

PRESS RELEASE



Contact:

ACLI Jack Dolan (202) 624-2418 jackdolan@aclj.com
NAIFA Lee Allen (703) 770-8112 leeallen@naifa.org
LICONY Diane Stuto (518) 436-8417 dstuto@licony.org

NEW YORK LEGISLATURE APPROVES STRONG BILL TO PROTECT SENIORS, DETER STOLI

Washington, D.C. (Nov. 18, 2009)—Senior citizens in New York will have important new protections against a financial fraud called stranger-originated life insurance (STOLI) thanks to legislation approved yesterday by the state legislature, the American Council of Life Insurers (ACLI), the National Association of Insurance and Financial Advisors (NAIFA) and Life Insurance Council of New York (LICONY) said.

“This legislation (S. 66009/A.66009) places New York among a growing number of states battling against STOLI and those who would abuse senior citizens. The legislation specifically outlaws STOLI and it gives the New York Insurance Department new tools to identify and deter fraudulent transactions. It also gives seniors considering a life insurance settlement new rights to assure they get a fair deal. We are happy to endorse this legislation,” said Frank Keating, president and CEO of ACLI.

“NAIFA is pleased to see New York join the many states that are taking action to protect consumers from abusive STOLI transactions,” said NAIFA President Thomas D. Currey, CLU, ChFC, LUTCF. “New York legislators have taken action to protect the integrity of the life insurance marketplace in a way that will curb STOLI abuses while maintaining the availability of life insurance products that will secure the financial future of New York’s citizens.”

“We particularly want to thank Superintendent Jim Wrynn and the New York State Insurance Department for their leadership role on this initiative, as well as the sponsors of the legislation, Sen. Neil D. Breslin (D) and Assemblyman Joseph D. Morelle (D). We encourage Governor Paterson to sign the legislation as soon as possible,” said LICONY President and CEO Thomas E. Workman.

In STOLI transactions, financial speculators or their representatives induce senior citizens to purchase life insurance, policies the seniors otherwise would not buy, solely to transfer the death benefits to the speculators. The speculators pay the premiums and then hope to profit by receiving the death benefits when the seniors die.

This contrasts with a life insurance settlement, where a policy that was purchased in good faith but is no longer needed or wanted by the policy owner is sold to a third party.

Seniors who participate in STOLI transactions may be asked by the speculators to commit fraud by lying on policy applications. Moreover, seniors may have to pay unexpected taxes on any money received from the speculators for participating in the scheme. STOLI schemes violate New

York's insurable interest statute, which bars the purchase of life insurance as a means to wager on human life.

The New York legislation also requires life settlement providers to become licensed and registered with the insurance department. In addition, life settlement providers must disclose to policy owners considering a settlement all information necessary to allow them to determine whether the transaction is in their best interest.

"New York is the 27th state to enact legislation deterring STOLI. LICONY looks forward to working with the New York department as it implements this important senior protection," Workman said.

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The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association whose 340 member companies account for 93 percent of the life insurance industry's total assets in the United States, 94 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.

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.

The Life Insurance Council of New York, Inc. (LICONY) is the state trade association representing 63 life insurance companies and 14 allied professional firms doing business in New York. The LICONY member companies provide the vast majority of annuity and life, disability income and long-term care insurance benefits to New Yorkers. Visit LICONY's website at www.licony.org.