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## Oklahoma Legislature Approves Bill to Restrict Stranger- Originated Life Insurance (STOLI)

WASHINGTON, D.C. (May 8, 2008)—The Oklahoma Senate today gave final approval to legislation today that will help protect senior citizens from a growing financial abuse and preserve the integrity and social purpose of life insurance.

By a unanimous vote, the Senate approved a measure that also was passed unanimously in the state House in April that aims to deter a practice called stranger-originated life insurance (STOLI). In STOLI transactions, investors such as hedge funds induce senior citizens to purchase life insurance they otherwise would not buy for the sole purpose of selling the death benefits to the investors. The investors hope to profit when the seniors die and the sooner they die, the higher the profit.

In supporting measure, Senate Bill 1980, the American Council of Life Insurance (ACLI) and the National Association of Insurance and Financial Advisors (NAIFA) made clear that life insurance is designed for financial protection of families and businesses, not as a means for hedge fund profiteering.

These schemes can burden seniors with unexpected taxes, potential legal liability, loss of privacy and inability to purchase life insurance in the future for legitimate reasons. SB 1980 is based on model legislation drafted by the National Conference of Insurance Legislators, the association of state legislators with insurance oversight responsibilities. The legislation establishes a legal definition of STOLI and classifies STOLI as a fraudulent act. SB 1980 will not prevent consumers who purchased life insurance for legitimate purposes from selling their policies in the secondary market.

"This was a difficult battle, and I commend the legislature for acting on behalf of Oklahoma seniors. The hedge funds that profit from STOLI schemes pulled out all the stops in their efforts to

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**NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS**

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undermine this vital senior protection measure. Even though the hedge funds publicly claimed to support the model law on which SB 1980 was based, they worked behind the scenes to amend the legislation in a way that would render it meaningless. As Oklahoma's former governor, I was confident that the legislature would see through this ruse. With this vote, Oklahoma seniors can rest a bit easier," said Frank Keating, president and CEO of the American Council of Life Insurers (ACLI).

"It's encouraging to see an increasing number of states taking action to stop STOLI abuses," stated NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "Life insurance is meant to be a source of protection and security in the event of the unthinkable; it was never meant to be a vehicle for investors to speculate on human lives. NAIFA Oklahoma members responded in force to our grass roots efforts on this bill, and we are pleased to see Oklahoma lawmakers take meaningful steps to protect Oklahoma's senior citizens and underscore the true value of life insurance."

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**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](http://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](http://www.naifa.org).