



SPONSOR: Sen. Blevins & Rep. B. Short

DELAWARE STATE SENATE
146th GENERAL ASSEMBLY

SENATE BILL NO. 145

AN ACT TO AMEND CHAPTER 75 OF TITLE 18 OF THE DELAWARE CODE RELATING TO VIATICAL AND LIFE SETTLEMENTS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE (Three-fifths of all members elected to each house thereof concurring therein):

1 Section 1. Amend Title 18 of the Delaware Code by deleting the existing Chapter 75 in its entirety and
2 substituting a new "Chapter 75" in lieu thereof as follows:

3 "Chapter 75. Delaware Life Settlements Act.

4 §7501. Short title.

5 This chapter may be cited as the 'Delaware Life Settlements Act.'

6 §7502. Definitions.

7 (1) 'Advertisement' means any written, electronic or printed communication or any communication by means of
8 recorded telephone messages or transmitted on radio, television, the Internet or similar communications media, including
9 film strips, motion pictures and videos, published, disseminated, circulated or placed before an Owner directly or indirectly,
10 for the purpose of creating an interest in or inducing an Owner to purchase or sell, assign, devise, bequest or transfer the
11 death benefit or ownership of a life insurance policy or an interest in a life insurance policy pursuant to a Life Settlement
12 Contract.

13 (2) 'Broker' means a Person who, on behalf of an Owner and for a fee, commission or other valuable
14 consideration, offers or attempts to negotiate Life Settlement Contracts between an Owner and Providers. A Broker
15 represents only the Owner and owes a fiduciary duty to the Owner to act according to the Owner's instructions, and in the
16 best interest of the Owner, notwithstanding the manner in which the Broker is compensated. A Broker does not include an
17 attorney, certified public accountant or financial planner retained in the type of practice customarily performed in their
18 professional capacity to represent the Owner whose compensation is not paid directly or indirectly by the Provider or any
19 other person, except the Owner.

20 (3) 'Business of life settlements' means an activity involved in, but not limited to, offering to enter into, soliciting,
21 negotiating, procuring, effectuating, monitoring, or tracking, of Life Settlement Contracts.

22 (4) 'Chronically ill' means:

23 a. being unable to perform at least two (2) activities of daily living (i.e., eating, toileting, transferring,
24 bathing, dressing or continence);

25 b. requiring substantial supervision to protect the individual from threats to health and safety due to
26 severe cognitive impairment; or

27 c. having a level of disability similar to that described in paragraph a. above as determined by the United
28 States Secretary of Health and Human Services.

29 (5) 'Commissioner' means the Insurance Commissioner of this State.

30 (6) 'Financing Entity' means an underwriter, placement agent, lender, purchaser of securities, purchaser of a
31 policy or certificate from a Provider, credit enhancer, or any entity that has a direct ownership in a policy or certificate that
32 is the subject of a Life Settlement Contract, but:

33 a. whose principal activity related to the transaction is providing funds to effect the Life Settlement
34 Contract or purchase of one or more policies; and

35 b. who has an agreement in writing with one or more Providers to finance the acquisition of Life
36 Settlement Contracts. The term 'Financing Entity' does not include a non-accredited investor or Purchaser.

37 (7) 'Financing Transaction' means a transaction in which a licensed Provider obtains financing from a Financing
38 Entity including, without limitation, any secured or unsecured financing, any securitization transaction, or any securities
39 offering which either is registered or exempt from registration under federal and state securities law.

40 (8) 'Fraudulent Life Settlement Act' includes:

41 a. Acts or omissions committed by any person who, knowingly and with intent to defraud, for the
42 purpose of depriving another of property or for pecuniary gain, commits, or permits its employees or its agents to
43 engage in acts including, but not limited to:

44 1. Presenting, causing to be presented or preparing with knowledge and belief that it will be
45 presented to or by a Provider, Premium Finance lender, Broker, insurer, insurance producer or any other
46 person, false material information, or concealing material information, as part of, in support of, or
47 concerning a fact material to one or more of the following:

48 i. An application for the issuance of a Life Settlement Contract or insurance policy;

49 ii. The underwriting of a Life Settlement Contract or insurance policy;

50 iii. A claim for payment or benefit pursuant to a Life Settlement Contract or insurance
51 policy;

52 iv. Premiums paid on an insurance policy;

53 v. Payments and changes in ownership or beneficiary made in accordance with the
54 terms of a Life Settlement Contract or insurance policy;

vi. The reinstatement or conversion of an insurance policy;

vii. In the solicitation, offer to enter into, or effectuation of a Life Settlement Contract, or insurance policy;

viii. The issuance of written evidence of Life Settlement Contracts or insurance;

ix. Any application for or the existence of or any payments related to a loan secured directly or indirectly by any interest in a life insurance policy; or

x. Stranger-Originated Life Insurance.

2. Employing any device, scheme, or artifice to defraud in the business of life settlements.

b. In the furtherance of a fraud or to prevent the detection of a fraud any person commits or permits its employees or its agents to;

1. Remove, conceal, alter, destroy or sequester from the Commissioner the assets or records of a licensee or other person engaged in the business of life settlements;

2. Misrepresent or conceal the financial condition of a licensee, financing entity, insurer or other person;

3. Transact the business of life settlements in violation of laws requiring a license, certificate of authority or other legal authority for the transaction of the business of life settlements;

4. File with the Commissioner or the chief insurance regulatory official of another jurisdiction a document containing false information or otherwise concealing information about a material fact from the Commissioner;

5. Engage in embezzlement, theft, misappropriation or conversion of monies, funds, premiums, credits or other property of a Provider, insurer, insured, owner, insurance, policy owner or any other person engaged in the business of life settlements or insurance;

6. Knowingly and with intent to defraud, enter into, broker, or otherwise deal in a Life Settlement Contract, the subject of which is a life insurance policy that was obtained by presenting false information concerning any fact material to the policy or by concealing, for the purpose of misleading another, information concerning any fact material to the policy, where the owner or the owner's agent intended to defraud the policy's issuer;

7. Attempt to commit, assist, aid or abet in the commission of, or conspiracy to commit the acts or omissions specified in this subsection; or

8. Misrepresent the state of residence of an owner to be a state or jurisdiction that does not have a law substantially similar to this Chapter for the purpose of evading or avoiding the provisions of this Chapter.

(9) 'Insured' means the person covered under the policy being considered for sale in a Life Settlement Contract.

(10) 'Life expectancy' means the arithmetic mean of the number of months the Insured under the life insurance policy to be settled can be expected to live considering medical records and appropriate experiential data.

(11) 'Life insurance producer' means any resident or nonresident person licensed in this state as an insurance producer who has received qualification or authority for life insurance coverage or a life line of coverage pursuant to Chapter 17 of this Title.

(12) 'Life Settlement Contract' means a written agreement entered into between a Provider and an Owner, establishing the terms under which compensation or anything of value will be paid, which compensation or thing of value is less than the expected death benefit of the insurance policy or certificate, in return for the owner's assignment, transfer, sale, devise or bequest of the death benefit or any portion of an insurance policy or certificate of insurance for compensation, provided, however, that the minimum value for a Life Settlement Contract shall be greater than a cash surrender value or accelerated death benefit available at the time of an application for a Life Settlement Contract. "Life Settlement Contract" also includes the transfer for compensation or value of ownership or beneficial interest in a trust or other entity that owns such policy if the trust or other entity was formed or availed of for the principal purpose of acquiring one or more life insurance contracts, which life insurance contract insures the life of a person residing in this State.

a. A 'Life Settlement Contract' also includes a premium finance loan made for a policy on or before the date of issuance of the policy where:

1. The loan proceeds are not used solely to pay premiums for the policy and any costs or expenses incurred by the lender or the borrower in connection with the financing; or

2. The Owner receives on the date of the premium finance loan a guarantee of the future life settlement value of the policy; or

3. The Owner agrees on the date of the premium finance loan to sell the policy or any portion of its death benefit on any date following the issuance of the policy.

b. A 'Life Settlement Contract' does not include:

1. A policy loan by a life insurance company pursuant to the terms of the life insurance policy or accelerated death provisions contained in the life insurance policy, whether issued with the original policy or as a rider;

2. A premium finance loan, as defined herein, or any loan made by a bank or other licensed financial institution, provided that neither default on such loan nor the transfer of the policy in connection with such default is pursuant to an agreement or understanding with any other person for the purpose of evading regulation under this Act;

3. A collateral assignment of a life insurance policy by an owner;

119 4. A loan made by a lender that does not violate any provision of Chapter 48 of this Title
120 relating to insurance premium financing, provided such loan is not described in Paragraph a. above, and is
121 not otherwise within the definition of Life Settlement Contract;

122 5. An agreement where all the parties are closely related to the insured by blood or law or have
123 a lawful substantial economic interest in the continued life, health and bodily safety of the person insured,
124 or are trusts established primarily for the benefit of such parties;

125 6. Any designation, consent or agreement by an insured who is an employee of an employer in
126 connection with the purchase by the employer, or trust established by the employer, of life insurance on
127 the life of the employee;

128 7. A bona fide business succession planning arrangement:

129 i. Between one or more shareholders in a corporation or between a corporation and one
130 or more of its shareholders or one or more trust established by its shareholders;

131 ii. Between one or more partners in a partnership or between a partnership and one or
132 more of its partners or one or more trust established by its partners; or

133 iii. Between one or more members in a limited liability company or between a limited
134 liability company and one or more of its members or one or more trust established by its
135 members;

136 8. An agreement entered into by a service recipient, or a trust established by the service
137 recipient, and a service provider, or a trust established by the service provider, who performs significant
138 services for the service recipient's trade or business; or

139 9. Any other contract, transaction or arrangement from the definition of Life Settlement
140 Contract that the Commissioner determines is not of the type intended to be regulated by this Act.

141 (13) 'Net death benefit' means the amount of the life insurance policy or certificate to be settled less any
142 outstanding debts or liens.

143 (14). 'Owner' means the owner of a life insurance policy or a certificate holder under a group policy, with or
144 without a terminal illness, who enters or seeks to enter into a Life Settlement Contract. For the purposes of this article, an
145 Owner shall not be limited to an Owner of a life insurance policy or a certificate holder under a group policy that insures
146 the life of an individual with a terminal or chronic illness or condition except where specifically addressed. The term
147 'Owner' does not include:

148 a. any Provider or other licensee under this Act;

149 b. a qualified institutional buyer as defined in Rule 144A of the federal Securities Act of 1933, as
150 amended;

- c. a financing entity;
- d. a special purpose entity; or
- e. a related provider trust.

(15) 'Patient identifying information' means an insured's address, telephone number, facsimile number, electronic mail address, photograph or likeness, employer, employment status, social security number, or any other information that is likely to lead to the identification of the insured.

(16) 'Policy' means an individual or group policy, group certificate, contract or arrangement of life insurance owned by a resident of this state, regardless of whether delivered or issued for delivery in this state.

(17) 'Premium Finance Loan' is a loan made primarily for the purposes of making premium payments on a life insurance policy, which loan is secured by an interest in such life insurance policy.

(18) 'Person' means any natural person or legal entity, including but not limited to, a partnership, Limited Liability Company, association, trust or corporation.

(19) 'Provider' means a Person, other than an Owner, who enters into or effectuates a Life Settlement Contract with an Owner. A 'Provider' does not include:

- a. any bank, savings bank, savings and loan association, credit union;
- b. a licensed lending institution or creditor or secured party pursuant to a Premium Finance Loan agreement which takes an assignment of a life insurance policy or certificate issued pursuant to a group life insurance policy as collateral for a loan;
- c. the insurer of a life insurance policy or rider to the extent of providing accelerated death benefits or cash surrender value;
- d. any natural Person who enters into or effectuates no more than one agreement in a calendar year for the transfer of a life insurance policy or certificate issued pursuant to a group life insurance policy, for compensation or anything of value less than the expected death benefit payable under the policy;
- e. a Purchaser;
- f. any authorized or eligible insurer that provides stop loss coverage to a provider; purchaser, financing entity, special purpose entity, or related provider trust;
- g. a Financing Entity;
- h. a Special Purpose Entity;
- i. a Related Provider Trust;
- j. a Broker; or

k. an accredited investor or qualified institutional buyer as defined in respectively in regulation D, rule 501 or rule 144A of the federal securities act of 1933, as amended, who purchases a life settlement policy from a Provider.

(20) 'Purchased Policy' means a policy or group certificate that has been acquired by a Provider pursuant to a Life Settlement Contract.

(21) 'Purchaser' means a Person who pays compensation or anything of value as consideration for a beneficial interest in a trust which is vested with, or for the assignment, transfer or sale of, an ownership or other interest in a life insurance policy or a certificate issued pursuant to a group life insurance policy which has been the subject of a Life Settlement Contract.

(22) 'Related Provider Trust' means a titling trust or other trust established by a licensed Provider or a Financing Entity for the sole purpose of holding the ownership or beneficial interest in purchased policies in connection with a Financing Transaction. In order to qualify as a Related Provider Trust, the trust must have a written agreement with the licensed Provider under which the licensed Provider is responsible for ensuring compliance with all statutory and regulatory requirements and under which the trust agrees to make all records and files relating to life settlement transactions available to the Department of Insurance as if those records and files were maintained directly by the licensed Provider.

(23) 'Settled policy' means a life insurance policy or certificate that has been acquired by a Provider pursuant to a Life Settlement Contract.

(24) 'Special Purpose Entity' means a corporation, partnership, trust, limited liability company, or other legal entity formed solely to provide, either directly or indirectly, access to institutional capital markets:

a. for a financing entity or provider; or

b. in connection with a transaction in which the securities in the special purpose entity are acquired by the owner or by a "qualified institutional buyer" as defined in Rule 144 promulgated under The Securities Act of 1933, as amended; or

c. the securities pay a fixed rate of return commensurate with established asset-backed institutional capital markets.

(25) 'Stranger-Originated Life Insurance' or 'STOLI' is an act, practice, or arrangement to initiate the issuance of a life insurance policy in this State for the benefit of a third-party investor who, at the time of policy origination, has no insurable interest, under the laws of this State, in the life of the insured. STOLI practices include, but are not limited to, cases in which life insurance is purchased with resources or guarantees from or through a person or entity, that, at the time of policy inception, could not lawfully initiate the policy himself, herself, or itself, and where, at the time of inception, there is an arrangement or agreement, to directly or indirectly transfer the ownership of the policy or the policy benefits to a third party. Trusts that are created to give the appearance of insurable interest and that are used to initiate policies for investors

violate insurable interest laws and the prohibition against wagering on life. STOLI arrangements do not include lawful life settlement contracts as permitted by this Chapter.

(26) 'Terminally Ill' means having an illness or sickness that can reasonably be expected to result in death in twenty-four (24) months or less.

§7503. Licensing Requirements.

(a) No person, wherever located, shall act as a Provider or, except as provided for in subsections (c) and (d) of this section, Broker with an Owner (or multiple Owners) who is a resident of this State, without first having obtained a license from the Commissioner. If there is more than one owner on a single policy and the owners are residents of different states, the Life Settlement Contract shall be governed by the law of the state in which the owner having the largest percentage ownership resides or, if the owners hold equal ownership, the state of residence of one owner agreed upon in writing by all owners.

(b) Application for a Provider, or Broker, license shall be made to the Commissioner by the applicant on a form prescribed by the Commissioner, and the application shall be accompanied by a fee in an amount established by the Commissioner; provided, however, that the license and renewal fees for a Provider license shall be reasonable and that the license and renewal fees for a Broker license shall not exceed those established for an insurance producer, as such fees are otherwise provided for in this chapter.

(c) A life insurance producer who has been duly licensed in this State as a resident or non-resident insurance producer with a life line of authority shall be permitted to operate as a Broker.

(d) Not later than thirty (30) days from the first day of operating as a Broker, the life insurance producer shall notify the Commissioner that he or she is acting as a Broker on a form prescribed by the Commissioner, and shall pay any applicable fee to be determined by the Commissioner. Notification shall include an acknowledgement by the life insurance producer that he or she will operate as a Broker in accordance with this Act.

(e) The insurer that issued the policy that is the subject of a Life Settlement Contract shall not be responsible for any act or omission of a Broker or Provider or Purchaser arising out of or in connection with the life settlement transaction, unless the insurer receives compensation for the placement of a Life Settlement Contract from the Provider or Purchaser or Broker in connection with the Life Settlement Contract.

(f) A person licensed as an attorney, certified public accountant or financial planner accredited by a nationally recognized accreditation agency, who is retained to represent the Owner, whose compensation is not paid directly or indirectly by the Provider or Purchaser, may negotiate Life Settlement Contracts on behalf of the Owner without having to obtain a license as a Broker.

(g) Licenses issued pursuant to this Chapter shall remain in effect unless revoked or suspended as long as any applicable licensing fee is paid and education requirements for resident individual producers are met by the due date. Failure to pay the fee within the terms prescribed shall result in the automatic revocation of said license.

(h) An applicant for licensure shall provide such information as the Commissioner may require on forms prepared by the Commissioner. The Commissioner shall have authority, at any time, to require such applicant to fully disclose the identity of its stockholders (except stockholders owning fewer than ten percent of the shares of an applicant whose shares are publicly traded), partners, officers and employees, and the Commissioner may, in the exercise of the Commissioner's sole discretion, refuse to issue such a license in the name of any Person if not satisfied that any officer, employee, stockholder or partner thereof who may materially influence the applicant's conduct meets the standards of this Chapter.

(i). A license issued to a partnership, corporation or other entity authorizes all members, officers and designated employees thereof to act as a licensee under the license, provided such persons are named in the application and any supplements to the application.

(j) Upon the filing of an application and the payment of the license fee, the Commissioner shall make an investigation of each applicant and may issue a license if the Commissioner finds that the applicant:

1. if a Provider, has provided a detailed plan of operation;
2. is competent and trustworthy and intends to transact its business in good faith;
3. has a good business reputation and has had experience, training or education so as to be qualified in the business for which the license is applied;
4. if the applicant is a legal entity, is formed or organized pursuant to the laws of this state or is a foreign legal entity authorized to transact business in this state, or provides a certificate of good standing from the state of its domicile; and
5. has provided to the Commissioner an anti-fraud plan that meets the requirements of this Chapter and includes:
 - i. a description of the procedures for detecting and investigating possible fraudulent acts and procedures for resolving material inconsistencies between medical records and insurance applications;
 - ii. a description of the procedures for reporting fraudulent insurance acts to the Commissioner;
 - iii. a description of the plan for anti-fraud education and training of its underwriters and other personnel; and
 - iv. a written description or chart outlining the arrangement of the anti-fraud personnel who are responsible for the investigation and reporting of possible fraudulent insurance acts and investigating unresolved material inconsistencies between medical records and insurance applications.

(k) The Commissioner shall not issue any license to any nonresident applicant, unless a written designation of an agent for service of process is filed and maintained with the Commissioner or unless the applicant has filed with the Commissioner the applicant's written irrevocable consent that any action against the applicant may be commenced against the applicant by service of process on the Commissioner.

(l) A Provider may not use any Person to perform the functions of a Broker as defined in this Act unless the Person holds a current, valid license as a Broker, and as provided in this Section.

(m) A Broker may not use any Person to perform the functions of a Provider as defined in this Act unless such Person holds a current, valid license as a Provider, and as provided in this Section.

(n) A Provider, or Broker shall provide to the Commissioner new or revised information about officers, ten percent or more stockholders, partners, directors, members or designated employees within thirty days of the change.

(o) An individual licensed as a Broker shall complete on a biennial basis fifteen (15) hours of training related to life settlements and life settlement transactions, as required by the Commissioner; provided, however, that a life insurance producer who is operating as a Broker pursuant to this Section shall not be subject to the requirements of this subsection. Any person failing to meet the requirements of this subsection shall be subject to the penalties imposed by the Commissioner.

§7504. License Denial, Suspension, Revocation or Refusal to Renew.

(a) The Commissioner may place on probation, suspend, revoke or refuse to issue or renew the license of any licensee if the Commissioner finds that:

1. there was any material misrepresentation in the application for the license;
2. the licensee or any officer, partner, member or director has been guilty of fraudulent or dishonest practices, is subject to a final administrative action or is otherwise shown to be untrustworthy or incompetent to act as a licensee;
3. the Provider demonstrates a pattern of unreasonably withholding payments to policy Owners;
4. the licensee no longer meets the requirements for initial licensure;
5. the licensee or any officer, partner, member or director has been convicted of a felony, or of any misdemeanor of which criminal fraud is an element; or the licensee has pleaded guilty or nolo contendere with respect to any felony or any misdemeanor of which criminal fraud or moral turpitude is an element, regardless whether a judgment of conviction has been entered by the court;
6. the Provider has entered into any Life Settlement Contract using a form that has not been approved pursuant to the Act;
7. the Provider has failed to honor contractual obligations set out in a Life Settlement Contract;

305 8. the Provider has assigned, transferred or pledged a settled policy to a person other than a Provider
306 licensed in this state, a purchaser, an accredited investor or qualified institutional buyer as defined respectively in
307 Regulation D, Rule 501 or Rule 144A of the Federal Securities Act of 1933, as amended, financing entity, special
308 purpose entity, or related provider trust; or

309 9. the licensee or any officer, partner, member or key management personnel has violated any of the
310 provisions of this Act.

311 (b) In the event that the action by the Insurance Commissioner is to nonrenew or to deny an application for a
312 license, the Insurance Commissioner shall notify the applicant or licensee and advise, in writing, the applicant or licensee of
313 the reason for the denial or nonrenewal of the applicant's or licensee's license. The applicant or licensee may make written
314 demand upon the Insurance Commissioner within 10 days for a hearing before the Insurance Commissioner to determine
315 the reasonableness of the Insurance Commissioner's action. The hearing shall be held within 20 days and shall be held
316 pursuant to the Administrative Procedures Act, Chapter 101 of Title 29, and such additional implemented regulations as
317 may be published by the Commissioner.

318 §7505. Contract Requirements.

319 (a) No Person may use any form of Life Settlement Contract in this State unless it has been filed with and
320 approved by the Commissioner in a manner that conforms with the filing procedures and any time restrictions or deeming
321 provisions, if any, for life insurance forms, policies and contracts.

322 (b) No insurer may, as a condition of responding to a request for verification of coverage or in connection with
323 the transfer of a policy pursuant to a Life Settlement Contract, require that the Owner, Insured, Provider or Broker sign any
324 form, disclosure, consent, waiver or acknowledgment that has not been expressly approved by the Commissioner for use in
325 connection with Life Settlement Contracts in this state.

326 (c) A Person shall not use a Life Settlement Contract form or provide to an Owner a disclosure statement form in
327 this state unless first filed with and approved by the Commissioner. The Commissioner shall disapprove a Life Settlement
328 Contract form or disclosure statement form if, in the Commissioner's opinion, the contract or provisions contained therein
329 fail to meet the requirements set forth in this Chapter or are unreasonable, contrary to the interests of the public, or
330 otherwise misleading or unfair to the Owner. At the Commissioner's discretion, the Commissioner may require the
331 submission of advertising material.

332 §7506. Reporting Requirements and Privacy.

333 (a) For any policy settled within five (5) years of policy issuance, each Provider shall file with the Commissioner
334 on or before March 1 of each year an annual statement containing such information as the Commissioner may prescribe by
335 regulation. In addition to any other requirements, the annual statement shall specify the total number, aggregate face

amount and life settlement proceeds of policies settled during the immediately preceding calendar year, together with a breakdown of the information by policy issue year for each carrier.

1. Such information shall be limited to only those transactions where the Owner is a resident of this State and shall not include individual transaction data regarding the business of life settlements or information that there is a reasonable basis to believe could be used to identify the Owner or the Insured.

2. Every Provider that willfully fails to file an annual statement as required in this section, or willfully fails to reply within thirty days to a written inquiry by the Commissioner in connection therewith, shall, in addition to other penalties provided by this chapter, be subject, upon due notice and opportunity to be heard, to a penalty of up to two hundred fifty dollars per day of delay, not to exceed twenty-five thousand dollars in the aggregate, for each such failure.

(b) Except as otherwise allowed or required by law, a Provider, Broker, insurance company, insurance producer, information bureau, rating agency or company, or any other person with actual knowledge of an insured's identity, shall not disclose the identity of an insured or information that there is a reasonable basis to believe could be used to identify the insured or the insured's financial or medical information to any other person unless the disclosure:

1. is necessary to effect a Life Settlement Contract between the owner and a Provider and the Owner and insured have provided prior written consent to the disclosure;

2. is necessary to effectuate the sale of Life Settlement Contracts, or interests therein, as investments, provided the sale is conducted in accordance with applicable state and federal securities law and provided further that the Owner and the insured have both provided prior written consent to the disclosure;

3. is provided in response to an investigation or examination by the Commissioner or any other governmental officer or agency or pursuant to the requirements of this Chapter;

4. is a term or condition to the transfer of a policy by one Provider to another Provider, in which case the receiving Provider shall be required to comply with the confidentiality requirements of this section;

5. is necessary to allow the Provider or Broker or their authorized representatives to make contacts for the purpose of determining health status. For the purposes of this section, the term "authorized representative" shall not include any person who has or may have any financial interest in the settlement contract other than a Provider, licensed Broker, financing entity, related provider trust or special purpose entity; further, a Provider or Broker shall require its authorized representative to agree in writing to adhere to the privacy provisions of this section; or

6. is required to purchase stop loss coverage.

(c) Non-public personal information solicited or obtained in connection with a proposed or actual life settlement contract shall be subject to the provisions applicable to financial institutions under the federal Gramm Leach Bliley Act, P.L. 106-102 (1999), and all other state and federal laws relating to confidentiality of non-public personal information.

§7507. Examination.

(a) The Commissioner may, when the Commissioner deems it reasonably necessary to protect the interests of the public, examine the business and affairs of any licensee or applicant for a license. The Commissioner may order any licensee or applicant to produce any records, books, files or other information reasonably necessary to ascertain whether such licensee or applicant is acting or has acted in violation of the law or otherwise contrary to the interests of the public. The expenses incurred in conducting any examination shall be paid by the licensee or applicant.

(b) In lieu of an examination under this Act of any foreign or alien licensee licensed in this state, the Commissioner may, at the Commissioner's discretion, accept an examination report on the licensee as prepared by the Commissioner for the licensee's state of domicile or port-of-entry state.

(c) Names of and individual identification data, or for all Owners and insureds shall be considered private and confidential information and shall not be disclosed by the Commissioner unless required by law.

(d) Records of all consummated transactions and Life Settlement Contracts shall be maintained by the Provider for three years after the death of the insured and shall be available to the Commissioner for inspection during reasonable business hours.

(e) Conduct of Examinations

1. Upon determining that an examination should be conducted, the Commissioner shall issue an examination warrant appointing one or more examiners to perform the examination and instructing them as to the scope of the examination. In conducting the examination, the examiner shall use methods common to the examination of any life settlement licensee and should use those guidelines and procedures set forth in an examiners' handbook adopted by a national organization.

2. Every licensee or person from whom information is sought, its officers, directors and agents shall provide to the examiners timely, convenient and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents, assets and computer or other recordings relating to the property, assets, business and affairs of the licensee being examined. The officers, directors, employees and agents of the licensee or person shall facilitate the examination and aid in the examination so far as it is in their power to do so. The refusal of a licensee, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the Commissioner shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the licensee to engage in the life settlement business or other business subject to

the Commissioner's jurisdiction. Any proceedings for suspension, revocation or refusal of any license or authority shall be conducted pursuant to §7504 of this Chapter.

3. The Commissioner shall have the power to issue subpoenas, to administer oaths and to examine under oath any person as to any matter pertinent to the examination. Upon the failure or refusal of a person to obey a subpoena, the Commissioner may petition a court of competent jurisdiction, and upon proper showing, the Court may enter an order compelling the witness to appear and testify or produce documentary evidence.

4. When making an examination under this Chapter, the Commissioner may retain attorneys, appraisers, independent actuaries, independent certified public accountants or other professionals and specialists as examiners, the reasonable cost of which shall be borne by the licensee that is the subject of the examination.

5. Nothing contained in this section shall be construed to limit the Commissioner's authority to terminate or suspend an examination in order to pursue other legal or regulatory action pursuant to the insurance laws of this State. Findings of fact and conclusions made pursuant to any examination shall be prima facie evidence in any legal or regulatory action.

6. Nothing contained in this section shall be construed to limit the Commissioner's authority to use and, if appropriate, to make public any final or preliminary examination report, any examiner or licensee work papers or other documents, or any other information discovered or developed during the course of any examination in the furtherance of any legal or regulatory action which the Commissioner may, in his or her sole discretion, deem appropriate.

(f) Examination Reports

1. Examination reports shall be comprised of only facts appearing upon the licensee's books, from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

2. No later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Commissioner a verified written report of examination under oath. Upon receipt of the verified report, the Commissioner shall transmit the report to the licensee examined, together with a notice that shall afford the licensee examined a reasonable opportunity of not more than thirty (30) days to make a written submission or rebuttal with respect to any matters contained in the examination report and which shall become part of the report or to request a hearing on any matter in dispute.

3. In the event the Commissioner determines that regulatory action is appropriate as a result of an examination, the Commissioner may initiate any proceedings or actions provided by law.

(g) Confidentiality of Examination Information --

1. Names and individual identification data for all owners, purchasers, and insureds shall be considered private and confidential information and shall not be disclosed by the Commissioner, unless the disclosure is to another regulator or is required by law.

2. Except as otherwise provided in this Act, all examination reports, working papers, recorded information, documents and copies thereof produced by, obtained by or disclosed to the Commissioner or any other person in the course of an examination made under this Chapter, or in the course of analysis or investigation by the Commissioner of the financial condition or market conduct of a licensee shall be confidential by law and privileged, shall not be subject to disclosure pursuant to Chapter 100 of Title 29 of this Code, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. The Commissioner is authorized to use the documents, materials or other information in the furtherance of any regulatory or legal action brought as part of the Commissioner's official duties. The licensee being examined may have access to all documents used to make the report.

(h) Conflict of Interest

1. An examiner may not be appointed by the Commissioner if the examiner, either directly or indirectly, has a conflict of interest or is affiliated with the management of or owns a pecuniary interest in any person subject to examination under this Act. This section shall not be construed to automatically preclude an examiner from being:

- i. an Owner;
- ii. an insured in a Life Settlement Contract or insurance policy; or
- iii. a beneficiary in an insurance policy that is proposed for a Life Settlement Contract.

2. Notwithstanding the requirements of this subsection, the Commissioner may retain from time to time, on an individual basis, qualified actuaries, certified public accountants, or other similar individuals who are independently practicing their professions, even though these persons may from time to time be similarly employed or retained by licensees subject to examination under this Chapter.

i. Immunity from Liability

ii. No cause of action shall arise nor shall any liability be imposed against the Commissioner, the Commissioner's authorized representatives or any examiner appointed by the Commissioner for any statements made or conduct performed in good faith while carrying out the provisions of this Chapter.

3. No cause of action shall arise, nor shall any liability be imposed against any person for the act of communicating or delivering information or data to the Commissioner or the Commissioner's authorized representative or examiner pursuant to an examination made under this Chapter, if the act

of communication or delivery was performed in good faith and without fraudulent intent or the intent to deceive. This paragraph does not abrogate or modify in any way any common law or statutory privilege or immunity heretofore enjoyed by any person identified in Paragraph 1.

4. A person identified in Paragraph 1 or 2 shall be entitled to an award of attorney's fees and costs if he or she is the prevailing party in a civil cause of action for libel, slander or any other relevant tort arising out of activities in carrying out the provisions of this Chapter and the party bringing the action was not substantially justified in doing so. For purposes of this section a proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated.

(j) Investigative Authority of the Commissioner

1. The Commissioner may investigate suspected Fraudulent Life Settlement Acts and persons engaged in the business of life settlements.

§7508. Advertising.

(a) A broker, or provider licensed pursuant to this act may conduct or participate in advertisements within this state. Such advertisements shall comply with all advertising and marketing laws or rules and regulations promulgated by the Commissioner that are applicable to life insurers or to brokers, and providers licensed pursuant to this Title.

(b) Advertisements shall be accurate, truthful and not misleading in fact or by implication.

(c) No person or trust shall:

1. directly or indirectly, market, advertise or solicit the purchase of a new policy for the sole purpose of settling the policy; or
2. use the words "free", "no cost" or words of similar import in the marketing, advertising, soliciting or otherwise promoting of the purchase of a policy.

§7509. Disclosures to Owners.

(a) The Provider or Broker shall provide in writing, in a separate document that is signed by the Owner, the following information to the Owner no later than the date of application for a life settlement contract:

1. the fact that possible alternatives to Life Settlement Contracts exist, including, but not limited to, accelerated benefits offered by the issuer of the life insurance policy;
2. the fact that some or all of the proceeds of a Life Settlement Contract may be taxable and that assistance should be sought from a professional tax advisor;
3. the fact that the proceeds from a Life Settlement Contract could be subject to the claims of creditors;
4. the fact that receipt of proceeds from a Life Settlement Contract may adversely affect the recipients' eligibility for public assistance or other government benefits or entitlements and that advice should be obtained from the appropriate agencies;

- 492 5. the fact that the Owner has a right to terminate a Life Settlement Contract within fifteen (15) days of
493 the date it is executed by all parties and the Owner has received the disclosures contained herein.
494 Rescission, if exercised by the Owner, is effective only if both notice of the rescission is given, and
495 the Owner repays all proceeds and any premiums, loans, and loan interest paid on account of the
496 Provider within the rescission period. If the insured dies during the rescission period, the Contract
497 shall be deemed to have been rescinded subject to repayment by the Owner or the Owner's estate of
498 all proceeds and any premiums, loans, and loan interest to the Provider;
- 499 6. the fact that proceeds will be sent to the Owner within three (3) business days after the Provider has
500 received the insurer or group administrator's acknowledgement that ownership of the policy or
501 interest in the certificate has been transferred and the beneficiary has been designated in accordance
502 with the terms of the Life Settlement Contract;
- 503 7. the fact that entering into a Life Settlement Contract may cause other rights or benefits, including
504 conversion rights and waiver of premium benefits that may exist under the policy or certificate of a
505 group policy to be forfeited by the Owner and that assistance should be sought from a professional
506 financial advisor;
- 507 8. the amount and method of calculating the compensation paid or to be paid to the Broker, or any other
508 person acting for the Owner in connection with the transaction, wherein the term compensation
509 includes anything of value paid or given;
- 510 9. the date by which the funds will be available to the Owner and the transmitter of the funds;
- 511 10. the fact that the Commissioner shall require delivery of a Buyer's Guide or a similar consumer
512 advisory package in the form prescribed by the Commissioner to Owners during the solicitation
513 process;
- 514 11. a disclosure document containing the following language:
- 515 'All medical, financial or personal information solicited or obtained by a Provider or Broker about an
516 insured, including the insured's identity or the identity of family members, a spouse or a significant other may be
517 disclosed as necessary to effect the Life Settlement Contract between the owner and provider. If you are asked to
518 provide this information, you will be asked to consent to the disclosure. This information may be provided to
519 someone who buys the policy or provides funds for the purchase. You may be asked to renew your permission to
520 share information every two years.';
- 521 12. the fact that the Commissioner shall require Providers and Brokers to print separate signed fraud
522 warnings on their applications and on their Life Settlement Contracts is as follows:

523 “Any person who knowingly presents false information in an application for insurance or Life Settlement Contract
524 is guilty of a crime and may be subject to fines and confinement in prison.”

525 13. the fact that the insured may be contacted by either the Provider or broker or its authorized
526 representative for the purpose of determining the insured’s health status or to verify the insured’s
527 address. This contact is limited to once every three (3) months if the insured has a life expectancy of
528 more than one year, and no more than once per month if the insured has a life expectancy of one year
529 or less;

530 14. the affiliation, if any, between the Provider and the issuer of the insurance policy to be settled;

531 15. that a Broker represents exclusively the Owner, and not the insurer or the Provider or any other
532 person, and owes a fiduciary duty to the Owner, including a duty to act according to the Owner’s
533 instructions and in the best interest of the Owner;

534 16. documentation of the name, address and telephone number of the Provider;

535 17. the name, business address, and telephone number of the independent third party escrow agent, and
536 the fact that the owner may inspect or receive copies of the relevant escrow or trust agreements or
537 documents;

538 18. the fact that a change of ownership could in the future limit the insured’s ability to purchase future
539 insurance on the insured’s life because there is a limit to how much coverage insurers will issue on
540 one life;

541 (b) The written disclosures set forth in subsection (a) shall be conspicuously displayed in any Life Settlement
542 Contract furnished to the Owner by a Provider including any affiliations or contractual arrangements between the Provider
543 and the Broker.

544 (c) A Broker shall provide the Owner and the Provider with at least the following disclosures no later than the
545 date the Life Settlement Contract is signed by all parties. The disclosures shall be conspicuously displayed in the Life
546 Settlement Contract or in a separate document signed by the Owner and provide the following information:

- 547 1. The name, business address and telephone number of the Broker;
- 548 2. A full, complete and accurate description of all the offers, counter-offers, acceptances and rejections
549 relating to the proposed Life Settlement Contract;
- 550 3. A written disclosure of any affiliations or contractual arrangements between the Broker and any
551 person making an offer in connection with the proposed Life Settlement Contracts;
- 552 4. The name of each Broker who receives compensation and the amount of compensation received by
553 that broker, which compensation includes anything of value paid or given to the Broker in connection
554 with the life settlement contract;

5. A complete reconciliation of the gross offer or bid by the Provider to the net amount of proceeds or value to be received by the Owner. For the purpose of this section, gross offer or bid shall mean the total amount or value offered by the Provider for the purchase of one or more life insurance policies, inclusive of commissions and fees; and

(d) The failure to provide the disclosures or rights described in this section shall be deemed an Unfair Trade Practice in violation of Chapter 23 of this Title.

§7510. Disclosure by Insurer.

(a) In addition to other questions an insurance carrier may lawfully pose to a life insurance applicant, insurance carriers may inquire in the application for insurance whether the proposed owner intends to pay premiums with the assistance of financing from a lender that will use the policy as collateral to support the financing.

1. If a premium finance loan provides funds which can be used for a purpose other than paying for the premiums, costs, and expenses associated with obtaining and maintaining the life insurance policy and loan, the application shall be rejected as a violation of §7513 of this Chapter.

2. If the financing does not violate §7513 in this manner the insurer may not reject the life insurance application solely because the premiums will be financed. The insurance carrier:

A. shall make disclosures, including but not limited to the following, to the applicant and the insured, either on the application or an amendment to the application to be completed no later than the delivery of the policy:

“If you have entered into a loan arrangement where the policy is used as collateral, and the policy does change ownership at some point in the future in satisfaction of the loan, the following may be true:

- i. a change of ownership could lead to a stranger owning an interest in the insured’s life;
- ii. a change of ownership could in the future limit your ability to purchase future insurance on the insured’s life because there is a limit to how much coverage insurers will issue on one life;
- iii. should there be a change of ownership and you wish to obtain more insurance coverage on the insured’s life in the future, the insured’s higher issue age, a change in health status, and/or other factors may reduce the ability to obtain coverage and/or may result in significantly higher premiums;
- iv. you should consult a professional advisor, since a change in ownership in satisfaction of the loan may result in tax consequences to the owner, depending on the structure of the loan;” and

B. may require certifications, such as the following, from the applicant and/or the insured:

- i. “I have not entered into any agreement or arrangement providing for the future sale of this life insurance policy;

586 ii. My loan arrangement for this policy provides funds sufficient to pay for some or all of the
587 premiums, costs, and expenses associated with obtaining and maintaining my life insurance policy, but I
588 have not entered into any agreement by which I am to receive consideration in exchange for procuring
589 this policy; and

590 iii. I, as the borrower, have an insurable interest in the insured.”

591 (b) The commissioner shall develop a notice, promulgated by rule, to appraise the owner of a policy of life
592 insurance in this state of his or her rights as an owner of a life insurance policy. The document shall be made available at no
593 cost to insurance companies and life insurance producers and written in lay terms.

594 1. The document shall advise the consumer:

- 595 i. That life insurance is a critical part of a broader financial plan;
596 ii. That alternatives to lapse or surrender of the policy exist;
597 iii. A general description of life settlements and the life settlement transaction in this State; and
598 iv. A general description of other common products and services that may be available to
599 owners of life insurance prior to the time of the lapse or surrender of a policy.
600 v. A statement that advises recipients of such notice that life insurance, life settlements or any of
601 the products or services described in the notice may or may not be available depending on a number of
602 circumstances, including the age and health status of the insured or the terms of a life insurance policy
603 and that owners of life insurance are encouraged to contact their financial advisor, agent or broker to seek
604 further advice and assistance.

605 (c) With respect to each policy issued by an insurance company, the insurance company shall provide the notice
606 developed pursuant to subsection (a) of this section to an owner of an individual life insurance policy, when the insured
607 person under such policy is age sixty or older, or is known to be terminally ill or chronically ill, at the time of each of the
608 following:

- 609 1. When a life insurance company receives from such an owner a request to surrender, in whole or in
610 part, an individual policy;
611 2. When a life insurance company receives from such an owner a request to receive an accelerated death
612 benefit under an individual policy;
613 3. When a life insurance company sends to such an owner all notices of lapse of an individual policy; or
614 4. At any other time that the Commissioner may be prescribed by rule.

615 §7511. General Rules.

616 (a) A Provider entering into a Life Settlement Contract with any Owner of a policy, wherein the insured is
617 terminally or chronically ill, shall first obtain:

1. If the Owner is the insured, a written statement from a licensed attending physician that the Owner is of sound mind and under no constraint or undue influence to enter into a settlement contract; and

2. A document in which the insured consents to the release of his medical records to a Provider, settlement broker, or insurance producer and, if the policy was issued less than two years from the date of application for a settlement contract, to the insurance company that issued the policy.

(b) The insurer shall respond to a request for verification of coverage submitted by a Provider, settlement broker, or life insurance producer not later than thirty (30) calendar days of the date the request is received. The request for verification of coverage must be made on a form approved by the Commissioner. The insurer shall complete and issue the verification of coverage or indicate in which respects it is unable to respond. In its response, the insurer shall indicate whether, based on the medical evidence and documents provided, the insurer intends to pursue an investigation at this time regarding the validity of the insurance contract.

(c) Before or at the time of execution of the settlement contract, the Provider shall obtain a witnessed document in which the Owner consents to the settlement contract, represents that the Owner has a full and complete understanding of the settlement contract, that the Owner has a full and complete understanding of the benefits of the policy, acknowledges that the Owner is entering into the settlement contract freely and voluntarily, and, for persons with a terminal or chronic illness or condition, acknowledges that the insured has a terminal or chronic illness and that the terminal or chronic illness or condition was diagnosed after the policy was issued.

(d) The insurer shall not unreasonably delay effecting change of ownership or beneficiary with any Life Settlement Contract lawfully entered into in this state or with a resident of this state.

(e) If a settlement broker or life insurance producer performs any of these activities required of the Provider, the Provider is deemed to have fulfilled the requirements of this section.

(f) If a Broker performs those verification of coverage activities required of the Provider, the provider is deemed to have fulfilled the requirements of section §7509(a).

(g) Within twenty (20) days after an owner executes the Life Settlement Contract, the Provider shall give written notice to the insurer that issued the insurance policy that the policy has become subject to a Life Settlement Contract. The notice shall be accompanied by the documents required by §7509 and §7510 of this Chapter.

(h) All medical information solicited or obtained by any licensee shall be subject to the applicable provision of state law relating to confidentiality of medical information, if not otherwise provided for Chapter.

(i) All Life Settlement Contracts entered into in this state shall provide that the Owner may rescind the Contract on or before fifteen (15) days after the date it is executed by all parties thereto. Rescission, if exercised by the Owner, is effective only if both notice of the rescission is given, and the Owner repays all proceeds and any premiums, loans, and loan interest paid on account of the Provider within the rescission period. If the insured dies during the rescission period,

the Contract shall be deemed to have been rescinded subject to repayment by the Owner or the Owner's estate of all proceeds and any premiums, loans, and loan interest to the Provider.

(j) Within three business days after receipt from the Owner of documents to effect the transfer of the insurance policy, the Provider shall pay the proceeds of the settlement to an escrow or trust account managed by a trustee or escrow agent in a state or federally chartered financial institution pending acknowledgement of the transfer by the issuer of the policy. The trustee or escrow agent shall be required to transfer the proceeds due to the Owner within three business days of acknowledgement of the transfer from the insurer.

(k) Failure to tender the Life Settlement Contract proceeds to the Owner by the date disclosed to the Owner renders the Contract voidable by the Owner for lack of consideration until such time as the proceeds are tendered to and accepted by the Owner. A failure to give written notice of the right of rescission hereunder shall toll the right of rescission until thirty (30) days after the written notice of the right of rescission has been given.

(l) Any fee paid by a Provider, party, individual, or an Owner to a Broker in exchange for services provided to the Owner pertaining to a Life Settlement Contract shall be computed as a percentage of the offer obtained, not the face value of the policy. Nothing in this subsection shall be construed as prohibiting a Broker from reducing such Broker's fee below this percentage if the Broker so chooses.

(m) The Broker shall disclose to the Owner anything of value paid or given to a Broker, which relates to the Life Settlement Contract.

(n) No person at any time prior to, or at the time of, the application for, or issuance of, a policy, or during a two-year period commencing with the date of issuance of the policy, shall enter into a Life Settlement regardless of the date the compensation is to be provided and regardless of the date the assignment, transfer, sale, devise, bequest or surrender of the policy is to occur. This prohibition shall not apply if the Owner certifies to the Provider that:

1. the policy was issued upon the Owner's exercise of conversion rights arising out of a group or individual policy, provided the total of the time covered under the conversion policy plus the time covered under the prior policy is at least twenty four months. The time covered under a group policy must be calculated without regard to a change in insurance carriers, provided the coverage has been continuous and under the same group sponsorship; or

2. the Owner submits independent evidence to the Provider that one or more of the following conditions have been met within the two year period:

- i. the Owner or insured is terminally or chronically ill;

- ii. the Owner or insured disposes of his ownership interests in a closely held corporation, pursuant to the terms of a buyout or other similar agreement in effect at the time the insurance policy was initially issued;

- 682 iii. the Owner's spouse dies;
- 683 iv. the Owner divorces his or her spouse;
- 684 v. the Owner retires from full-time employment;
- 685 vi. the Owner becomes physically or mentally disabled and a physician determines that the
- 686 disability prevents the Owner from maintaining full-time employment; or
- 687 vii. a final order, judgment or decree is entered by a court of competent jurisdiction, on the
- 688 application of a creditor of the Owner, adjudicating the Owner bankrupt or insolvent, or approving a petition
- 689 seeking reorganization of the Owner or appointing a receiver, trustee or liquidator to all or a substantial part of
- 690 the Owner's assets;

691 (b) Copies of the independent evidence required by subsection (n) shall be submitted to the insurer when the

692 Provider submits a request to the insurer for verification of coverage. The copies shall be accompanied by a letter of

693 attestation from the Provider that the copies are true and correct copies of the documents received by the Provider. Nothing

694 in this Section shall prohibit an insurer from exercising its right to contest the validity of any policy;

695 (c) If the Provider submits to the insurer a copy of independent evidence provided for in item subsection (n) when

696 the Provider submits a request to the insurer to effect the transfer of the policy to the Provider, the copy is deemed to

697 establish that the settlement contract satisfies the requirements of this section.

698 §7512. Authority to Promulgate Regulations; Conflict of Laws.

699 (a) The Commissioner may:

700 1. promulgate regulations implementing the provisions of this Chapter and regulating the activities and

701 relationships of Providers, Brokers, insurers and their agents, subject to statutory limitations on administrative rule

702 making.

703 (b) Conflict of Laws

704 1. If there is more than one Owner on a single policy, and the Owners are residents of different states, the

705 Life Settlement Contract shall be governed by the law of the state in which the Owner having the largest

706 percentage ownership resides or, if the Owners hold equal ownership, the state of residence of one Owner agreed

707 upon in writing by all of the Owners. The law of the state of the Insured shall govern in the event that equal

708 Owners fail to agree in writing upon a state of residence for jurisdictional purposes.

709 2. A Provider from this state who enters into a Life Settlement Contract with an Owner who is a resident

710 of another state that has enacted statutes or adopted regulations governing Life Settlement Contracts, shall be

711 governed in the effectuation of that Life Settlement Contract by the statutes and regulations of the Owner's state of

712 residence. If the state in which the Owner is a resident has not enacted statutes or regulations governing Life

713 Settlement Contracts, the Provider shall give the Owner notice that neither state regulates the transaction upon

714 which he or she is entering. For transactions in those states, however, the Provider is to maintain all records
715 required if the transactions were executed in the state of residence. The forms used in those states need not be
716 approved by the Department.

717 3. If there is a conflict in the laws that apply to an Owner and a Purchaser in any individual transaction,
718 the laws of the state that apply to the Owner shall take precedence and the Provider shall comply with those laws.

719 §7513. Prohibited Practices.

720 (a) It shall be an unfair trade practice and a violation of Chapter 23 of this Title for any person to:

721 1. enter into a Life Settlement Contract if such Person knows or reasonably should have known that the life
722 insurance policy was obtained by means of a false, deceptive or misleading application for such policy;

723 2. engage in any transaction, practice or course of business if such Person knows or reasonably should have
724 known that the intent was to avoid the notice requirements of this Chapter;

725 3. engage in any fraudulent act or practice in connection with any transaction relating to any settlement
726 involving an Owner who is a resident of this state;

727 4. issue, solicit or market the purchase of a new policy for the sole purpose of settling the policy;

728 5. if providing premium financing, receive any proceeds, fees, or other consideration from the policy or
729 owner of the policy that are in addition to the amounts required to pay principal, interest, and any reasonable costs or
730 expenses incurred by the lender or borrower in connection with the premium finance agreement, except for the event of a
731 default, unless either the default on the loan or transfer of the policy occurs pursuant to an agreement or understanding with
732 any other person for the purpose of evading regulation under this act.; with respect to any settlement contract or insurance
733 policy and a Broker, knowingly solicit an offer from, effectuate a life settlement contract with or make a sale to any
734 Provider, financing entity or related provider trust that is controlling, controlled by, or under common control with such
735 Broker unless such relationship is disclosed to the owner;

736 6. with respect to any Life Settlement Contract or insurance policy and a Provider, knowingly enter into a
737 Life Settlement Contract with an Owner, if, in connection with such Life Settlement Contract, anything of value will be
738 paid to a Broker that is controlling, controlled by, or under common control with such Provider or the financing entity or
739 related Provider trust that is involved in such settlement contract unless such relationship is disclosed to the owner;

740 7. with respect to a Provider, enter into a Life Settlement Contract unless the life settlement promotional,
741 advertising and marketing materials, as may be prescribed by regulation, have been filed with the Commissioner. In no
742 event shall any marketing materials expressly reference that the insurance is “free” for any period of time. The inclusion of
743 any reference in the marketing materials that would cause an Owner to reasonably believe that the insurance is free for any
744 period of time shall be considered a violation of this Act; or

745 8. with respect to any life insurance producer, insurance company, Broker, or Provider make any statement

or representation to the applicant or policyholder in connection with the sale or financing of a life insurance policy to the effect that the insurance is free or without cost to the policyholder for any period of time unless provided in the policy.

9. if an insurer, to (a) prohibit, restrict, limit or impair a life insurance producer from lawfully negotiating a life settlement contract on behalf of an owner, aiding and assisting an owner with a life settlement contract, or otherwise participating in a life settlement transaction under this Act, (b) engage in or permit any discrimination between individuals of the same class, same policy amount, and equal expectation of life in the rates charged for any life insurance policy or annuity contract based upon an individual's having entered into a life settlement contract or being insured under a settled policy, (c) make any false or misleading statement as to the business of life settlements or financing premiums due for a policy or to any owner or insured for the purpose of inducing or tending to induce the owner or insured not to enter into a life settlement contract, or (d) engage in any transaction, act, practice or course of business or dealing which restricts, limits or impairs in any way the lawful transfer of ownership, change of beneficiary, or assignment of a policy.

(b). A violation of any provision of subsection (a) shall be deemed a Fraudulent Life Settlement Act.

§7514. Fraud Prevention and Control.

(a) Fraudulent Life Settlement Acts, Interference and Participation of Convicted Felons Prohibited

1. A person shall not commit a Fraudulent Life Settlement Act.

2. A person shall not knowingly and intentionally interfere with the enforcement of the provisions of this Chapter or investigations of suspected or actual violations of this Chapter.

3. A person in the business of life settlements shall not knowingly or intentionally permit any person convicted of a felony involving dishonesty or breach of trust to participate in the business of life settlements.

(b) Fraud Warning Required

1. Life Settlement Contracts and applications for Life Settlement Contracts, regardless of the form of transmission, shall contain the following statement or a substantially similar statement:

“Any person who knowingly presents false information in an application for insurance or Life Settlement Contract is guilty of a crime and may be subject to fines and confinement in prison.”

2. The absence of the statement required in Paragraph 1 shall not constitute a defense in any prosecution for a Fraudulent Life Settlement Act.

(c) Mandatory Reporting of Fraudulent Life Settlement Acts

1. Any person engaged in the business of life settlements having knowledge or a reasonable belief that a Fraudulent Life Settlement Act is being, will be or has been committed shall provide to the Commissioner the information required by, and in a manner prescribed by, the Commissioner.

2. Any other person having knowledge or a reasonable belief that a Fraudulent Life Settlement Act is being, will be or has been committed may provide to the Commissioner the information required by, and in a manner prescribed by, the Commissioner.

(d) Immunity from Liability

1. No civil liability shall be imposed on and no cause of action shall arise from a person's furnishing information concerning suspected, anticipated or completed Fraudulent Life Settlement Acts or suspected or completed fraudulent insurance acts, if the information is provided to or received from:

- i. the Commissioner or the Commissioner's employees, agents or representatives;
- ii. federal, state or local law enforcement or regulatory officials or their employees, agents or representatives;
- iii. a person involved in the prevention and detection of Fraudulent Life Settlement Acts or that person's agents, employees or representatives;
- iv. any regulatory body or their employees, agents or representatives, overseeing life insurance, life settlements, securities or investment fraud;
- v. the life insurer that issued the life insurance policy covering the life of the insured; or
- vi. the licensee and any agents, employees or representatives.

2. Paragraph 1 of this subsection shall not apply to statements made with actual malice. In an action brought against a person for filing a report or furnishing other information concerning a Fraudulent Life Settlement Act or a fraudulent insurance act, the party bringing the action shall plead specifically any allegation that Paragraph 1 does not apply because the person filing the report or furnishing the information did so with actual malice.

3. A person identified in Paragraph 1 shall be entitled to an award of attorney's fees and costs if he or she is the prevailing party in a civil cause of action for libel, slander or any other relevant tort arising out of activities in carrying out the provisions of this Act and the party bringing the action was not substantially justified in doing so. For purposes of this section a proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated.

4. This section does not abrogate or modify common law or statutory privileges or immunities enjoyed by a person described in Paragraph 1.

(e) Confidentiality

1. The documents and evidence provided pursuant to subsection (d) of this section or obtained by the Commissioner in an investigation of suspected or actual Fraudulent Life Settlement Acts shall be privileged and

confidential and not subject to disclosure pursuant to Chapter 100 of Title 29 of this Code, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.

2. Paragraph 1 of this subsection does not prohibit release by the Commissioner of documents and evidence obtained in an investigation of suspected or actual Fraudulent Life Settlement Acts:

i. in administrative or judicial proceedings to enforce laws administered by the Commissioner;

ii. to federal, state or local law enforcement or regulatory agencies, to an organization established for the purpose of detecting and preventing Fraudulent Life Settlement Acts or to the NAIC;

or

iii. at the discretion of the Commissioner, to a person in the business of life settlements that is aggrieved by a Fraudulent Life Settlement Act.

3. Release of documents and evidence under Paragraph 2 of this subsection does not abrogate or modify the privilege granted in Paragraph 1.

(f) Other Law Enforcement or Regulatory Authority

This Act shall not:

1. preempt the authority or relieve the duty of other law enforcement or regulatory agencies to investigate, examine and prosecute suspected violations of law;

2. preempt, supersede, or limit any provision of any state securities law or any rule, order, or notice issued thereunder;

3. prevent or prohibit a person from disclosing voluntarily information concerning life settlement fraud to a law enforcement or regulatory agency other than the insurance department; or

4. limit the powers granted elsewhere by the laws of this state to the Commissioner or an insurance fraud unit to

5. investigate and examine possible violations of law and to take appropriate action against wrongdoers.

(g) Life Settlement Antifraud Initiatives

1. Providers and Brokers shall have in place antifraud initiatives reasonably calculated to detect, prosecute and prevent Fraudulent Life Settlement Acts. At the discretion of the Commissioner, the Commissioner may order, or a licensee may request and the Commissioner may grant, such modifications of the following required initiatives as necessary to ensure an effective antifraud program. The modifications may be more or less restrictive than the required initiatives so long as the modifications may reasonably be expected to accomplish the purpose of this section. Antifraud initiatives shall include:

i. Fraud investigators, who may be Provider or Broker employees or independent contractors; and

838 ii. An antifraud plan, which shall be submitted to the Commissioner. The antifraud plan shall
839 include, but not be limited to:

- 840 (a) a description of the procedures for detecting and investigating possible Fraudulent Life
841 Settlement Acts and
842 procedures for resolving material inconsistencies between medical records and insurance applications;
843 (b) a description of the procedures for reporting possible Fraudulent Life Settlement Acts to the
844 Commissioner
845 (c) a description of the plan for antifraud education and training of underwriters and other
846 personnel; and
847 (d) a description or chart outlining the organizational arrangement of the antifraud personnel
848 who are responsible for the investigation and reporting of possible Fraudulent Life
849 Settlement Acts and investigating unresolved material inconsistencies between medical
850 records and insurance applications.

851 2. Antifraud plans submitted to the Commissioner shall be privileged and confidential and not subject to
852 disclosure pursuant to Chapter 100 of Title 29 of this Code, shall not be subject to subpoena, and shall not be
853 subject to discovery or admissible in evidence in any private civil action and shall not be a public record and shall
854 not be subject to discovery or subpoena in a civil or criminal action.

855 §7515. Injunctions; Civil Remedies; Cease and Desist.

856 (a) In addition to the penalties and other enforcement provisions set forth in this Title, if any Person violates this
857 Act or any rule implementing this Act, the Commissioner may seek an injunction in a court of competent jurisdiction in the
858 county where the Person resides or has a principal place of business and may apply such temporary and permanent orders
859 that the Commissioner determines necessary to restrain the Person from further committing the violation.

860 (b) Any Person damaged by the acts of another Person in violation of this Act or any rule or regulation
861 implementing this Act, may bring a civil action for damages against the Person committing the violation in a court of
862 competent jurisdiction.

863 (c) The Commissioner may issue a cease and desist order upon a Person who violates any provision of this part,
864 any rule or order adopted by the Commissioner, or any written agreement entered into with the Commissioner, in
865 accordance with Chapter 101 of Title 29, and such additional implemented regulations as may be published by the
866 Commissioner.

867 (d) When the Commissioner finds that such an action presents an immediate danger to the public and requires an
868 immediate order, the Commissioner may issue an emergency cease and desist order reciting with particularity the facts
869 underlying such findings. The emergency cease and desist order shall be effective immediately upon service of a copy of

the order on the respondent and shall remain in effect for a period not to exceed 90 days. If the department begins non-emergency cease and desist proceedings under subsection (a), the emergency cease and desist order remains effective, absent an order by a court of competent jurisdiction. In the event of a willful violation of this Chapter, a court may award statutory damages in addition to actual damages in an additional amount up to three times the actual damage award.

(e) The provisions of this Chapter may not be waived by agreement or contract and no choice of law provision may be utilized to prevent the application of this Chapter to any settlement in which a party to the settlement is a resident of this State.

§7516. Unfair Practices.

(a) It is a violation of this Act for any Person, Provider, Broker, or any other party related to the business of life settlements, to commit a Fraudulent Life Settlement Act. In addition to any penalty set forth in Chapter 23 or 24 of this Title, a person that commits a Fraudulent Life Settlement Act may be prosecuted criminally for a violation of §913 of Title 11 or any other applicable criminal law of this State.

(b) The imposition of a fine or other sanction authorized in this Title shall not preclude prosecution for a violation of any of the criminal laws of this State.

(c) The license of a person licensed under this Chapter that commits a Fraudulent Life Settlement Act shall be revoked for a period of at least 1 year.

§7517. Unfair Practices.

A violation of any provision of this Chapter shall constitute an unfair practice pursuant to Chapter 23 of this Title subject to the penalties set forth therein.

§7518. Transition Provisions.

(a) A person licensed pursuant to Delaware's Viatical Settlements Act (72 Del. Laws c. 132, et. seq.) and lawfully transacting business in this State prior to the effective date of Chapter may continue to do so pending approval or disapproval of such person's application for a license, provided that such application is filed with the Commissioner not later than 30 days after publication by the Commissioner of an application form and instructions for licensure of Providers. If the publication of the application form and instructions is prior to the effective date of this chapter, then the filing of the application shall not be later than 30 days after the effective date of this Act. During the time that such an application is pending with the Commissioner, the applicant may use any form of Life Settlement Contract that has been filed with the Commissioner pending approval thereof, provided that such form is otherwise in compliance with the provisions of this Chapter. Any person transacting business in this State pursuant to this subsection shall comply with all other requirements of this Chapter.

(b) A person who has lawfully negotiated Life Settlement Contracts between any Owner residing in this state and one or more Providers for at least one year immediately prior to the effective date of this Act may continue to do so pending

902 approval or disapproval of that person's application for a license as long as the application is filed with the Commissioner
903 not later than 30 days after publication by the Commissioner of an application form and instructions for licensure of
904 Brokers. Any person transacting business in this State pursuant to this subsection shall comply with all other requirements
905 of this Chapter.".

906 Section 2. The provisions of this Act shall take effect 90 days after enactment.

SYNOPSIS

In 1999, the General Assembly adopted the 'Delaware Viatical Settlements Acts', 72 Del. Laws, c. 132, to regulate viatical settlements (i.e. the payment of less than the death benefit of an insurance policy prior to the death of an insured who has a catastrophic or life threatening illness or condition) in this State. Since that time, the National Conference of Insurance Legislators ('NCOIL') has promulgated a comprehensive Life Settlements Model Act which has been adopted by 21 states with minor state-specific amendments. This Act repeals the earlier enacted viatical settlements act and adopts the more comprehensive NCOIL Model Act as Delaware law.

Pursuant to this Act, any person engaged in the business of life settlements must be licensed and regulated by the Insurance Commissioner. The Act defines conduct constituting fraudulent life settlement acts, sets forth detailed licensing requirements for providers and brokers of life settlements contracts, provides notice, disclosure, fraud prevention and rescission rights to protect policy owners and insured parties, and provides the Insurance Commissioner with authority to impose penalties, issue cease and desist orders, seek injunctive relief and otherwise remedy violations of the Act. The Act also provides a transition provision to allow individuals and entities licensed pursuant to the former Viatical Settlements Act to continue to engage in business in this State pending licensure pursuant to this Act.

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