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

## NAIFA Applauds New West Virginia Law to Protect Seniors

FALLS CHURCH, VA — March 18, 2008 — The National Association of Insurance and Financial Advisors (NAIFA) applauds landmark legislation signed in West Virginia that protects senior citizens from an abusive practice called Stranger-Originated Life Insurance or STOLI.

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.

"We are glad to see some states taking forceful action on STOLI," commented NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "STOLI transactions violate the essential social purpose of life insurance, which is protection, and NAIFA strongly opposes them. Life insurance was not intended to be used as a vehicle for financial speculation on human life," Taggart explained.

Added John E. Pauley, CLU, ChFC, Executive Director, NAIFA-WV, "NAIFA-West Virginia extends our sincere appreciation to Insurance Commissioner Jane Cline, and gratitude to Senator Joe Minard and Delegate Steven Kominar for their support of new STOLI legislation. This law protects our senior citizens and preserves the integrity of life insurance products that are designed for the legitimate purpose of protecting individuals and businesses in West Virginia."

West Virginia is the first state to enact legislation that combines the best features of model laws developed by the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL). The West Virginia law — SB704 — establishes a five-year moratorium on the settlement of STOLI policies, puts in place a legal definition of STOLI, and identifies STOLI as a fraudulent act. At least 25 other state legislatures are currently considering legislation that would restrict or prohibit STOLI transactions.

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)