

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: HB1864

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Janis

3. Committee: Commerce and Labor

4. Title: **Viatical Settlements Act; incorporates regulating issuance of stranger-originated life insurance.**

5. Summary/Purpose: Amends the Viatical Settlements Act (§§ 38.2-6000 et seq.) to include stranger-originated life insurance policies (STOLIs), defined in the bill as a practice or plan to initiate a life insurance policy for the benefit of a third party investor who, at the time of policy origination, has no insurable interest in 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 who, at the time of policy inception, there is an arrangement or agreement, whether verbal or written, to directly or indirectly transfer the ownership of the policy and/or the policy benefits to a third party. The State Corporation Commission Bureau of Insurance will regulate the activities of viatical settlement investment agents who sell such policies to investors. STOLI plans do not include a policy loan by a life insurance company pursuant to the terms of the life insurance policy or accelerated death provisions of the life policy; a premium finance loan; a collateral assignment of a life policy by an owner; an agreement where all parties are closely related by blood, law or have a lawful substantial economic interest in the employee; any agreement by an insured who is an employee of an employer in connection with the purchase by the employer; a bona fide business succession plan arrangement; or by trust. Other provisions restrict settlement for five years on policies financed with the intent to settle or having other elements indicating it is a STOLI transaction; however, an insured may enter into such a contract within the five-year period if he certifies that he entered into the viatical settlement contract more than two years after the policy was issued, and the purchase of the policy was not financed by a third party.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: The patron of House Bill 1864 made technical amendments suggested by the Bureau of Insurance prior to the introduction of the legislation.

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11. Other comments: None

Date: 01/18/09/V. Tompkins

cc: Secretary of Commerce and Trade

Secretary of Health and Human Resources