

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1284

Page 25, after line 25, insert:

- "4. A provider or the provider's life settlement investment agent shall provide the life settlement purchaser with at least the following disclosures before the date the life settlement purchase agreement is signed by all parties. The disclosures must be conspicuously displayed in any life purchase contract or in a separate document signed by the purchaser and provider or life settlement investment agent, and must make the following disclosure to the purchaser:
- a. The purchaser will receive no returns, such as dividends and interest, until the insured dies and a death claim payment is made.
 - b. The actual annual rate of return on a life settlement contract is dependent upon an accurate projection of the insured's life expectancy and the actual date of the insured's death. An annual "guaranteed" rate of return is not determinable.
 - c. The settled policy should not be considered a liquid purchase since it is impossible to predict the exact timing of the policy's maturity and the funds probably are not available until the death of the insured. There is no established secondary market for resale of these products by the purchaser.
 - d. The purchaser may lose all benefits or may receive substantially reduced benefits if the insurer goes out of business during the term of the life settlement investment.
 - e. The purchaser is responsible for payment of the insurance premium or other costs related to the policy if required by the terms of the life settlement purchase agreement. These payments may reduce the purchaser's return. If a party other than the purchaser is responsible for the payment, the name and address of that party also must be disclosed.
 - f. The purchaser is responsible for payment of the insurance premiums or other costs related to the policy if the insured returns to health. Disclose the amount of such premiums if applicable.
 - g. State the name, business address, and telephone number of the independent third party providing escrow services and the relationship to the broker.
 - h. The amount of any trust fees or other expenses to be charged to the life settlement purchaser must be disclosed.
 - i. State whether the purchaser is entitled to a refund of all or part of the purchaser's investment under the settlement contract if the policy is later determined to be null and void.
 - j. Disclose that group policies may contain limitations or caps in the conversion rights, additional premiums may have to be paid if the

policy is converted, name the party responsible for the payment of the additional premiums, and, if a group policy is terminated and replaced by another group policy, state that there may be no right to convert the original coverage.

- k. Disclose the risks associated with policy contestability, including the risk that the purchaser will have no claim or only a partial claim to death benefits if the insurer rescinds the policy within the contestability period.
 - l. Disclose whether the purchaser will be the owner of the policy in addition to being the beneficiary and if the purchaser is the beneficiary only and not also the owner, the special risks associated with that status, including the risk that the beneficiary may be changed or the premium may not be paid.
 - m. Describe the experience and qualifications of the person that determines the life expectancy of the insured, such as in-house staff, independent physicians, and specialty firms that weigh medical and actuarial data; the information this projection is based on; and the relationship of the projection maker to the provider, if any.
 - n. Disclosure to an investor must include distribution of a brochure describing the process of investment in life settlements. The national association of insurance commissioners' form for the brochure must be used unless a form is developed by the commissioner.
- 5. A provider or the provider's life settlement investment agent shall provide the purchaser with at least the following disclosures no later than at the time of the assignment, transfer, or sale of all or a portion of an insurance policy. The disclosures must be contained in a document signed by the life settlement purchaser and provider or life settlement investment agent, and must:
 - a. Disclose all the life expectancy certifications obtained by the provider in the process of determining the price paid to the owner;
 - b. State whether premium payments or other costs related to the policy have been escrowed. If escrowed, state the date upon which the escrowed funds will be depleted and whether the purchaser will be responsible for payment of premiums thereafter and, if so, the amount of the premiums;
 - c. State whether premium payments or other costs related to the policy have been waived and, if waived, disclose whether the investor will be responsible for payment of the premiums if the insurer that wrote the policy terminates the waiver after purchase and the amount of those premiums;
 - d. Disclose the type of policy offered or sold, such as whole life, term life, universal life, or a group policy certificate; any additional benefits contained in the policy; and the current status of the policy;
 - e. If the policy is term insurance, disclose the special risks associated with term insurance, including the purchaser's responsibility for additional premiums if the owner continues the term policy at the end of the current term;
 - f. State whether the policy is contestable;

- Renumber accordingly