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NAIFA Commends Nebraska for Enacting Law to Protect Seniors

FALLS CHURCH, VA — April 22, 2008 — The National Association of Insurance and Financial Advisors (NAIFA) is pleased to congratulate lawmakers in Nebraska for enacting important legislation that will protect senior citizens from an abusive use of life insurance known as Stranger-Originated Life Insurance, or STOLI. The bill was signed into law by Governor Dave Heineman on April 17, 2008.

In STOLI transactions, investors or their representatives persuade senior citizens to take out life-insurance policies for the sole purpose of transferring the rights to the death benefits to the investors, who profit when the senior citizens die. 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 legal or 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.

"It's very encouraging to see a number of states as of late taking such strong action to stop STOLI abuses," stated NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "Life insurance is meant to be a means of protection and financial security in the event of the unthinkable. STOLI practices are contrary to this essential function, serving as a vehicle to speculate on human life," he continued.

Nebraska's LB 853 is modeled after legislation developed by the National Association of Insurance Commissioners (NAIC). Among its key components, the bill imposes a limited five-year moratorium on the settlement of all STOLI policies. This waiting-period applies only to the settlement of policies utilized in STOLI transactions, and is not meant to curtail the settlement of policy initiated for legitimate, good-faith reasons.

"We were really able to mobilize our political involvement structure on LB 853," noted NAIFA Trustee Terry Headley, LUTCF, LIC, FSS, "and NAIFA Nebraska members responded in force each time we activated our grass roots system. Nebraska Director of Insurance Ann Frohman should be praised for her strong support for this bill, and NAIFA Nebraska Executive Vice President David McBride worked day in and day out to see the bill through to passage."

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

-30-

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.

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

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