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NAIFA Calls Kansas STOLI Legislation an Important Step in the Right Direction

FALLS CHURCH, VA — April 29, 2008 — The National Association of Insurance and Financial Advisors (NAIFA) commended Kansas lawmakers for passing a law designed to protect seniors and preserve the integrity of life insurance by addressing abusive transactions known as Stranger-Originated Life Insurance (STOLI). The bill, HB 2110, was signed into law by Governor Kathleen Sebelius on April 21, 2008.

Stranger-Originated Life Insurance transactions occur when an investor entices a senior citizen to take out a life insurance 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 the policy in their own name 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 policy. 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 Kansas bill is modeled after sample legislation developed by the National Conference of Insurance Legislators, the association representing state lawmakers who specialize in insurance issues. Among other important provisions, the legislation sets forth a definition of STOLI, makes transacting STOLI a fraudulent act, and includes data gathering and reporting requirements designed to help identify when STOLI has occurred. NAIFA worked closely with the American Council of Life Insurers to promote the adoption of this legislation.

"We're pleased to see Kansas join the increasing number of states that are starting to take action on this critical issue to better protect consumers from these abusive STOLI transactions" said NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "Several states, including West Virginia, Indiana, Iowa, Maine and Nebraska, have recently passed legislation aimed at preventing STOLI abuses, and Kansas Insurance Commissioner Sandy Praeger played a key role in having Kansas join this group," Taggart stated.

"NAIFA Kansas is happy to have been a strong force behind the passage of this bill," said Sandy Braden, Executive Director of NAIFA-Kansas. "Our members worked closely with their legislators to ensure that they understood the importance of passing this law. It's a real testament to the impact that NAIFA Kansas' ground troops can have on a grassroots effort of this type."

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

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

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