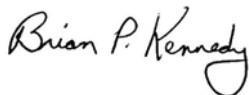
NCOIL believes the model act, as adopted at its 2007 Annual Meeting, will isolate and make illegal STOLI transactions through clear definitions, disclosures, and a strong penalties section. It includes a first-of-its-kind definition of STOLI, and requires certain disclosures to owners and insurers as well as provider reporting of settled policies as part of an annual statement, and disclosure of broker compensation information.

Adoption of the model followed over 35 hours of NCOIL debate at the Subcommittee and full Committee levels and testimony from interested parties, including representatives of the life insurance, life settlement, institutional market, and premium finance industries. The process was roundly applauded for providing a seat at the table for anyone interested in participating.

For your reference I have also attached a memo that provides a brief history of the NCOIL model act and highlights key differences between the NCOIL model and a National Association of Insurance Commissioners (NAIC) *Vitatical Settlements Model Act*.

Please do not hesitate to contact Mike Humphreys in the NCOIL Washington, DC Office at 202-220-3014 or at [mhumphreys@ncoil.org](mailto:mhumphreys@ncoil.org) should you have any questions.

Sincerely,



Rep. Brian Kennedy (RI)  
NCOIL President

*NCOIL is an organization of state legislators whose primary area of interest 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](http://www.ncoil.org).*