NCOIL
National Conference of Insurance Legislators
...for the states

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December 1, 2008

Honorable Sandy Praeger, Commissioner
Kansas Insurance Department
420 S. W. 9th Street
Topeka, Kansas 66612-1678

Dear President Praeger:

As NCOIL's officers, and as elected public policymakers who write the laws, we object to recent efforts to promote a so-called "new NAIC/NCOIL model" pertaining to life settlements and Stranger-Originated Life Insurance (STOLI). Neither organization has endorsed such model legislation, but the NAIC Midwest Zone and several state insurance regulators are advancing what they call a "new NAIC/NCOIL model", a "hybrid", or a "combination bill." We insist that NAIC, its members and others refrain from any suggestion that the NCOIL Model is compatible with the NAIC Model when NCOIL has not in any way endorsed the concept of a combined or hybrid model.

NCOIL opposed the NAIC Model because we found that the NAIC Model "falls short of our two core goals, which are preventing investors from manufacturing life insurance policies and ensuring that we do not impair, or interfere with consumers options to sell their life insurance policies after 2 years. We rejected the NAIC Model's five year ban on life settlements as anti-consumer and anti-property rights. We found that the NAIC Model contained onerous settlement provisions while adding little if any consumer protections, including doubling of the rescission period, increasing and also limiting the financial responsibility requirement for brokers and imposing an unprecedented requirement that providers and broker disclose their business plans to insurers.

NCOIL asked the NAIC, in a March 2007 resolution, to slow down its hurried process and to work with us on what could have truly been a "new NAIC/NCOIL model." After NAIC ignored our request and pressed ahead, NCOIL continued its work, which involved nearly 40 hours of public debate between legislators and interested parties, and included the active participation of several insurance regulators, NASAA, consumer advocates and the life insurance and life settlement industries. We identified the problem, targeted a meaningful solution which recognized that "STOLI occurs at the front-end of a life insurance sale," by including measures that aid in the detection, prevention and enforcement against STOLI prior to or at the inception of a policy.

Most states adopting new laws pertaining to life settlements and Stranger-Originated Life Insurance (STOLI) have rejected the NAIC Model and followed the NCOIL approach. NCOIL understands that state regulation requires individual legislatures to use models as a basis for achieving consensus by bringing parties together. As a result, we recognize that state legislatures have incorporated clarifying amendments which conforms the NCOIL Model's basic provisions to individual states' laws pertaining to property rights in life insurance and improving the

EXECUTIVE DIRECTOR: SUSAN F. NOLAN NATIONAL OFFICE: 385 JORDAN ROAD, TROY, NY 12180; TEL: 518-687-0178; FAX: 518-687-0401 WEBSITE: WWW.NCOIL.ORG
E-MAIL: INFO@NCOIL.ORG WASHINGTON OFFICE: 601 PENNSYLVANIA AVENUE, NW, SUITE 900, SOUTH BUILDING, WASHINGTON, DC 20004; TEL: 202-220-3014; FAX: 202-330-5004

effectiveness of these new laws. The new laws based on the NCOIL Model earned broad support from key stakeholders and achieved results that were endorsed by the interested parties.

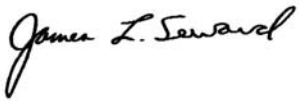
Misappropriating the respected NCOIL brand by promoting a combined, hybrid, or "new NAIC/NCOIL model" disrespects our considered process, confuses the issues, and undermines the diligent efforts of numerous state legislatures to date.

We reiterate NCOIL's willingness and interest in working with NAIC in the future on model legislation or other activities that respond to identified problems in the insurance marketplace.

We look forward to discussing this issue at the upcoming NAIC National Meeting. Please feel free to contact NCOIL staff at 202-220-3014 should you have any questions.

Thank you for your time and consideration on this matter.

Sincerely,



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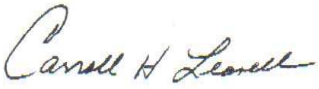

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