



PRESS RELEASE



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Connecticut Legislature Takes an Important Step to Curb STOLI Abuses

FALLS CHURCH, VA (May 14, 2008) — The National Association of Insurance and Financial Advisors (NAIFA) commends Connecticut State legislators for passing a law that will help deter abusive and unscrupulous Stranger-Originated Life Insurance (STOLI) transactions and protect seniors from falling victim to these abusive practices. The bill—H.B. 5512—was passed by the legislature on May 8, and now awaits the signature of Connecticut Governor M. Jodi Rell (R).

Stranger-Originated Life Insurance transactions occur when investors or their representatives entice senior citizens to take out life insurance policies— which they otherwise would not purchase—and then convince these seniors to transfer most of the policy benefits to the investors, who profit when the seniors 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 (typically the expiration of a two-year contestability period), get beneficial ownership of the policies. The seniors receive some form of financial inducement for this, whether it is an up-front payment, a portion of the profit when the policy is sold, or a small continuing interest in the policy death benefit.

H.B. 5512 is modeled after legislation developed by the National Conference of Insurance Legislators, an association consisting of state lawmakers responsible for the oversight of insurance issues. Among its 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 transactions have occurred.

"It's great to see Connecticut being added to the growing list of states passing legislation to protect senior investors from STOLI abuses," commented NAIFA President Jeffrey J. Taggart, CLU, ChFC, LUTCF. "Insurance is not, and never was intended to be a means of wagering on human life, and STOLI transactions do just that. It is essential that states continue to pass laws like this to protect the integrity of the insurance industry and its agents."

"NAIFA-Connecticut worked closely with the legislature to ensure that lawmakers understood the importance of passing legislation addressing STOLI", said NAIFA-Connecticut National Committeeman Jerry S. Flowers, LUTCF, CLTC. "We testified at several committee hearings in support of the STOLI legislation, and our members responded in force each time we activated our grass roots network on this issue", Flowers added.

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

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

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