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CONTACT: Lee Allen, Vice President, Communications and Marketing  
(703) 770-8112 (office); (703) 336-2462 (mobile)  
[leeallen@naifa.org](mailto:leeallen@naifa.org)

## NAIFA Applauds Indiana on STOLI Legislation

FALLS CHURCH, VA — March 18, 2008 — The National Association of Insurance and Financial Advisors (NAIFA) applauds the Indiana legislature for its work on unanimously adopting the Conference Committee's Report to make Stranger-Originated Life Insurance (STOLI) a prohibited act in Indiana.

Stranger-Originated Life Insurance consists of transactions where an investor entices a senior citizen to take out a policy and then transfer most of the policy benefits to the investor, who profits when the senior citizen dies. The sooner the policyholder dies, the greater the investor's profit. Seniors purchase these policies in their own names but agree to arrangements where the investors, after a period of time (usually the expiration of a two-year contestability period), get beneficial ownership of the policies. The seniors receive some financial inducement for this, such as an up-front payment, a portion of the profit when the policy is sold, or a small continuing interest in the policy death benefit.

The Indiana bill, HB 1379, makes STOLI a prohibited act in Indiana, and makes it an "unfair trade practice" in the business of insurance. The amendment adopted in the Conference Committee Report prohibits insurers from contesting a policy after two years because they believe the policy was issued as a STOLI. However, insurers may contest a policy after two years for a lack of insurable interest at the time of issue. The bill now heads to the Governor for his signature and it shall become law for the state of Indiana. At least 25 state legislatures are currently considering legislation that would restrict or prohibit STOLI transactions.

"It's wonderful that we are starting to see some action on STOLI," commented NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "First West Virginia, and now Indiana. Our state associations are to be commended for their diligent work on an issue that goes against everything life insurance is all about — protecting the consumer," Taggart explained.

"The passage of this legislation was a team effort," said Kim B. Stoneking, CAE, Executive Director of NAIFA-Indiana. "Key legislators and lobbyists representing life insurers and NAIFA were keenly involved, and we had very good grassroots support from individual producers through NAIFA-Indiana. Overall, the industry is pleased with the progress made during this short legislative session."

Visit the "Combating STOLI" section on NAIFA's website at [www.naifa.org/stoli](http://www.naifa.org/stoli) for more in-depth information on this issue.

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**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).

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**NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS**

2901 Telestar Court • P.O. Box 12012 • Falls Church, VA 22042-1205 • 703/770-8100 • [www.naifa.org](http://www.naifa.org)