



SPONSOR: Sen. McDowell & Sen. Bonini

DELAWARE STATE SENATE
148th GENERAL ASSEMBLY

SENATE RESOLUTION NO. 19

REQUESTING THE DELAWARE DEPARTMENT OF INSURANCE TO EXAMINE THE SECONDARY MARKET FOR LIFE INSURANCE POLICIES AND MAKE RECOMMENDATIONS FOR POSSIBLE LEGISLATION.

1 WHEREAS, over 75 million American families count on life insurance products for their family's benefit and
2 welfare as part of their life savings; and

3 WHEREAS, \$1 out of \$6 dollars of Americans' long-term savings is in permanent life insurance and retirement
4 annuities; and

5 WHEREAS, it is estimated that annually 250,000 universal and variable universal policies with a face value of
6 approximately \$57 billion were lapsed by seniors over age 65; and

7 WHEREAS, a life settlement is the sale of an existing life insurance policy to a third party, including many
8 Delaware based financial institutions, for more than its cash surrender value, but less than its death benefits; and

9 WHEREAS, due to Delaware's best in the nation trust laws, Delaware financial institutions hold life settlements in
10 trust; and

11 WHEREAS, the United States Supreme Court case of *Grigsby v. Russell*, 222 U.S. 149 (1911), established a life
12 insurance policy as private property, which may be assigned at the will of the owner; and

13 WHEREAS, more than half of seniors over the age of 65 are not familiar with an option to consider selling their
14 life insurance policy; and

15 WHEREAS, studies have shown that when seniors who decide to sell their policies rather than retain them as a
16 death benefit receive between three and ten times more in return than if they give the policy back to the issuing life insurer;
17 and

18 WHEREAS many seniors thus have the option to use those proceeds in Delaware to pay for long term care,
19 medical bills, or for a grandchild's education or more comfortable retirement; and

20 WHEREAS, some life insurance carriers operating in Delaware have failed to pay death benefits, as provided in a
21 life settlement policy, creating uncertainty in the market which can prevent Delaware consumers from taking advantage of
22 selling their policies; and

23 WHEREAS, the Delaware General Assembly has an interest in protecting seniors and ensuring a robust life
24 settlement market for Delaware seniors.

25 NOW THEREFORE:

26 BE IT RESOLVED, the Senate of the 148th General Assembly of Delaware request the Delaware Department of
27 Insurance to examine this issue to provide the necessary certainty to investors who purchase life insurance policies in the
28 secondary market, which benefits Delaware consumers – particularly senior citizens – by giving them the chance to sell a
29 life insurance policy that they no longer want or need for a substantially higher price than the cash surrender value of the
30 policy; and

31 BE IT FURTHER RESOLVED, that such examination should provide guidance for the Senate in reviewing the
32 issues raised by the actions of some insurance companies to pay benefits to owners' of life insurance policies that were sold
33 in the secondary markets and the effect those actions have on the life settlement market including the impact on local
34 Delaware financial institutions which hold these policies in an established Delaware trust; and

35 BE IT FURTHER RESOLVED, that such examination should address what policies or rules should be established
36 to avoid expensive and unnecessary litigation for owners of life insurance policies issued in Delaware; and

37 BE IT FURTHER RESOLVED that such examination by the Delaware Department of Insurance should consider
38 whether legislation would be appropriate, and to submit to the 149th General Assembly by December 31, 2016 for
39 consideration any legislative proposals deemed meritorious in continuing and promoting the adoption and use of the State's
40 laws related to life settlements.

SYNOPSIS

This resolution requests the Department of Insurance to examine the secondary market for life insurance and to make recommendations to the 149th General Assembly.

Author: Senator McDowell