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The National Underwriter
43-45 Newark Street
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To the Editor:

Your article, "LISA Discusses Future of the Life Settlement Market," May 27, 2008, fuels a growing fallacy; that the Life Insurance Settlement Association (LISA) supports the model legislation addressing stranger-originated life insurance adopted by the National Conference of Insurance Legislators (NCOIL).

If LISA supports the model, why does LISA try, in almost every state, to substantially weaken NCOIL's definition of STOLI, which is the key to preventing this abuse of the life insurance product?

The NCOIL model defines STOLI as "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." LISA aims to amend this strong language with: "Stranger-originated life insurance is the procurement of new life insurance by persons or entities that lack insurable interest on the insured and, at policy inception, such person or entity owns or controls the policy or the majority of the death benefits in the policy and the insured or the insured's beneficiaries receive little or none of the proceeds of the death benefits of the policy."

Under the LISA definition of STOLI, the NCOIL model would only apply to circumstances where the STOLI investors own the majority of the death benefits at the instant the policy is issued. In fact, STOLI transactions do not occur in this manner. STOLI transactions are carefully choreographed schemes in which seniors obtain life insurance under a plan to transfer ownership of the death benefits to the hedge fund investors two years down the road.

If LISA wants to effectively address STOLI, it should abandon its efforts to weaken the NCOIL model.

Sincerely,

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