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**HOUSE BILL NO. 2613**

**AMENDMENT IN THE NATURE OF A SUBSTITUTE**  
 (Proposed by the House Committee on Commerce and Labor  
 on January 30, 2003)

(Patrons Prior to Substitute—Delegates Bryant and Hargrove [HB 2268])

*A BILL to amend and reenact §§ 38.2-1800 and 38.2-1865.1 of the Code of Virginia, to amend the Code of Virginia by adding in Title 38.2 a chapter numbered 60, consisting of sections numbered 38.2-6000 through 38.2-6016, and to repeal Chapter 57 (§§ 38.2-5700 through 38.2-5707) of Title 38.2 of the Code of Virginia, relating to viatical settlements.*

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 38.2-1800 and 38.2-1865.1 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding in Title 38.2 a chapter numbered 60, consisting of sections numbered 38.2-6000 through 38.2-6016, as follows:**

§ 38.2-1800. Definitions.

As used in this chapter:

"Agent," "insurance agent," "producer," or "insurance producer," when used without qualification, means an individual or business entity that sells, solicits, or negotiates contracts of insurance or annuity in this Commonwealth.

"Appointed agent," "appointed insurance agent," "appointed producer," or "appointed insurance producer," when used without qualification, means an individual or business entity licensed in this Commonwealth to sell, solicit, or negotiate contracts of insurance or annuity of the classes authorized within the scope of such license and who is appointed by a company licensed in this Commonwealth to sell, solicit, or negotiate on its behalf contracts of insurance of the classes authorized within the scope of such license and, if authorized by the company, may collect premiums on those contracts.

"Automobile club authority" means the authority in this Commonwealth to sell, solicit, or negotiate automobile club contracts on behalf of automobile clubs licensed under Chapter 3.1 (§ 13.1-400.1 et seq.) of Title 13.1.

"Business entity" means a partnership, limited partnership, limited liability company, corporation, or other legal entity other than a sole proprietorship.

"Dental services authority" means the authority in this Commonwealth to sell, solicit, or negotiate dental services plan contracts on behalf of dental services plans licensed under Chapter 45 (§ 38.2-4500 et seq.) of this title.

"Filed" means received by the Commission.

"Health agent" means an agent licensed in this Commonwealth to sell, solicit, or negotiate insurance as defined in §§ 38.2-108 and 38.2-109, and including contracts issued by insurers, health services plans, health maintenance organizations, dental services plans, and optometric services plans licensed in this Commonwealth.

"Home protection insurance authority" means the authority in this Commonwealth to sell, solicit, or negotiate home protection insurance as defined in § 38.2-129 on behalf of insurers licensed in this Commonwealth.

"Home state" means the District of Columbia and any state or territory of the United States, except Virginia, or any province of Canada, in which an insurance producer maintains such person's principal place of residence or principal place of business and is licensed by that jurisdiction to act as a resident insurance producer.

"Legal services insurance authority" means the authority in this Commonwealth to sell, solicit, or negotiate legal services insurance as defined in § 38.2-127 on behalf of insurers licensed in this Commonwealth.

"Legal services plan authority" means the authority in this Commonwealth to sell, solicit, or negotiate legal services plan contracts on behalf of legal services plans licensed under Chapter 44 (§ 38.2-4400 et seq.) of this title.

"License" means a document issued by the Commission authorizing an individual or business entity to act as an insurance producer for the lines of authority specified in the document. Except as provided in § 38.2-1833, the license itself does not create any authority, actual, apparent or inherent, in the licensee to represent, commit, or bind an insurer.

"Licensed agent," "licensed insurance agent," "licensed producer," or "licensed insurance producer," when used without qualification, means an individual or business entity licensed in this Commonwealth to sell, solicit, or negotiate contracts of insurance or annuity of the classes authorized within the scope of such license.

"Life and annuities insurance agent" means an agent licensed in this Commonwealth to sell, solicit,

HOUSE SUBSTITUTE

HB2613H1

60 or negotiate life insurance and annuity contracts as defined in §§ 38.2-102, 38.2-103, 38.2-104,  
61 38.2-105.1, 38.2-106, and 38.2-107.1, respectively, on behalf of insurers licensed in this Commonwealth.

62 "Limited burial insurance authority" means the authority in this Commonwealth to sell, solicit, or  
63 negotiate burial insurance society membership where the certificates of membership will not exceed  
64 \$5,000 on any individual, on behalf of insurers licensed under Chapter 40 (§ 38.2-4000 et seq.) of this  
65 title; or to represent an association referred to in § 38.2-3318.1, limited to soliciting members of that  
66 association for burial association group life insurance certificates in amounts of \$5,000 or less.

67 "Limited lines credit insurance agent" means an agent licensed in this Commonwealth whose  
68 authority is restricted to selling, soliciting, or negotiating, on behalf of insurers licensed in this  
69 Commonwealth, one or more of the following coverages to individuals through a master, corporate,  
70 group or individual policy: (i) credit life insurance and credit accident and sickness insurance, but only  
71 to the extent authorized in Chapter 37.1 (§ 38.2-3717 et seq.) of this title; (ii) credit involuntary  
72 unemployment insurance as defined in § 38.2-122.1; (iii) credit property insurance, as defined in  
73 § 38.2-122.2; (iv) mortgage accident and sickness insurance; (v) mortgage redemption insurance; (vi)  
74 mortgage guaranty insurance; and (vii) any other form of insurance offered in connection with an  
75 extension of credit that is limited to partially or wholly extinguishing that credit obligation and that the  
76 Commission specifically determines may be sold, solicited, or negotiated by those holding a limited lines  
77 credit insurance agent license. Each insurer that sells, solicits or negotiates any of the coverages set forth  
78 in this definition shall provide to each individual whose duties will include selling, soliciting or  
79 negotiating such coverages a program of instruction that may, at the discretion of the Commission, be  
80 submitted for approval by the Commission or reviewed by the Commission subsequent to its  
81 implementation.

82 "Limited lines life and health agent" means an individual or business entity authorized by the  
83 Commission whose license authority to sell, solicit, or negotiate is limited to the following, or any other  
84 type of authority that the Commission may deem it necessary to recognize for the purposes of  
85 complying with § 38.2-1836: dental services authority; legal services plan authority; limited burial  
86 insurance authority; mutual assessment life and health insurance authority; optometric services authority;  
87 and travel accident insurance authority. Limited lines life and health insurance shall not include life  
88 insurance, health insurance, property insurance, casualty insurance, and title insurance.

89 "Limited lines property and casualty agent" means an individual or business entity authorized by the  
90 Commission whose license authority to sell, solicit, or negotiate is limited to the following, or any other  
91 type of authority that the Commission may deem it necessary to recognize for the purposes of  
92 complying with § 38.2-1836: automobile club authority; home protection insurance authority; legal  
93 services insurance authority; mutual assessment property and casualty insurance authority; ocean marine  
94 insurance authority; pet accident, sickness and hospitalization insurance authority; and travel baggage  
95 insurance authority. Limited lines property and casualty insurance shall not include life insurance, health  
96 insurance, property insurance, casualty insurance, and title insurance.

97 "Mortgage accident and sickness insurance authority" means the authority in this Commonwealth to  
98 sell, solicit, or negotiate mortgage accident and sickness insurance on behalf of insurers licensed in this  
99 Commonwealth.

100 "Mortgage guaranty insurance authority" means the authority in this Commonwealth to sell, solicit, or  
101 negotiate mortgage guaranty insurance on behalf of insurers licensed in this Commonwealth.

102 "Mortgage redemption insurance authority" means the authority in this Commonwealth to sell, solicit,  
103 or negotiate mortgage redemption insurance on behalf of insurers licensed in this Commonwealth. As  
104 used in this chapter, "mortgage redemption insurance" means a nonrenewable, nonconvertible, decreasing  
105 term life insurance policy written in connection with a mortgage transaction for a period of time  
106 coinciding with the term of the mortgage. The initial sum shall not exceed the amount of the  
107 indebtedness outstanding at the time the insurance becomes effective, rounded up to the next \$1,000.

108 "Motor vehicle rental contract enroller" means an unlicensed hourly or salaried employee of a motor  
109 vehicle rental company that is in the business of providing primarily private motor vehicles to the public  
110 under a rental agreement for a period of less than six months, and receives no direct or indirect  
111 commission from the insurer, the renter or the vehicle rental company.

112 "Motor vehicle rental contract insurance agent" means a person who (i) is a selling agent of a motor  
113 vehicle rental company that is in the business of providing primarily private passenger motor vehicles to  
114 the public under a rental agreement for a period of less than six months and (ii) whose license in this  
115 Commonwealth is restricted to selling, soliciting, or negotiating only the following insurance coverages,  
116 and solely in connection with and incidental to the rental contract:

117 1. Personal accident insurance which provides benefits in the event of accidental death or injury  
118 occurring during the rental period;

119 2. Liability coverage sold to the renter in excess of the rental company's obligations under  
120 §§ 38.2-2204, 38.2-2205, or Title 46.2, as applicable;

121 3. Personal effects insurance which provides coverages for the loss of or damage to the personal

effects of the renter and other vehicle occupants while such personal effects are in or upon the rental vehicle during the rental period;

4. Roadside assistance and emergency sickness protection programs; and

5. Other travel-related or vehicle-related insurance coverage that a motor vehicle rental company offers in connection with and incidental to the rental of vehicles.

The term "motor vehicle rental contract insurance agent" does not include motor vehicle rental contract enrollers.

"Mutual assessment life and health insurance authority" means the authority in this Commonwealth to sell, solicit, or negotiate mutual assessment life and accident and sickness insurance on behalf of insurers licensed under Chapter 39 (§ 38.2-3900 et seq.) of this title, but only to the extent permitted under § 38.2-3919.

"Mutual assessment property and casualty insurance authority" means the authority in this Commonwealth to sell, solicit, or negotiate mutual assessment property and casualty insurance on behalf of insurers licensed under Chapter 25 (§ 38.2-2500 et seq.) of this title, but only to the extent permitted under § 38.2-2525.

"NAIC" means the National Association of Insurance Commissioners.

"Negotiate" means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.

"Ocean marine insurance authority" means the authority in this Commonwealth to sell, solicit, or negotiate those classes of insurance classified in § 38.2-126, except those classes specifically classified as inland marine insurance, on behalf of insurers licensed in this Commonwealth.

"Optometric services authority" means the authority in this Commonwealth to sell, solicit, or negotiate optometric services plan contracts on behalf of optometric services plans licensed under Chapter 45 (§ 38.2-4500 et seq.) of this title.

"Personal lines agent" means an agent licensed in this Commonwealth to sell, solicit, or negotiate insurance as defined in §§ 38.2-110 through 38.2-114, 38.2-116, 38.2-117, 38.2-118, 38.2-124, 38.2-125, 38.2-126, 38.2-129, 38.2-130, and 38.2-131 for transactions involving insurance primarily for personal, family, or household needs rather than for business or professional needs.

"Pet accident, sickness and hospitalization insurance authority" means the authority in this Commonwealth to sell, solicit, or negotiate pet accident, sickness and hospitalization insurance on behalf of insurers licensed in this Commonwealth.

"Property and casualty insurance agent" means an agent licensed in this Commonwealth to sell, solicit, or negotiate both personal and commercial lines of insurance as defined in §§ 38.2-110 through 38.2-122.2, and §§ 38.2-124 through 38.2-134 on behalf of insurers licensed in this Commonwealth.

"Resident" means (i) an individual residing in Virginia; (ii) an individual residing outside of Virginia whose principal place of business is in Virginia, who is able to demonstrate to the satisfaction of the Commission that the laws of his home state prevent him from obtaining a resident agent license in that state, and who affirmatively chooses to qualify as and be treated as a resident of Virginia for purposes of licensing and continuing education, both in Virginia and in the state in which the individual resides, if applicable; (iii) a partnership duly formed and recorded in Virginia; (iv) a corporation incorporated and existing under the laws of Virginia; (v) a limited liability company organized and existing under the laws of Virginia; or (vi) a foreign business entity that is not licensed as a resident agent in any other jurisdiction, and that demonstrates to the satisfaction of the Commission that its principal place of business is within the Commonwealth of Virginia.

"Restricted nonresident health agent" means a nonresident agent whose license authority in his home state does not include all of the authority granted under a health agent license in Virginia. The license issued to such agent shall authorize the agent to sell, solicit, or negotiate in Virginia, on behalf of insurers licensed in Virginia, only those kinds or classes of insurance for which the agent is authorized in his home state.

"Restricted nonresident life and annuities agent" means a nonresident agent whose license authority in his home state does not include all of the authority granted under a life and annuities agent license in Virginia. The license issued to such agent shall authorize the agent to sell, solicit, or negotiate in Virginia, on behalf of insurers licensed in Virginia, only those kinds or classes of insurance for which the agent is authorized in his home state.

"Restricted nonresident personal lines agent" means a nonresident agent whose license authority in his home state does not include all of the authority granted under a personal lines agent license in Virginia. The license issued to such agent shall authorize the agent to sell, solicit, or negotiate in Virginia, on behalf of insurers licensed in Virginia, only those kinds or classes of insurance for which the agent is authorized in his home state.

183 "Restricted nonresident property and casualty agent" means a nonresident agent whose license  
184 authority in his home state does not include all of the authority granted under a property and casualty  
185 agent license in Virginia. The license issued to such agent shall authorize the agent to sell, solicit, or  
186 negotiate in Virginia, on behalf of insurers licensed in Virginia, only those kinds or classes of insurance  
187 for which the agent is authorized in his home state.

188 "Sell" means to exchange a contract of insurance by any means, for money or its equivalent, on  
189 behalf of an insurer.

190 "Settlement agent" means a person licensed as a title insurance agent and registered with the Virginia  
191 State Bar pursuant to Chapter 1.3 (§ 6.1-2.19 et seq.) of Title 6.1.

192 "Solicit" means attempting to sell insurance or asking or urging a person to apply for a particular  
193 class of insurance from one or more insurers.

194 "Surplus lines broker" means a person licensed pursuant to Article 5.1 (§ 38.2-1857.1 et seq.) of this  
195 chapter, and who is thereby authorized to engage in the activities set forth in Chapter 48 (§ 38.2-4800 et  
196 seq.) of this title.

197 "Terminate" means the cancellation of the relationship between an insurance producer and the  
198 insurer, or the termination of an insurance producer's authority to transact insurance.

199 "Title insurance agent" means an agent licensed in this Commonwealth to sell, solicit, or negotiate  
200 title insurance, and performing all of the services set forth in § 38.2-4601.1, on behalf of title insurance  
201 companies licensed under Chapter 46 (§ 38.2-4600 et seq.) of this title.

202 "Travel accident insurance authority" means the authority in this Commonwealth to sell, solicit, or  
203 negotiate travel accident insurance to individuals on behalf of insurers licensed in this Commonwealth.

204 "Travel baggage insurance authority" means the authority in this Commonwealth to sell, solicit, or  
205 negotiate travel baggage insurance to individuals on behalf of insurers licensed in this Commonwealth.

206 "Variable contract agent" means an agent licensed in this Commonwealth to sell, solicit, or negotiate  
207 variable life insurance and variable annuity contracts on behalf of insurers licensed in this  
208 Commonwealth.

209 "Viatical settlement broker" means a person licensed pursuant to *Chapter 60* (§ 38.2-6000 et seq.) of  
210 *this title, in accordance with* Article 6.1 (§ 38.2-1865.1 et seq.) of this chapter, and who is thereby  
211 authorized to engage in the activities set forth in Chapter ~~57~~ (§ ~~38.2-5700 et seq.~~) *60* of this title.

212 "Uniform Business Entity Application" means the current version of the NAIC Uniform Business  
213 Entity Application for resident and nonresident business entities.

214 "Uniform Application" means the current version of the NAIC Uniform Application for resident and  
215 nonresident producer licensing.

216 § 38.2-1865.1. License required for viatical settlement brokers; Commission's authority; conditions.

217 A. No person shall act as a viatical settlement broker, or solicit a viatical settlement contract while  
218 acting as a viatical settlement broker, on or after January 1, 1998, without first obtaining a license from  
219 the Commission.

220 B. *A resident or nonresident life and annuities insurance agent shall not be prohibited from*  
221 *obtaining a license, and subsequently acting as, a viatical settlement broker. Such licensed life and*  
222 *annuities agent applying for a license as a viatical settlement broker shall comply with all provisions of*  
223 *this chapter.*

224 C. Application for a viatical settlement broker's license shall be made to the Commission in the  
225 manner, in the form, and accompanied by the nonrefundable license processing fee prescribed by the  
226 Commission.

227 ~~€~~ D. A business entity acting as a viatical settlement broker is required to obtain a viatical settlement  
228 broker license. In addition to the other requirements in this section, and before approving the  
229 application, the Commission shall find that:

230 1. The business entity has paid the fee set forth in this section;

231 2. The business entity has filed the appropriate documents, as follows:

232 a. A domestic corporation shall have filed its articles of incorporation with the clerk of the  
233 Commission, and shall have been issued a charter by the Commission;

234 b. A domestic limited liability company shall have filed its articles of organization with the clerk of  
235 the Commission, and shall have been issued a certificate of organization by the Commission;

236 c. A domestic limited partnership shall have applied for and received a certificate of limited  
237 partnership from the clerk of the Commission;

238 d. A domestic partnership shall have filed its partnership agreement with the clerk of the appropriate  
239 court; and

240 e. A foreign partnership, limited partnership, limited liability company or corporation shall have  
241 complied with the requirements of § 38.2-1865.4; and

242 3. The business entity has designated a licensed ~~producer~~ *viatical settlement broker as the individual*  
243 *responsible for the business entity's compliance with the insurance and other laws of this title, and*  
244 *related rules and regulations of this Commonwealth.*

245 D E. The Commission may require any documents reasonably necessary to verify the information  
246 contained in an application.

247 E F. Except where prohibited by state or federal law, by submitting an application for license, the  
248 applicant shall be deemed to have appointed the clerk of the Commission as the agent for service of  
249 process on the applicant in any action or proceeding arising in this Commonwealth out of or in  
250 connection with the exercise of the license. Such appointment of the clerk of the Commission as agent  
251 for service of process shall be irrevocable during the period within which a cause of action against the  
252 applicant may arise out of transactions with respect to subjects of insurance in this Commonwealth.  
253 Service of process on the clerk of the Commission shall conform to the provisions of Chapter 8  
254 (§ 38.2-800 et seq.) of this title.

255 F G. The license processing fee required by this section shall be collected by the Commission, paid  
256 directly into the state treasury, and credited to the "Bureau of Insurance Special Fund - State  
257 Corporation Commission" for the maintenance of the Bureau of Insurance as provided in subsection B  
258 of § 38.2-400.

259 G H. Before June 1 of each year, each viatical settlement broker shall remit the nonrefundable  
260 renewal fee and renewal application prescribed by the Commission for the renewal of the license  
261 effective July 1 of that year.

262 H I. Viatical settlement broker's licenses may be renewed for a one-year period ending on the  
263 following June 30 if the required renewal application and renewal fee have been received by the  
264 Commission on or before June 1, and the license has not been terminated, suspended or revoked on or  
265 before June 30.

266 I J. The renewal fee required by this section shall be collected by the Commission, paid directly into  
267 the state treasury, and credited to the "Bureau of Insurance Special Fund - State Corporation  
268 Commission" for the maintenance of the Bureau of Insurance as provided in subsection B of § 38.2-400.

269 J K. Each applicant for a viatical settlement broker's license shall provide satisfactory evidence that  
270 no disciplinary action has resulted in the suspension or revocation of any federal or state license  
271 pertaining to the business of viatical settlements or to the insurance or other financial services business.

272 K L. In the absence of a written agreement making the broker the viator's agent, viatical settlement  
273 brokers are presumed to be agents of viatical settlement providers.

274 L M. A viatical settlement broker shall not, without the written agreement of the viator obtained  
275 before performing any services in connection with a viatical settlement, seek or obtain any compensation  
276 from the viator.

## 277 CHAPTER 60. 278 VIATICAL SETTLEMENTS ACT.

279 § 38.2-6000. *Definitions.*

280 *As used in this chapter:*

281 "Advertising" means any written, electronic, or printed communication or any communication by  
282 means of recorded telephone messages or transmitted on radio, television, the Internet, or similar  
283 communications media, including film strips, motion pictures, and videos published, disseminated,  
284 circulated or placed before the public, directly or indirectly, for the purpose of creating an interest in or  
285 inducing a person to sell a life insurance policy pursuant to a viatical settlement contract.

286 "Business of viatical settlements" means an activity involved in, but not limited to, the offering,  
287 solicitation, negotiation, procurement, effectuation, purchasing, investing, financing, monitoring,  
288 tracking, underwriting, selling, transferring, assigning, pledging, or hypothecating in any other manner,  
289 of viatical settlement contracts or purchase agreements.

290 "Chronically ill" means (i) being unable to perform at least two activities of daily living, which shall  
291 include eating, toileting, transferring, bathing, dressing or continence, (ii) requiring substantial  
292 supervision by another person to protect the individual from threats to health and safety due to severe  
293 cognitive impairment, or (iii) having a level of disability similar to that described in clause (i) as  
294 determined by the federal Secretary of Health and Human Resources.

295 "Financing entity" means an underwriter, placement agent, lender, purchaser of securities, purchaser  
296 of a policy or certificate from a viatical settlement provider, credit enhancer, or any entity that has a  
297 direct ownership in a policy or certificate that is the subject of a viatical settlement contract, but whose  
298 principal activity related to the transaction is providing funds to effect the viatical settlement or  
299 purchase of one or more viaticated policies and who has an agreement in writing with one or more  
300 licensed viatical settlement providers to finance the acquisition of viatical settlement contracts.  
301 Financing entity does not include a non-accredited investor or viatical settlement purchaser.

302 "Fraudulent viatical settlement act" includes:

303 1. Acts or omissions committed by any person who, knowingly or with intent to defraud, for the  
304 purpose of depriving another of property or for pecuniary gain, commits or permits its employees or its  
305 agents to engage in acts including:

306 a. Presenting, causing to be presented or preparing with knowledge or belief that it will be presented  
307 to or by a viatical settlement provider, viatical settlement broker, viatical settlement purchaser, financing  
308 entity, insurer, insurance producer, or any other person, false material information, or concealing  
309 material information, as part of, in support of, or concerning a fact material to one or more of the  
310 following: (i) an application for the issuance of a viatical settlement contract or insurance policy; (ii)  
311 the underwriting of a viatical settlement contract or insurance policy; (iii) a claim for payment or  
312 benefit pursuant to a viatical settlement contract or insurance policy; (iv) premiums paid on an  
313 insurance policy; (v) payments and changes in ownership or beneficiary made in accordance with the  
314 terms of a viatical settlement contract, or insurance policy; (vi) the reinstatement or conversion of an  
315 insurance policy; (vii) in the solicitation, offer, effectuation or sale of a viatical settlement contract or  
316 insurance policy; (viii) the issuance of written evidence of a viatical settlement contract or insurance  
317 policy; or (ix) a financing transaction;

318 b. Employing any device, scheme, or artifice to defraud related to viaticated policies;

319 2. In the furtherance of a fraud or to prevent the detection of a fraud any person commits or permits  
320 its employees or its agents to: (i) remove, conceal, alter, destroy, or sequester from the Commission the  
321 assets or records of a licensee or other person engaged in the business of viatical settlements; (ii)  
322 misrepresent or conceal the financial condition of a licensee, financing entity, insurer, or other person;  
323 (iii) transact the business of viatical settlements in violation of laws requiring a license, certificate of  
324 authority, or other legal authority for the transaction of the business of viatical settlements; or (iv) file  
325 with the Commission or the chief insurance regulatory official of another jurisdiction a document  
326 containing false information or otherwise conceals information about a material fact from the  
327 Commission;

328 3. Embezzlement, theft, misappropriation or conversion of monies, funds, premiums, credits, or other  
329 property of a viatical settlement provider, insurer, insured, viator, insurance policyowner, or any other  
330 person engaged in the business of viatical settlements or insurance;

331 4. Recklessly entering into, brokering, or otherwise dealing in a viatical settlement contract, the  
332 subject of which is a life insurance policy that was obtained by presenting false information concerning  
333 any fact material to the policy or by concealing, for the purpose of misleading another, information  
334 concerning any fact material to the policy, where the viator or the viator's agent intended to defraud the  
335 policy's issuer. "Recklessly" means engaging in the conduct in conscious and clearly unjustifiable  
336 disregard of a substantial likelihood of the existence of the relevant facts or risks, such disregard  
337 involving a gross deviation from acceptable standards of conduct; or

338 5. Attempting to commit, assisting, aiding or abetting in the commission of, or conspiracy to commit  
339 the acts or omissions specified in this subsection.

340 "Licensee under this chapter" means a person licensed by the Commission as a viatical settlement  
341 provider or viatical settlement broker.

342 "NAIC" means National Association of Insurance Commissioners.

343 "Policy" means an individual or group policy, group certificate, contract or arrangement of life  
344 insurance affecting the rights of a resident of this Commonwealth or bearing a reasonable relation to  
345 this Commonwealth, regardless of whether delivered or issued for delivery in this Commonwealth.

346 "Related provider trust" means a titling trust or other trust established by a licensed viatical  
347 settlement provider or a financing entity for the sole purpose of holding the ownership or beneficial  
348 interest in purchased policies in connection with a financing transaction. The trust shall have a written  
349 agreement with the licensed viatical settlement provider under which the licensed viatical settlement  
350 provider is responsible for ensuring compliance with all statutory and regulatory requirements and  
351 under which the trust agrees to make all records and files related to viatical settlement transactions  
352 available to the Commission as if those records and files were maintained directly by the licensed  
353 viatical settlement provider.

354 "Special purpose entity" means a corporation, partnership, trust, limited liability company, or other  
355 similar entity formed solely to provide either directly or indirectly access to institutional capital markets  
356 for a financing entity or licensed viatical settlement provider.

357 "Terminally ill" means having an illness or sickness that can reasonably be expected to result in  
358 death in 24 months or less.

359 "Viatical settlement broker" means a person that on behalf of another and for a fee, commission or  
360 other valuable consideration introduces viators to viatical settlement providers, or offers or attempts to  
361 negotiate viatical settlement contracts between a viator and one or more viatical settlement providers. A  
362 viatical settlement broker may act as agent for a viatical settlement provider or on behalf of the viator,  
363 provided that a viatical settlement broker shall not be deemed to act exclusively for the viator unless,  
364 pursuant to written agreement between the parties, the broker agrees (i) to disclose fully all interests in  
365 the viatical settlement contract and relationships with the viatical settlement provider, including its  
366 affiliates and appointed or contracted agents, and (ii) that compensation for services as a viatical  
367 settlement broker shall be paid directly and only by the viator. The term does not include an attorney,

certified public accountant, or a financial planner accredited by a nationally recognized accreditation agency, who is retained to represent the viator and whose compensation is not paid directly or indirectly by the viatical settlement provider or viatical settlement purchaser.

"Viatical settlement contract" means a written agreement establishing the terms under which compensation or anything of value will be paid, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the viator's assignment, transfer, sale, devise or bequest of the death benefit or ownership of any portion of the insurance policy or certificate of insurance. A viatical settlement contract also includes a contract for a loan or other financing transaction with a viator secured primarily by an individual or group life insurance policy, other than a loan by a life insurance company pursuant to the terms of the life insurance contract, or a loan secured by the cash value of a policy. A viatical settlement contract includes an agreement with a viator to transfer ownership or change the beneficiary designation at a later date regardless of the date that compensation is paid to the viator. "Viatical settlement contracts" do not include accelerated benefits provisions contained in life insurance policies, whether issued with the original policy or as a rider, according to the regulations promulgated by the Commission.

"Viatical settlement provider" means a person, other than a viator, that enters into or effectuates a viatical settlement contract. Viatical settlement provider does not include: (i) a bank, savings bank, savings and loan association, credit union, or other licensed lending institution that takes an assignment of a life insurance policy as collateral for a loan; (ii) the issuer of a life insurance policy providing accelerated benefits under § 38.2-3115.1 and pursuant to the contract; (iii) an authorized or eligible insurer that provides stop loss coverage to a viatical settlement provider, viatical settlement purchaser, financing entity, special purpose entity or related provider trust; (iv) a natural person who enters into or effectuates no more than one agreement in a calendar year for the transfer of life insurance policies for any value less than the expected death benefit; (v) a financing entity; (iv) a special purpose entity; (vii) a related provider trust; (viii) a viatical settlement purchaser; or (ix) an accredited investor or qualified institutional buyer as defined respectively in Regulation D, Rule 501 or Rule 144A of the Federal Securities Act of 1933, as amended, and who purchases a viaticated policy from a viatical settlement provider and does not communicate with the viator or insured who is a resident of this Commonwealth except through a licensee under this chapter.

"Viatical settlement purchaser" means a person who gives a sum of money as consideration for a life insurance policy or an interest in the death benefits of a life insurance policy, or a person who owns or acquires or is entitled to a beneficial interest in a trust that owns a viatical settlement contract or is the beneficiary of a life insurance policy that has been or will be the subject of a viatical settlement contract, for the purpose of deriving an economic benefit. Viatical settlement purchaser does not include (i) a licensee under this chapter; (ii) an accredited investor or qualified institutional buyer as defined respectively in Regulation D, Rule 501 or Rule 144A of the Federal Securities Act of 1933, as amended; (iii) a financing entity; (iv) a special purpose entity; or (v) a related provider trust.

"Viaticated policy" means a life insurance policy or certificate that has been acquired by a viatical settlement provider pursuant to a viatical settlement contract.

"Viator" means the owner of a life insurance policy or a certificate holder under a group policy who enters or seeks to enter into a viatical settlement contract. For the purposes of this chapter and the application of Article 6.1 (§ 38.2-1865.1 et seq.) of Chapter 18 of this title, a viator shall not be limited to an owner of a life insurance policy or a certificate holder under a group policy insuring the life of an individual with a terminal or chronic illness except where specifically addressed. Viator does not include (i) a licensee under this chapter; (ii) an accredited investor or qualified institutional buyer as defined respectively in Regulation D, Rule 501 or Rule 144A of the Federal Securities Act of 1933, as amended; (iii) a financing entity; (iv) a special purpose entity; or (v) a related provider trust.

§ 38.2-6001. Viatical settlement brokers.

No person shall act as a viatical settlement broker with a resident of this Commonwealth without first obtaining a license from the Commission in accordance with Article 6.1 (§ 38.2-1865.1 et seq.) of Chapter 18 of this title. If there is more than one viator on a single policy, and the viators are residents of different states, the viatical settlement broker shall be required to hold a license in the state in which the viator having the largest percentage resides or, if the viators hold equal ownership, the viatical settlement broker shall be required to hold a license in the state of residence of one viator agreed upon in writing by all the viators.

§ 38.2-6002. Viatical settlement providers, license requirements.

A. No person shall act as a viatical settlement provider with a resident of this Commonwealth without first obtaining a license from the Commission.

1. A person seeking to be licensed as a viatical settlement provider in this Commonwealth shall apply for such license in a form acceptable to the Commission and shall pay to the Commission a nonrefundable application fee in an amount prescribed by the Commission. On and after July 1, 2003,

429 such fee shall be not less than \$300 and not more than \$1,500. The application fee required by this  
430 subdivision shall be collected by the Commission, paid directly into the state treasury, and credited to  
431 the "Bureau of Insurance Special Fund - State Corporation Commission" for the maintenance of the  
432 Bureau of Insurance as provided in subsection B of § 38.2-400.

433 2. A license issued anytime prior to July 1, 2004, shall expire on June 30, 2004, unless renewed as  
434 set forth herein.

435 3. On or before March 1 of each year commencing March 1, 2004, a licensed viatical settlement  
436 provider shall remit a renewal application form and nonrefundable renewal fee in the form and amount  
437 prescribed by the Commission. Such fee shall be not less than \$300 and not more than \$1,500. The  
438 renewal fee required by this subdivision shall be collected by the Commission and paid directly into the  
439 state treasury and credited to the "Bureau of Insurance Special Fund - State Corporation Commission"  
440 for the maintenance of the Bureau of Insurance as provided in subsection B of § 38.2-400.

441 4. A viatical settlement provider's license expiring on June 30 may be renewed on July 1 for a  
442 one-year period ending on June 30 of the following year if the required renewal application and a  
443 nonrefundable renewal fee have been received and the license is not terminated, suspended, or revoked  
444 at the time of renewal. The renewal fee required by this subdivision shall be collected by the  
445 Commission and paid directly into the state treasury and credited to the "Bureau of Insurance Special  
446 Fund - State Corporation Commission" for the maintenance of the Bureau of Insurance as provided in  
447 subsection B of § 38.2-400.

448 B. The applicant shall provide information on forms required by the Commission. The Commission  
449 shall have authority, at any time, to require the applicant to disclose fully the identity of all  
450 stockholders, partners, officers, members, and employees, and the Commission may, in the exercise of  
451 the Commission's discretion, refuse to issue a license in the name of a legal entity if not satisfied that  
452 any officer, employee, stockholder, partner, or member thereof who may materially influence the  
453 applicant's conduct meets the standards of this chapter.

454 C. A license issued to a legal entity authorizes all partners, officers, members, and designated  
455 employees to act as the viatical settlement provider under the license, and all those persons shall be  
456 named in the application and any application supplements.

457 D. Upon the filing of an application and the payment of the nonrefundable application fee, the  
458 Commission shall make such investigation of each applicant as the Commission may determine to be  
459 appropriate and issue a license if it finds that the applicant: (i) has provided a detailed plan of  
460 operation; (ii) is competent and trustworthy; (iii) indicates its intention to act in good faith within the  
461 confines of the license; (iv) has a good business reputation; (v) if an individual, has had experience,  
462 training or education that qualifies him for licensure; (vi) if a resident partnership, limited liability  
463 company, or corporation, has recorded the existence of the partnership, limited liability company, or  
464 corporation pursuant to law; (vii) if a corporation, has specific authority to act as a viatical settlement  
465 provider in its charter; (viii) if a nonresident partnership, limited liability company, or corporation, has  
466 furnished proof of its authority to transact business in Virginia; and (ix) has provided an anti-fraud  
467 plan that meets the requirements of subdivision E 2 of § 38.2-6011.

468 E. If the applicant for a viatical settlement provider license is a nonresident, such applicant, as a  
469 condition precedent to receiving or holding a license, shall designate a resident of this Commonwealth  
470 as the person upon whom any process, notices, or order required or permitted by law to be served upon  
471 such nonresident viatical settlement provider may be served; and such licensee shall promptly notify the  
472 clerk of the Commission in writing of every change in its designated agent for service of process, and  
473 such change shall not become effective until acknowledged by the Commission. Whenever a nonresident  
474 viatical settlement provider transacting business in this Commonwealth fails to appoint or maintain a  
475 registered agent in this Commonwealth, or whenever its registered agent cannot with reasonable  
476 diligence be found at the registered office, the clerk of the Commission shall be an agent of the  
477 nonresident upon whom service may be made in accordance with § 12.1-19.1.

478 F. A licensed insurer shall be prohibited from transacting the business of a viatical settlement  
479 provider.

480 G. The Commission may suspend, revoke, refuse to issue, or refuse to renew the license of a viatical  
481 settlement provider if the Commission finds that the applicant or licensee has (i) made any material  
482 misrepresentation in the application; (ii) been guilty of fraudulent or dishonest practices; (iii) been  
483 subject to a final administrative action or has otherwise been shown to be untrustworthy or incompetent  
484 to act as a viatical settlement provider; (iv) demonstrated a pattern of unreasonable payments to  
485 viators; (v) been convicted of a felony or any misdemeanor involving fraud or moral turpitude; (vi)  
486 entered into any viatical settlement contract that has not been approved pursuant to this chapter; (vii)  
487 failed to honor contractual obligations set out in a viatical settlement contract; (viii) demonstrated or  
488 represented that it no longer meets the requirements for initial licensure; (ix) has assigned, transferred,  
489 or pledged a viaticated policy to a person other than a viatical settlement provider licensed in this  
490 Commonwealth, viatical settlement purchaser, an accredited investor, or qualified institutional buyer as



defined respectively in Regulation D, Rule 501 or Rule 144A of the Federal Securities Act of 1933, as amended, financing entity, special purpose entity, or related provider trust; (x) violated any provisions of this chapter or other applicable provisions of this title or has in its employ or organization any officer, partner, member, or key management personnel who has violated any provision of this chapter or other applicable provisions of this title; or (xi) has renewed or requested renewal of its license before implementing the anti-fraud initiatives required by subsection E of § 38.2-6011.

H. No applicant to whom a license is refused after a hearing, nor any licensee whose license is revoked, shall apply again for a license under this chapter until after the expiration of a period of 5 years from the date of the Commission's order, or such other period of time as the Commission prescribes in its order.

I. A viatical settlement provider shall be bonded as required by the Commission. Rules issued pursuant to § 38.2-6014 may identify other mechanisms for financial accountability.

§ 38.2-6003. Approval of viatical settlement contracts and disclosure statements.

A. A person shall not use a viatical settlement contract or provide to a viator a disclosure statement form in this Commonwealth unless filed with and approved by the Commission in accordance with procedures set forth in § 38.2-316. In the absence of more specific regulation or rules promulgated by the Commission for the business of viatical settlements, standards and requirements of general application set forth in § 38.2-316 and rules promulgated thereunder shall be deemed applicable to viatical settlement contracts and disclosure statement forms, required by this chapter.

B. At the Commission's discretion, the Commission may require the submission of advertising material used or intended for use in this Commonwealth.

§ 38.2-6004. Reporting requirements.

A. Each licensee under this chapter shall file with the Commission on or before March 1 of each year the certification required by subsection E of § 38.2-6011 and an annual report containing such information as the Commission may prescribe by rule or regulation; however, such information shall be limited to only those transactions where the viator is a resident of this Commonwealth.

B. A viatical settlement provider shall report in writing to the Commission the following:

1. New or revised information about its officers, stockholders owning 10 percent or greater interest in the licensee or an affiliate of the licensee, partners, directors, members, or designated employees within 30 calendar days of the change;

2. Any change in business or residence address or name within 30 calendar days of the change.

C. A licensed viatical settlement provider convicted of a felony shall report within 30 calendar days to the Commission the facts and circumstances regarding the criminal conviction.

§ 38.2-6005. Privacy.

Except as otherwise allowed or required by law, a viatical settlement provider, viatical settlement 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 that identity as an insured, or the insured's financial or medical information to any other person unless the disclosure:

1. Is necessary to effect a viatical settlement between the viator and a viatical settlement provider and the viator and insured have provided prior written consent to the disclosure;

2. Is provided in response to an investigation or examination by the Commission or another governmental agency or officer or pursuant to the requirements of subsection C of § 38.2-6011;

3. Is a term of or condition to the transfer of a policy by one viatical settlement provider to another viatical settlement provider;

4. Is necessary to permit a financing entity, related provider trust, or special purpose entity to finance the purchase of policies by a viatical settlement provider and the viator and insured have provided prior written consent to the disclosure;

5. Is necessary to allow the viatical settlement provider or viatical settlement broker or their authorized representatives to make contacts for the purpose of determining health status; or

6. Is required to purchase stop loss coverage.

§ 38.2-6006. Examinations; record retention; investigations.

A. Viatical settlement providers, viatical settlement brokers, and persons seeking a license under this title to transact the business of viatical settlements in this Commonwealth shall be subject to examination by the Commission pursuant to Article 4 (§ 38.2-1317 et seq.) of Chapter 13 of this title. For purposes of completing such examination, the Commission may examine or investigate any person, or the business of any person, in so far as the examination or investigation is, in the sole discretion of the Commission, necessary or material to the examination of a licensee.

B. A person required to be licensed by this chapter shall for 5 years retain copies of (i) all proposed, offered or executed contracts, purchase agreements, underwriting documents, policy forms, and applications from the date of the proposal, offer or execution of the contract or purchase agreement, whichever is later; (ii) all checks, drafts or other evidence and documentation related to the

552 payment, transfer, deposit, or release of funds from the date of the transaction; and (iii) all other  
553 records and documents related to the requirements of this chapter or Article 6.1 (§ 38.2-1865.1 et seq.)  
554 of Chapter 18 of this title. This section does not relieve a person of the obligation to produce these  
555 documents to the Commission after the retention period has expired if the person has retained the  
556 documents. Records required to be retained by this section must be legible and complete and may be  
557 retained in paper, photograph, microprocess, magnetic, mechanical, or electronic media, or by any  
558 process that accurately reproduces or forms a durable medium for the reproduction of a record.

559 C. The Commission may investigate suspected fraudulent viatical settlement acts and persons  
560 engaged or alleged to be engaged in the business of viatical settlements.

561 § 38.2-6007. Disclosure.

562 A. Before asking a viator or insured to sign any document, a licensee under this chapter shall  
563 provide the respective viator or insured, or both, with a copy of the disclosure document described in  
564 this subsection. The viatical settlement provider or viatical settlement broker shall provide the viator  
565 with an additional copy of the disclosures, with the application, no later than the time the application  
566 for the viatical settlement contract is signed by all parties. The disclosures shall be provided in a  
567 separate document that is signed by the viator and the viatical settlement provider or viatical settlement  
568 broker, and shall provide the following information:

569 1. There are possible alternatives to viatical settlement contracts including any accelerated death  
570 benefits or policy loans offered under the viator's life insurance policy.

571 2. Some or all of the proceeds of the viatical settlement may be taxable under federal income tax  
572 and state franchise and income taxes, and assistance should be sought from a professional tax advisor.

573 3. Proceeds of the viatical settlement could be subject to the claims of creditors.

574 4. Receipt of the proceeds of a viatical settlement may adversely affect the viator's eligibility for  
575 Medicaid or other government benefits or entitlements, and advice should be obtained from the  
576 appropriate government agencies.

577 5. The viator has the right to rescind a viatical settlement contract for 15 calendar days after the  
578 receipt of the viatical settlement proceeds by the viator, as provided in subsection C of § 38.2-6008. If  
579 the insured dies during the rescission period, the settlement contract shall be deemed to have been  
580 rescinded, subject to repayment of all viatical settlement proceeds and any premiums, loans, and loan  
581 interest to the viatical settlement provider or viatical settlement purchaser.

582 6. Funds will be sent to the viator within 3 business days after the viatical settlement provider has  
583 received the insurer's or group administrator's acknowledgment that ownership of the policy or interest  
584 in the certificate has been transferred and the beneficiary has been designated.

585 7. Entering into a viatical settlement contract may cause other rights or benefits, including  
586 conversion rights and waiver of premium benefits that may exist under the policy or certificate, to be  
587 forfeited by the viator. Assistance should be sought from a financial adviser.

588 8. Disclosure to a viator shall include distribution of a brochure describing the process of viatical  
589 settlements. The NAIC's form for the brochure shall be used unless one is developed by the Commission.

590 9. The disclosure document shall contain the following language: "All medical, financial, or personal  
591 information solicited or obtained by a viatical settlement provider or viatical settlement broker about an  
592 insured, including the insured's identity or the identity of family members, a spouse, or a significant  
593 other may be disclosed as necessary to effect the viatical settlement between the viator and the viatical  
594 settlement provider. If you are asked to provide this information, you will be asked to consent to the  
595 disclosure. The information may be provided to someone who buys the policy or provides funds for the  
596 purchase. You may be asked to renew your permission to share information every two years."

597 10. The insured may be contacted by either the viatical settlement provider or broker or its  
598 authorized representative for the purpose of determining the insured's health status. This contact is  
599 limited to once every three months if the insured has a life expectancy of more than one year, and no  
600 more than once per month if the insured has a life expectancy of one year or less.

601 B. A viatical settlement provider shall provide the viator with at least the following disclosures no  
602 later than the date the viatical settlement contract is signed by all parties. The disclosures shall be  
603 conspicuously displayed in the viatical settlement contract or in a separate document signed by the  
604 viator and the viatical settlement provider or viatical settlement broker, and provide the following  
605 information:

606 1. The affiliation, if any, between the viatical settlement provider and the issuer of the insurance  
607 policy to be viaticated;

608 2. The name, address, and telephone number of the viatical settlement provider;

609 3. The dollar amount of the current death benefit payable to the viatical settlement provider under  
610 the policy or certificate. If known, the viatical settlement provider shall also disclose the availability of  
611 any additional guaranteed insurance benefits, the dollar amount of any accidental death and  
612 dismemberment benefits under the policy or certificate, and the viatical settlement provider's interest in  
613 those benefits;

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

5. If an insurance policy to be viaticated has been issued as a joint policy or involves family riders or any coverage of a life other than the insured under the policy to be viaticated, the viator shall be informed of the possible loss of coverage on the other lives under the policy and shall be advised to consult with his insurance producer or the insurer issuing the policy for advice on the proposed viatical settlement.

C. If the provider transfers ownership or changes the beneficiary of the insurance policy, the provider shall communicate the change in ownership or beneficiary to the insured within 20 days after the change.

§ 38.2-6008. General rules.

A. A viatical settlement provider entering into a viatical settlement contract shall:

1. First obtain:

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

b. A document in which the insured consents to the release of his medical records to a viatical settlement provider, viatical settlement broker, and the insurance company that issued the life insurance policy covering the life of the insured. The consent for the release of medical records shall only be obtained for the insurance company if the life insurance policy covering the insured was issued within 48 months of the date of the viator's application for the viatical settlement contract.

2. Within 20 days after a viator executes documents necessary to transfer any rights under an insurance policy or within 20 days of entering any agreement, option, promise or any other form of understanding, expressed or implied, to viaticate the policy, the viatical settlement provider shall give written notice to the insurer that issued that insurance policy that the policy has or will become a viaticated policy. The notice shall be accompanied by the documents required by subdivision 3.

3. The viatical settlement provider shall deliver a copy of the medical release required under subdivision 1 b of this subsection, a copy of the viator's application for the viatical settlement contract, the notice required under subdivision 2, and a request for verification of coverage to the insurer that issued the life policy that is the subject of the viatical transaction. The verification form adopted by the NAIC shall be used unless standards for verification are developed by the Commission.

4. The insurer shall respond to a request for verification of coverage submitted on an approved form by a viatical settlement provider not later than 30 calendar days after the date the request is received. The insurer shall complete and issue the verification of coverage to the viatical settlement provider or, in its response, the insurer shall indicate whether, based on the medical evidence and documents provided, the insurer intends to pursue an investigation regarding possible fraud or the validity of the insurance contract.

5. Prior to or at the time of execution of the viatical settlement contract, the viatical settlement provider shall obtain a witnessed document in which the viator consents to the viatical settlement contract, represents that the viator has a full and complete understanding of the viatical settlement contract, that he has a full and complete understanding of the benefits of the life insurance policy, acknowledges that he is entering into the viatical settlement contract freely and voluntarily and, for persons who are chronically or terminally ill, acknowledges that the insured has a terminal or chronic illness and that the terminal or chronic illness or condition was diagnosed after the life insurance policy was issued.

6. If a viatical settlement broker performs any of these activities required of the viatical settlement provider, the provider is deemed to have fulfilled the requirements of this section.

B. All medical information solicited or obtained by any licensee shall be subject to the applicable provisions of state law relating to privacy or confidentiality of medical information.

C. All viatical settlement contracts entered into in this Commonwealth shall provide the viator with an unconditional right to rescind the contract for at least 15 calendar days from the receipt of the viatical settlement proceeds. If the insured dies during the rescission period, the viatical settlement contract shall be deemed to have been rescinded, subject to repayment to the viatical settlement provider or purchaser of all viatical settlement proceeds, and any premiums, loans, and loan interest that have been paid by the viatical settlement provider or purchaser.

D. The viatical settlement provider shall instruct the viator to send the executed documents required to effect the change in ownership, assignment or change in beneficiary directly to the independent escrow agent. Within three business days after the date the escrow agent receives the documents, or from the date the viatical settlement provider receives the documents, if the viator erroneously provides the documents directly to the provider, the provider shall pay or transfer the proceeds of the viatical

675 settlement into an escrow or trust account maintained in a state or federally-chartered financial  
676 institution whose deposits are insured by the Federal Deposit Insurance Corporation. Upon payment of  
677 the settlement proceeds into the escrow account, the escrow agent shall deliver the original change in  
678 ownership, assignment, or change in beneficiary forms to the viatical settlement provider or related  
679 provider trust. Upon the escrow agent's receipt of the acknowledgment of the properly completed  
680 transfer of ownership, assignment, or designation of beneficiary from the insurance company, the escrow  
681 agent shall pay the settlement proceeds to the viator.

682 E. Failure to tender consideration to the viator for the viatical settlement contract within the time  
683 disclosed pursuant to subdivision A 6 of § 38.2-6007 renders the viatical settlement contract voidable by  
684 the viator for lack of consideration until the time consideration is tendered to and accepted by the  
685 viator.

686 F. Contacts with the insured for the purpose of determining the health status of the insured by the  
687 viatical settlement provider or viatical settlement broker after the viatical settlement has occurred shall  
688 only be made by the viatical settlement provider or broker licensed in this Commonwealth or its  
689 authorized representatives and shall be limited to once every 3 months for insureds with a life  
690 expectancy of more than one year, and to no more than once per month for insureds with a life  
691 expectancy of one year or less. The provider or broker shall explain the procedure for these contacts at  
692 the time the viatical settlement contract is entered into. The limitations set forth in this subsection shall  
693 not apply to any contacts with an insured for reasons other than determining the insured's health status.  
694 Viatical settlement providers and viatical settlement brokers shall be responsible for the actions of their  
695 authorized representatives.

696 § 38.2-6009. Prohibited practices.

697 A. It is a violation of this chapter for any person to enter into a viatical settlement contract within a  
698 two-year period commencing with the date of issuance of the insurance policy or certificate unless the  
699 viator certifies to the viatical settlement provider that one or more of the following conditions have been  
700 met within the two-year period:

701 1. The policy was issued upon the viator's exercise of conversion rights arising out of a group or  
702 individual policy, provided the total of the time covered under the conversion policy plus the time  
703 covered under the prior policy is at least 24 months. The time covered under a group policy shall be  
704 calculated without regard to any change in insurance carriers, provided the coverage has been  
705 continuous and under the same group sponsorship;

706 2. The viator submits independent evidence to the viatical settlement provider that one or more of the  
707 following conditions have been met within the two-year period:

708 a. The insured is terminally or chronically ill or

709 b. The viator or insured disposes of his ownership interests in a closely held corporation pursuant to  
710 terms of a buyout or other similar agreement in effect at the time the insurance policy was initially  
711 issued.

712 B. Copies of the certifications and independent evidence required by this subsection and documents  
713 required by subsection A of § 38.2-6008 shall be submitted to the insurer when the viatical settlement  
714 provider submits a request to the insurer for verification of coverage. The copies shall be accompanied  
715 by a letter of attestation from the viatical settlement provider that the copies are true and correct copies  
716 of the documents received by the viatical settlement provider.

717 § 38.2-6010. Advertising for viatical settlements.

718 A. This section shall apply to any advertising of viatical settlement contracts, or related products or  
719 services intended for dissemination in this Commonwealth, including Internet advertising viewed by  
720 persons located in this Commonwealth. Where disclosure requirements are established pursuant to  
721 federal regulation, this section shall be interpreted so as to minimize or eliminate conflict with federal  
722 regulation wherever possible.

723 B. Each licensee under this chapter shall establish and at all times maintain a system of control over  
724 the content, form and method of dissemination of all advertisements of its contracts, products, and  
725 services. All advertisements, regardless of by whom written, created, designed, or presented, shall be the  
726 responsibility of the licensee, as well as the individual who created or presented the advertisement. A  
727 system of control shall include regular routine notification, at least once a year, to agents and others  
728 authorized by the licensee who disseminates advertisements of the requirements and procedures for  
729 approval prior to the use of any advertisements not furnished by the licensee.

730 C. Advertisements shall be truthful and not misleading in fact or by implication. The form and  
731 content of an advertisement of a viatical settlement contract shall be sufficiently complete and clear so  
732 as to avoid deception. It shall not have the capacity or tendency to mislead or deceive. Whether an  
733 advertisement has the capacity or tendency to mislead or deceive shall be determined by the  
734 Commission from the overall impression that the advertisement may be reasonably expected to create  
735 upon a person of average education or intelligence within the segment of the public to which it is  
736 directed.

D. The information required to be disclosed under this section shall not be minimized, rendered obscure, or presented in an ambiguous fashion or intermingled with the text of the advertisement so as to be confusing or misleading.

1. An advertisement shall not omit material information or use words, phrases, statements, references, or illustrations if the omission or use has the capacity, tendency, or effect of misleading or deceiving viators, as to the nature or extent of any benefit, loss covered, premium payable, or state or federal tax consequence. The fact that the viatical settlement contract offered is made available for inspection prior to consummation of the sale, or an offer is made to refund the payment if the viator is not satisfied or that the viatical settlement contract includes a "free look" period that satisfies or exceeds legal requirements, does not remedy misleading statements.

2. An advertisement shall not use the name or title of a life insurance company or a life insurance policy unless the advertisement has been approved by the insurer.

3. An advertisement shall not state or imply that interest charged on an accelerated death benefit or a policy loan is unfair, inequitable, or in any manner an incorrect or improper practice.

4. The words "free," "no cost," "without cost," "no additional cost," "at no extra cost," or words of similar import shall not be used with respect to any benefit or service unless true. An advertisement may specify the charge for a benefit or a service or may state that a charge is included in the payment or use other appropriate language.

5. Testimonials, appraisals, or analysis used in advertisements must be genuine; represent the current opinion of the author; be applicable to the viatical settlement contract, product, or service advertised, if any; and be accurately reproduced with sufficient completeness to avoid misleading or deceiving prospective viators as to the nature or scope of the testimonials, appraisal, analysis, or endorsement. In using testimonials, appraisals, or analysis, the viatical settlement licensee makes as its own all the statements contained therein, and the statements are subject to all the provisions of this section.

a. If the individual making a testimonial, appraisal, analysis, or an endorsement has a financial interest in the viatical settlement provider, viatical settlement broker, or related entity as a stockholder, director, officer, employee, or otherwise, or receives any benefit directly or indirectly other than required union scale wages, that fact shall be prominently disclosed in the advertisement.

b. An advertisement shall not state or imply that a viatical settlement contract benefit or service has been approved or endorsed by a group of individuals, society, association, or other organization unless that is the fact and unless any relationship between an organization and the viatical settlement licensee is disclosed. If the entity making the endorsement or testimonial is owned, controlled, or managed by the viatical settlement licensee, or receives any payment or other consideration from the viatical settlement licensee for making an endorsement or testimonial, that fact shall be disclosed in the advertisement.

c. When an endorsement refers to benefits received under a viatical settlement contract all pertinent information shall be retained for a period of 5 years after its use.

E. An advertisement shall not contain statistical information unless it accurately reflects recent and relevant facts. The source of all statistics used in an advertisement shall be identified.

F. An advertisement shall not disparage insurers, viatical settlement providers, viatical settlement brokers, viatical settlement investment agents, insurance producers, policies, services, or methods of marketing.

G. The name of the viatical settlement licensee shall be clearly identified in all advertisements about the licensee or its viatical settlement contracts, products, or services, and if any specific viatical settlement contract is advertised, the viatical settlement contract shall be identified either by form number or some other appropriate description. If an application is part of the advertisement, the name of the viatical settlement provider shall be shown on the application.

H. An advertisement shall not use a trade name, group designation, name of the parent company of a viatical settlement licensee, name of a particular division of the viatical settlement licensee, service mark, slogan, symbol, or other device or reference without disclosing the name of the viatical settlement licensee, if the advertisement would have the capacity or tendency to mislead or deceive as to the true identity of the viatical settlement licensee, or to create the impression that a company other than the viatical settlement licensee would have any responsibility for the financial obligation under a viatical settlement contract.

I. An advertisement shall not use any combination of words, symbols, or physical materials that by their content, phraseology, shape, color, or other characteristics are so similar to a combination of words, symbols, or physical materials used by a government program or agency or otherwise appear to be of such a nature that they tend to mislead prospective viators into believing that the solicitation is in some manner connected with a government program or agency.

J. An advertisement may state that a viatical settlement licensee is licensed in the state where the advertisement appears, provided it does not exaggerate that fact or suggest or imply that a competing viatical settlement licensee may not be so licensed. The advertisement may ask the audience to consult

798 the licensee's website or contact the Bureau of Insurance to find out if this Commonwealth requires  
799 licensing and, if so, whether the viatical settlement provider or viatical settlement broker is licensed.

800 K. An advertisement shall not create the impression that the viatical settlement provider, its financial  
801 condition or status, the payment of its claims or the merits, desirability, or advisability of its viatical  
802 settlement contracts are recommended or endorsed by any government entity.

803 L. The name of the actual licensee shall be stated in all of its advertisements. An advertisement shall  
804 not use a trade name, any group designation, name of any affiliate, or controlling entity of the licensee,  
805 service mark, slogan, symbol, or other device in a manner that would have the capacity or tendency to  
806 mislead or deceive as to the true identity of the actual licensee or create the false impression that an  
807 affiliate or controlling entity would have any responsibility for the financial obligation of the licensee.

808 M. An advertisement shall not directly or indirectly create the impression that any division or agency  
809 of the state or of the U.S. government endorses, approves, or favors:

810 1. Any viatical settlement licensee or its business practices or methods of operation;

811 2. The merits, desirability, or advisability of any viatical settlement contract;

812 3. Any viatical settlement contract; or

813 4. Any life insurance policy or life insurance company.

814 N. If the advertiser emphasizes the speed with which the viatication will occur, the advertising must  
815 disclose the average time frame from completed application to the date of offer and from acceptance of  
816 the offer to receipt of the funds by the viator.

817 O. If the advertising emphasizes the dollar amounts available to viators, the advertising shall  
818 disclose the average purchase price as a percent of face value obtained by viators contracting with the  
819 licensee during the past 6 months.

820 § 38.2-6011. Fraud prevention and control.

821 A. A person shall not commit a fraudulent viatical settlement act. A person shall not knowingly or  
822 intentionally interfere with the enforcement of the provisions of this chapter or Article 6.1 (§ 38.2-1865.1  
823 et seq.) of Chapter 18 of this title or investigations of suspected or actual violations of this chapter or  
824 Article 6.1 (§ 38.2-1865.1 et seq.) of Chapter 18 of this title. A person in the business of viatical  
825 settlements shall not knowingly or intentionally permit any person convicted of a felony involving  
826 dishonesty or breach of trust to participate in the business of viatical settlements.

827 B. Viatical settlement contracts and applications for viatical settlements, regardless of the form of  
828 transmission, shall contain the following statement or a substantially similar statement: "Any person  
829 who knowingly presents false information in an application for insurance or viatical settlement contract  
830 may be guilty of a crime and subject to prosecution." The lack of the required statement does not  
831 constitute a defense in any prosecution for a fraudulent viatical settlement act.

832 C. Any person engaged in the business of viatical settlements having knowledge or a reasonable  
833 belief that a fraudulent viatical settlement act is being, will be, or has been committed shall provide to  
834 the Commission the information required by, and in a manner prescribed by, the Commission. Any other  
835 person having knowledge or a reasonable belief that a fraudulent viatical settlement act is being, will  
836 be, or has been committed may provide to the Commission the information required by, and in a  
837 manner prescribed by, the Commission.

838 D. This chapter shall not:

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

841 2. Prevent or prohibit a person from disclosing voluntarily information concerning viatical settlement  
842 fraud to a law enforcement or regulatory agency other than the insurance department; or

843 3. Limit the powers granted elsewhere by the laws of this Commonwealth to the Commission or an  
844 insurance fraud unit to investigate and examine possible violations of law and to take appropriate  
845 action against wrongdoers.

846 E. A licensee under this chapter shall within 60 days of licensure and annually thereafter by March  
847 1 of each year certify to the Commission implementation of anti-fraud initiatives reasonably calculated  
848 to detect, prosecute, and prevent fraudulent viatical settlement acts. Anti-fraud initiatives shall include:

849 1. Fraud investigators, who may be viatical settlement providers or viatical settlement broker  
850 employees or independent contractors; and

851 2. An anti-fraud plan, which shall include, but not be limited to:

852 a. A description of the procedures for detecting and investigating possible fraudulent viatical  
853 settlement acts and procedures for resolving material inconsistencies between medical records and  
854 insurance applications;

855 b. A description of the procedures for reporting possible fraudulent viatical settlement acts to the  
856 Commission;

857 c. A description of the plan for anti-fraud education and training of underwriters and other  
858 personnel; and

859 d. A description or chart outlining the organizational arrangement of the anti-fraud personnel who

are responsible for the investigation and reporting of possible fraudulent viatical settlement acts and investigating unresolved material inconsistencies between medical records and insurance applications.

F. Anti-fraud plans submitted to or obtained by the Commission and in the control or possession of the Commission shall be privileged and confidential, shall not be subject to inspection or review by the general public, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil or criminal action. However, the Commission is authorized to use the anti-fraud plans in the furtherance of any regulatory or legal action brought as a part of the Commission's duties.

§ 38.2-6012. Civil remedies.

A. Any person damaged by the acts of a person in violation of this chapter may bring a civil action against the person committing the violation in a court of competent jurisdiction.

B. The Commission shall have no jurisdiction to adjudicate controversies between licensees, or between a licensee under this chapter and a viator or an insured.

C. If there is more than one viator on a single policy and the viators are residents of different states, contractual disputes arising from the viatical settlement shall be governed by the law of the state in which the viator having the largest percentage ownership resides or, if the viators hold equal ownership, the state of residence of one viator agreed upon in writing by all viators, provided that the application of another state's laws shall not impair or limit the ability of the Commission to apply and enforce the provisions of this chapter or Article 6.1 (§ 38.2-1865.1 et seq.) of Chapter 18 of this title in its regulation of transactions with a resident of this Commonwealth.

§ 38.2-6013. Unfair trade practices.

A violation of this chapter shall be considered an unfair trade practice under Chapter 5 (§ 38.2-500 et seq.) of this title and subject to the penalties contained in that chapter.

§ 38.2-6014. Commission authority.

Pursuant to the authority granted by § 38.2-223, the Commission may promulgate such rules and regulations as it may deem necessary to implement this chapter, including, but not limited to:

1. Establishing standards for evaluating reasonableness of payments under viatical settlement contracts for insureds who are terminally or chronically ill. This authority includes, but is not limited to, regulation of discount rates used to determine the amount paid in exchange for assignment, transfer, sale, devise, or bequest of a benefit under a life insurance policy. Viatical settlement providers, where the insured is not terminally ill or chronically ill, shall pay an amount greater than the cash surrender value or accelerated death benefit then available;

2. Establish appropriate licensing requirements, fees, and standards for continued licensure for viatical settlement providers and viatical settlement brokers;

3. Requiring and setting the amount of any bond or other mechanism for financial accountability for viatical settlement providers and viatical settlement brokers; and

4. Adopting rules governing the relationship and responsibilities of both insurers and viatical settlement providers and viatical settlement brokers during the viatication of a life insurance policy or certificate.

§ 38.2-6015. Immunity from liability.

A. No cause of action shall arise nor shall any liability be imposed against the Commission, the Commissioner of Insurance, or any of the Commission's employees or agents, for any statements made or conduct performed in good faith while carrying out the provisions of this chapter or Article 6.1 (§ 38.2-1865.1 et seq.) of Chapter 18 of this title.

B. 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 Commission, if the act of communication or delivery was performed in good faith and without fraudulent intent or the intent to deceive.

C. 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 viatical settlement acts or suspected or completed fraudulent insurance acts, if the information is provided to or received from:

1. The Commission, the Commissioner of Insurance, or any of the Commission's employees or agents;

2. Federal, state, or local law enforcement or regulatory officials or their employees, agents or representatives;

3. A person involved in the prevention and detection of fraudulent viatical settlement acts or that person's agents, employees, or representatives;

4. The NAIC, National Association of Securities Dealers, the North American Securities Administrators Association, or their employees, agents or representatives, or other regulatory body overseeing life insurance, viatical settlements, securities, or investment fraud;

5. The life insurer that issued the life insurance policy covering the life of the insured; or

6. Any licensee under this chapter, provided the information furnished shall not be utilized as

921 grounds to excuse the direct actions of such licensee.

922 *D. Immunity provided by subsection C shall not apply to statements made with actual malice. In an*  
923 *action brought against a person for filing a report or furnishing other information concerning a*  
924 *fraudulent viatical settlement act or a fraudulent insurance act, the party bringing the action shall plead*  
925 *specifically any allegation that subsection C does not apply because the person filing the report or*  
926 *furnishing the information did so with actual malice.*

927 *E. This section does not abrogate or modify common law or statutory privileges or immunities*  
928 *enjoyed by a person described in subsections A or C.*

929 *F. The documents and evidence provided pursuant to this section or obtained by the Commission in*  
930 *an investigation of suspected or actual fraudulent viatical settlement acts shall be privileged and*  
931 *confidential and shall not be a public record and shall not be subject to discovery or subpoena in a*  
932 *private civil or criminal action.*

933 *G. Subsection F does not prohibit release by the Commission of documents and evidence obtained in*  
934 *an investigation of suspected or actual fraudulent viatical settlement acts:*

935 *1. In administrative or judicial proceedings to enforce laws administered by the Commission;*

936 *2. To federal, state, or local law enforcement or regulatory agencies, to an organization established*  
937 *for the purpose of detecting and preventing fraudulent viatical settlement acts or to the NAIC; or*

938 *3. At the discretion of the Commission, to a person in the business of viatical settlements that is*  
939 *aggrieved by a fraudulent viatical settlement act.*

940 *H. Release of documents and evidence under subsection G does not abrogate or modify the privilege*  
941 *granted in subsection F.*

942 *§ 38.2-6016. Applicability of securities laws.*

943 *Nothing in this chapter shall preempt or otherwise limit the provisions of the Virginia Securities Act*  
944 *(§ 13.1-501 et seq.), or any regulations, notices, bulletins or other interpretations issued by or through*  
945 *the Commission acting pursuant to the Virginia Securities Act. Compliance with the provisions of this*  
946 *chapter shall not constitute compliance with any applicable provision of the Virginia Securities Act and*  
947 *any amendments thereto or any regulations, notices, bulletins, or other interpretations issued by or*  
948 *through the Commission acting pursuant to the Virginia Securities Act.*

949 **2. That Chapter 57 (§§ 38.2-5700 through 38.2-5707) of Title 38.2 of the Code of Virginia is**  
950 **repealed.**