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NCOIL OPPOSES EXPANSION OF STATE INSURABLE INTEREST LAWS

Hilton Head, South Carolina, March 3, 2005 — After a lively debate among legislators and industry representatives, the Life Insurance Committee of the National Conference of Insurance Legislators' (NCOIL) voted unanimously to adopt the proposed *Resolution Opposing the Expansion of State Insurable Interest Laws to Permit Private Investors to Purchase Life Insurance on the Lives of Unrelated Individuals*.

The sponsor of the NCOIL resolution, Texas State Representative Larry Taylor said, "IOLI proposals are contrary to sound public policy and they erode the integrity of long-standing insurable interest principles designed to ensure that life insurance is used only by those with a relationship to the insured. State laws should not be modified to permit charities, which otherwise have a legitimate insurable interest in donors, to allow their interest to be used by investor groups primarily for private investment purposes. When third party entities are permitted to purchase life insurance insuring the lives of unrelated individuals, the life insurance becomes nothing more than a funding vehicle."

IOLI transactions are promoted as a way to provide "free" money to charities, where charities may end up with a small percentage of five to seven percent of the net death benefits. The majority of benefits are paid to the investors.

Representatives of the American Council of Life Insurers (ACLI) and the National Association of Insurance and Financial Advisors (NAIFA), in support of the resolution, said that charities that participated in IOLI transactions are not guaranteed the percentage of the net death benefit and may also be risking their federal tax-exempt status.

Representatives of LILAC Capital, a New York-based investment group, in opposition to the resolution, said that donors and benefactors have long-standing relationships with the charities and get to choose the charity that would benefit from the net death benefit. The representative of LILAC argued that the transactions would not compromise federal tax-exempt status of charities and indicated that where the practice was in place that it had not been an issue.

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The decision to oppose the expansion of states insurable interest laws follows the Committee's investigation of the matter over the past year.

NCOIL is a nonpartisan organization of state legislators whose main area of public policy concern 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.

A copy of the NCOIL *Resolution Opposing the Expansion of State Insurable Interest Laws to Permit Private Investors to Purchase Life Insurance on the Lives of Unrelated Individuals* is available on NCOIL's website at www.ncoil.org.

Those interested in more information may contact the NCOIL National Office at (518) 687-0178.

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