

PRESS RELEASE



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OHIO LEGISLATION PROTECTS SENIORS, HELPS PRESERVE INTEGRITY OF LIFE INSURANCE MARKET

Washington, D.C. (May 30, 2008) – The Ohio legislature has given final approval to a landmark bill that will help assure the integrity of the life insurance market and protect seniors from a growing abuse called stranger-originated life insurance (STOLI).

In a STOLI transaction, investors such as hedge funds finance a program that induces senior citizens to obtain insurance for the sole purpose of transferring the death benefits to the investors. The investors hope to profit when the seniors die, and the sooner they die, the higher the profit. Seniors caught up in these schemes can face unexpected taxes, loss of insurance capacity, loss of privacy, potential legal liability and may even render themselves ineligible to participate in government entitlement programs.

The legislation, H.B. 404, targets STOLI by reducing the economic incentive for abusive transactions and giving life insurance companies better tools to detect and deter STOLI deals before they occur.

“Ohio lawmakers have stepped to the forefront of the growing national effort to deter this ugly and twisted use of life insurance. Life insurance was never intended to be an investment tool for hedge funds. It is designed to protect families and businesses. This STOLI legislation will help set things right,” said Frank Keating, president and CEO of the American Council of Life Insurers (ACLI).

“Ohio legislators have taken great strides in underscoring the true value of life insurance and in protecting the interests of senior Ohioans. Life insurance products are designed to create security for the financial future of individuals and their families and those who truly depend on them for their well-being,” commented Jeffrey J. Taggart, CLU, ChFC, LUTCF, president of the National Association of Insurance and Financial Advisors (NAIFA). Insurance was never intended to be used as a vehicle for financial speculation on human life, and NAIFA supports the states taking strong action to try to prevent STOLI.”

“As advocates for top-producing life insurance agents and their clients throughout the United States, AALU was the first organization to come out against stranger-originated life insurance in early 2004, and has consistently pursued state legislative solutions that protect legitimate uses of life insurance and life settlements,” said David Stertzner, CEO of the Association for Advanced Life Underwriting (AALU). “AALU Best Practices Committee Chair Larry Rybka testified strongly in favor of the Ohio legislation because it is a great example of how to deal with abuse while protecting legitimate practices.”

H.B. 404 deters STOLI in two ways. First, for certain transactions that have the characteristics of STOLI, it prevents the hedge funds from getting their hands on the death benefits for five years after the insured dies. This limited moratorium helps reduce the economic incentive for STOLI without affecting the rights of good faith policy owners.

Second, H.B. 404 establishes a statutory definition of STOLI and classifies it as fraud. It also allows insurance companies to ask certain questions on policy applications that will help identify STOLI transactions.

ACLI, NAIFA and AALU thank all members of the Ohio legislature for their hard work over the course of several months in putting together this vital legislation. In particular, the groups thank Reps. Jay Hottinger (R-71st District), William Batchelder (R-69th District) and Joseph Koziura (D-56th District); and Sens. Steve Stivers (R-16th District) and Eric Kearney (D-9th District) for their leadership. The groups also appreciate the efforts of Ohio Insurance Director Mary Jo Hudson, who was an early and strong supporter of legislation to protect seniors from STOLI.

Ohio is now the twelfth state in the nation to enact legislation to address STOLI. Other states include North Dakota, Nebraska, Arizona, Oklahoma, Kansas, Maine, Indiana, Hawaii, Connecticut, West Virginia and Iowa.

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About AALU: Founded in 1957, the Association for Advanced Life Underwriting (AALU) is a professional trade association representing 2,000 life insurance agents and financial advisors nationwide. Most members are engaged in complex uses of life insurance such as in business continuation planning, estate planning, charitable planning, retirement planning, deferred compensation and employee benefit planning. The mission of AALU is to promote, preserve and protect advanced life insurance planning for the benefit of its members, their clients, the industry and the general public. AALU's website can be accessed at www.aalu.org.

About ACLI: The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association whose 353 member companies account for 93 percent of the life insurance industry's total assets in the United States, 93 percent of life insurance premiums and 94 percent of annuity considerations. In addition to life insurance and annuities, ACLI member companies offer pensions, including 401(k)s, long-term care insurance, disability income insurance and other retirement and financial protection products, as well as reinsurance. ACLI's public Web site can be accessed at www.acli.com.

About NAIFA: Founded in 1890 as the National Association of Life Underwriters, the National Association of Insurance and Financial Advisors comprises nearly 800 state and local associations representing the business interests of 60,000 members nationwide. Members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. Visit NAIFA's website at www.naifa.org