

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1397

Introduced by

Representatives Kasper, Ruby, Schneider

Senators Klein, Potter, Wanzek

1 A BILL for an Act to amend and reenact sections 10-04-02, 26.1-33.3-01, 26.1-33.3-02,
2 26.1-33.3-03, 26.1-33.3-04, 26.1-33.3-05, 26.1-33.3-06, 26.1-33.3-07, 26.1-33.3-08,
3 26.1-33.3-09, 26.1-33.3-10, 26.1-33.3-11, 26.1-33.3-12, 26.1-33.3-13, 26.1-33.3-14,
4 26.1-33.3-15, 26.1-33.3-16, and 26.1-33.3-17 of the North Dakota Century Code, relating to
5 revisions to viatical settlement law and references to the viatical settlement law; and to provide
6 a penalty.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. AMENDMENT.** Section 10-04-02 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **10-04-02. Definitions.** When used in this chapter, unless the context or subject matter
11 otherwise requires:

- 12 1. "Agent" means an individual, other than a broker-dealer, who represents a
13 broker-dealer or an issuer or is self-employed in effecting or attempting to effect
14 purchases or sales of securities. However, a partner, officer, or director of a
15 broker-dealer, or an individual having a similar status or performing similar
16 functions is an agent only if the individual otherwise comes within the term.
- 17 2. "Bank" means:
- 18 a. A bank institution organized under the laws of the United States;
19 b. A member bank of the federal reserve system;
20 c. Any other banking institution, whether or not incorporated, doing business
21 under the laws of a state or of the United States, a substantial portion of the
22 business of which consists of receiving deposits or exercising fiduciary
23 powers similar to those permitted to be exercised by national banks under the
24 authority of the comptroller of the currency pursuant to section 1 of Public Law

- 1 87-722, and which is supervised and examined by a state or federal agency
2 having supervision over banks, and which is not operated for the purpose of
3 evading this chapter; and
- 4 d. A receiver, conservator, or other liquidating agent of any institution or firm
5 included in subdivision a, b, or c.
- 6 3. "Broker-dealer" means a person engaged in the business of effecting transactions
7 in securities issued by another person or by such person for the account of others
8 or for the person's own account. The term does not include:
- 9 a. An agent; or
- 10 b. A bank or savings institution if ~~its~~ the bank's or savings institution's activities
11 as a broker-dealer are limited to those specified in subsections 3(a)(4)(B)(i)
12 through (vi), (viii) through (x), and (xi) if limited to unsolicited transactions;
13 3(a)(5)(B) and 3(a)(5)(C) of the Securities Exchange Act of 1934 [15 U.S.C.
14 78a et seq.] or a bank that satisfies the conditions described in
15 subsection 3(a)(4)(E) of the Securities Exchange Act of 1934 [15 U.S.C. 78a
16 et seq.].
- 17 4. "Commissioner" means the securities commissioner of this state.
- 18 5. "Department" means the state securities department.
- 19 6. "Depository institution" means:
- 20 a. A bank; or
- 21 b. A savings institution, trust company, credit union, or similar institution that is
22 organized or chartered under the laws of a state or of the United States,
23 authorized to receive deposits, and supervised and examined by an official or
24 agency of a state or the United States if its deposits or share accounts are
25 insured to the maximum amount authorized by statute by the federal deposit
26 insurance corporation, the national credit union shares insurance fund, or a
27 successor authorized by federal law. The term does not include:
- 28 (1) An insurance company or other organization primarily engaged in the
29 business of insurance;
- 30 (2) A Morris plan bank; or
- 31 (3) An industrial loan company.

- 1 7. "Federal covered adviser" means a person who is registered under section 203 of
2 the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.].
- 3 8. "Federal covered security" means a security that is, or upon completion of a
4 transaction will be, a covered security pursuant to section 18(b) of the Securities
5 Act of 1933 [15 U.S.C. 77a et seq.] or rules or regulations adopted under that Act.
- 6 9. "Institutional investor" means any of the following, whether acting for itself or for
7 others in a fiduciary capacity:
 - 8 a. A depository institution or international banking institution;
 - 9 b. An insurance company;
 - 10 c. A separate account of an insurance company;
 - 11 d. An investment company as defined in the Investment Company Act of 1940
12 [15 U.S.C. 80a-1 et seq.];
 - 13 e. A broker-dealer under the Securities Exchange Act of 1934 [15 U.S.C. 78a et
14 seq.];
 - 15 f. An employee pension, profit-sharing, or benefit plan if the plan has total
16 assets in excess of ten million dollars or its investment decisions are made by
17 a named fiduciary, as defined in the Employee Retirement Income Security
18 Act of 1974 [Pub. L. 93-406; 88 Stat. 829], that is a broker-dealer registered
19 under the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.], an
20 investment adviser registered or exempt from registration under the
21 Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.], an investment
22 adviser registered under this Act, a depository institution, or an insurance
23 company;
 - 24 g. A plan established and maintained by a state, a political subdivision of a state,
25 or an agency or instrumentality of a state or a political subdivision of a state
26 for the benefit of ~~its~~ the plan's employees, if the plan has total assets in
27 excess of ten million dollars or its investment decisions are made by a duly
28 designated public official or by a named fiduciary, as defined in the Employee
29 Retirement Income Security Act of 1974 [Pub. L. 93-406; 88 Stat. 829], that is
30 a broker-dealer registered under the Securities Exchange Act of 1934 [15
31 U.S.C. 78a et seq.], an investment adviser registered or exempt from

- 1 registration under the Investment Advisers Act of 1940 [15 U.S.C. 80b-1
2 et seq.], an investment adviser registered under this chapter, a depository
3 institution, or an insurance company;
- 4 h. A trust, if it has total assets in excess of ten million dollars, ~~its~~ the trust's
5 trustee is a depository institution, and ~~its~~ the trust's participants are
6 exclusively plans of the types identified in subdivision f or g, regardless of the
7 size of ~~their~~ the participants' assets, except a trust that includes as
8 participants self-directed individual retirement accounts or similar self-directed
9 plans;
- 10 i. An organization described in section 501(c)(3) of the Internal Revenue Code
11 [26 U.S.C. 501(c)(3)], corporation, Massachusetts trust or similar business
12 trust, limited liability company, or partnership, not formed for specific purpose
13 of acquiring the securities offered, with total assets in excess of ten million
14 dollars;
- 15 j. A small business investment company licensed by the small business
16 administration under section 301(c) of the Small Business Investment Act of
17 1958 [Pub. L. 85-699] with total assets in excess of ten million dollars;
- 18 k. A private business development company as defined in section 202(a)(22) of
19 the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.] with total
20 assets in excess of ten million dollars;
- 21 l. A federal covered investment adviser acting for ~~its~~ the adviser's own account;
- 22 m. A qualified investment buyer as defined in rule 144A(a)(1), other than rule
23 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 [15 U.S.C. 77a
24 et seq.];
- 25 n. A major United States institutional investor as defined in rule 15a-6(b)(4)(i)
26 adopted under the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.];
27 or
- 28 o. Any other person, other than an individual, of institutional character with total
29 assets in excess of ten million dollars not organized for the specific purpose of
30 evading this chapter.

- 1 10. "Investment adviser" means any person ~~who~~ that, for compensation, engages in
2 the business of advising others, either directly or through publications or writings,
3 as to the value of securities or as to the advisability of investing in, purchasing, or
4 selling securities, or ~~who~~ which, for compensation and as a part of a regular
5 business, issues or promulgates analyses or reports concerning securities. The
6 term includes financial planners and other persons ~~who~~ that, as an integral
7 component of other financially related services, provide the foregoing investment
8 advisory services to others for compensation and as part of a business or ~~who~~
9 which hold themselves out as providing the foregoing investment advisory services
10 to others for compensation. The term does not include:
11 a. An investment adviser representative.
12 b. A bank, savings institution, or trust company.
13 c. A lawyer, accountant, engineer, or teacher whose performance of these
14 services is solely incidental to the practice of the ~~person's~~ individual's
15 profession.
16 d. A broker-dealer or ~~its~~ the broker-dealer's agent whose performance of these
17 services is solely incidental to the conduct of business as a broker-dealer and
18 who receives no special compensation for ~~them~~ these services.
19 e. A publisher of any bona fide newspaper, news column, newsletter, news
20 magazine, or business or financial publication or service, whether
21 communicated in hard copy form, or by electronic means, or otherwise, that
22 does not consist of the rendering of advice on the basis of the specific
23 investment situation of each client.
24 f. A federal covered adviser.
25 g. A person ~~who~~ that is excluded by the Investment Advisers Act of 1940 [15
26 U.S.C. 80b-1 et seq.] from the definition of investment adviser.
27 h. Such other persons not within the intent of this subsection as the
28 commissioner may by rule or order designate.
29 11. a. "Investment adviser representative" means an individual employed by or
30 associated with an investment adviser or federal covered adviser and who:

- (1) Makes any recommendations or otherwise renders advice regarding securities directly to advisory clients;
 - (2) Manages the accounts or portfolios of clients;
 - (3) Determines which recommendations or advice regarding securities should be given;
 - (4) Provides investment advice or holds out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or sells investment advisory services; or
 - (5) Immediately supervises employees in the performance of any of the foregoing.
- b. The term does not include an individual who:
 - (1) Is employed by or associated with a federal covered investment adviser, unless the individual has a "place of business" in this state, as that term is defined by the securities and exchange commission pursuant to section 203A of the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.].
 - (2) Is an agent whose performance of investment advice is solely incidental to the individual acting as an agent and who does not receive special compensation for investment advisory services.
 - (3) Performs only clerical or ministerial acts.
12. "Issuer" means every person ~~who~~ that issues or proposes to issue any security, except that:
 - a. With respect to certificates of deposit, voting-trust certificates, collateral trust certificates, or shares in an unincorporated investment trust, issuer means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued.
 - b. With respect to equipment trust certificates or like securities serving the same purpose, issuer means the person by whom the equipment or property is or will be used or to which the property or equipment is or will be leased or

- 1 conditionally sold or that is otherwise contractually responsible for assuring
2 payment of the certificate.
- 3 c. With respect to fractional interests in an oil, gas, or other mineral lease or in
4 payments out of production under a lease, right, or royalty, issuer means the
5 owner of any such right or any interest in such lease or in payments out of
6 production under a lease, right, or royalty, whether whole or fractional, that
7 creates fractional interests for the purpose of sale.
- 8 d. With respect to a fractional or pooled interest in a ~~vietical~~ life settlement
9 contract, issuer means the person ~~who~~ that creates, for the purpose of sale,
10 the fractional or pooled interest. The issuer of a ~~vietical~~ life settlement
11 contract that is not fractionalized or pooled means the person effecting the
12 transactions with the investors in such contracts.
- 13 13. "Life settlement contract" means an agreement for the purchase, sale, assignment,
14 transfer, devise, or bequest of any portion of the death benefit or ownership of a life
15 insurance policy or certificate, for consideration that is less than the expected
16 death benefit of the life insurance policy or certificate. "Life settlement contract"
17 does not include:
- 18 a. The assignment, transfer, sale, devise, or bequest of a death benefit, life
19 insurance policy, or certificate of insurance by the owner to the life settlement
20 provider pursuant to chapter 26.1-33.3;
- 21 b. The assignment of a life insurance policy to a bank or depository institution; or
22 c. The exercise of accelerated benefits pursuant to the terms of a life insurance
23 policy issued in accordance with the insurance laws of this state.
- 24 14. "Offer for sale" or "offer to sell" means every attempt or offer to dispose of, or
25 solicitation of an order or offer to buy, a security or interest in a security for value.
- 26 ~~14. "Person" means an individual, a corporation, a limited liability company, a~~
27 ~~partnership, an association, a joint venture, a trust, a government, governmental~~
28 ~~subdivision, agency, or instrumentality, or any other legal or commercial entity.~~
- 29 15. "Place of business" of a broker-dealer, an investment adviser, or a federal covered
30 investment adviser means:

- 1 a. An office at which the broker-dealer, investment adviser, or federal covered
- 2 investment adviser regularly provides brokerage or investment advice or
- 3 solicits, meets with, or otherwise communicates with customers or clients; or
- 4 b. Any other location that is held out to the general public as a location at which
- 5 the broker-dealer, investment adviser, or federal covered investment adviser
- 6 provides brokerage or investment advice or solicits, meets with, or otherwise
- 7 communicates with customers or clients.

8 16. "Principal place of business" of a broker-dealer or an investment adviser means

9 the executive office of the broker-dealer or investment adviser from which the

10 officers, partners, or managers of the broker-dealer or investment adviser direct,

11 control, and coordinate the activities of the broker-dealer or investment adviser.

12 17. "Record" except in phrases "of record", "official record", and "public record" means

13 information that is inscribed on a tangible medium or that is stored in an electronic

14 or other medium and is retrievable in perceivable form.

15 18. "Sale" or "sell" means every sale, contract to sell, or disposition of a security or

16 interest in a security for value, and every contract to make any such sale or

17 disposition. The term includes:

18 a. Any security given or delivered with, or as a bonus on account of any

19 purchase of securities or any other thing, must be conclusively presumed to

20 constitute a part of the subject of such purchase and to have been sold for

21 value.

22 b. A sale or offer of a warrant or right to purchase or subscribe to another

23 security of the same or another issuer and a sale or offer of a security that

24 gives the holder a present or future right or privilege to convert the security

25 into another security of the same or another issuer, including an offer of the

26 other security.

27 19. "Security" means any note; stock; treasury stock; bond; debenture; evidence of

28 indebtedness; certificate of interest or participation in any profit-sharing agreement;

29 certificate of interest or participation in an oil, gas, or mining title or lease or in

30 payments out of production under such a title or lease; collateral trust certificate;

31 preorganization certificate or subscription; transferable share; investment contract;

viatical life settlement contract or a fractionalized or pooled interest therein;
program, contract, or other arrangement in which persons invest in a common
enterprise the returns of which depend to any extent upon inducing other persons
to participate or invest in the enterprise; investment of money or money's worth
including goods furnished or services performed in the risk capital of a venture with
the expectation of profit or some other form of benefit to the investor when the
investor has no direct control over the investment or policy decisions of the
venture; voting-trust certificate; certificate of deposit for a security; foreign currency
commodity contract, as used in chapter 51-23; or beneficial interest in title to
property, profits, or earnings; or, in general, any interest or instrument commonly
known as a "security"; or any certificate of interest or participation in, temporary or
interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or
purchase, any of the foregoing.

20. "State" means a state of the United States, the District of Columbia, Puerto Rico,
the United States Virgin Islands, or any territory or insular possession subject to
the jurisdiction of the United States.

~~21. "Viatical settlement contract" means an agreement for the purchase, sale,
assignment, transfer, devise, or bequest of any portion of the death benefit or
ownership of a life insurance policy or certificate, for consideration that is less than
the expected death benefit of the life insurance policy or certificate. "Viatical
settlement contract" does not include:~~

- ~~a. The assignment, transfer, sale, devise, or bequest of a death benefit, life
insurance policy, or certificate of insurance by the viator to the viatical
settlement provider pursuant to chapter 26.1-33.3;~~
- ~~b. The assignment of a life insurance policy to a bank or depository institution; or~~
- ~~c. The exercise of accelerated benefits pursuant to the terms of a life insurance
policy issued in accordance with the insurance laws of this state.~~

SECTION 2. AMENDMENT. Section 26.1-33.3-01 of the North Dakota Century Code
is amended and reenacted as follows:

26.1-33.3-01. Definitions. As used in this chapter, unless the context requires
otherwise:

1 1. "Advertising" means any written, electronic, or printed communication or any
2 communication by means of recorded telephone messages or transmitted on radio,
3 television, the internet, or similar communications media, including film strips,
4 motion pictures, and videos, published, disseminated, circulated, or placed directly
5 before the public, in this state, for the purpose of creating an interest in or inducing
6 a person to sell, assign, devise, bequest, or transfer the death benefit or ownership
7 of a life insurance policy pursuant to a ~~vital~~ life settlement contract.

8 2. "Broker" means a person that works exclusively on behalf of an owner and for a
9 fee, commission, or other valuable consideration, offers or attempts to negotiate
10 life settlement contracts between an owner and one or more providers or one or
11 more brokers. Notwithstanding the manner in which the broker is compensated, a
12 broker is deemed to represent only the owner, and not the insurer or the provider,
13 and owes a fiduciary duty to the owner to act according to the owner's instructions
14 and in the best interest of the owner. The term does not include an attorney,
15 certified public accountant, or a financial planner accredited by a nationally
16 recognized accreditation agency which is retained to represent the owner and
17 whose compensation is not paid directly or indirectly by the provider or purchaser.

18 3. "Business of ~~vital~~ life settlements" means an activity involved in, but not limited
19 to, the offering, soliciting, negotiating, procuring, effectuating, purchasing,
20 investing, financing, monitoring, tracking, underwriting, selling, transferring,
21 assigning, pledging, hypothecating, or in any other manner, acquiring an interest in
22 a life insurance policy by means of a ~~vital~~ life settlement contract.

23 ~~3.~~ 4. "Chronically ill" means:

- 24 a. Being unable to perform at least two activities of daily living, such as eating,
25 toileting, transferring, bathing, dressing, or continence;
26 b. Requiring substantial supervision to protect the individual from threats to
27 health and safety due to severe cognitive impairment; or
28 c. Having a level of disability similar to that described in subdivision a as
29 determined by the secretary of health and human services.

30 ~~4.~~ 5. a. "Financing entity" means an underwriter, placement agent, lender, purchaser
31 of securities, purchaser of a policy or certificate from a ~~vital~~ settlement

provider, credit enhancer, or any entity that has a direct ownership in a policy or certificate that is the subject of a ~~viatical~~ life settlement contract, but:

- (1) Whose principal activity related to the transaction is providing funds to effect the ~~viatical~~ life settlement or purchase of one or more ~~viaticated~~ settled policies; and
- (2) ~~Who~~ Which has an agreement in writing with one or more licensed ~~viatical-settlement~~ providers to finance the acquisition of ~~viatical~~ life settlement contracts.

b. "Financing entity" does not include a nonaccredited investor or a ~~viatical~~ life settlement purchaser.

~~5.~~ 6. "Fraudulent ~~viatical~~ life settlement act" includes:

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

- (1) Presenting, causing to be presented, or preparing with knowledge or belief that it will be presented to or by a ~~viatical-settlement~~ provider, ~~viatical-settlement~~ broker, ~~viatical~~ life settlement purchaser, financing entity, insurer, insurance producer, or any other person, false material information, or concealing material information, as part of, in support of, or concerning a fact material to one or more of the following:
 - (a) An application for the issuance of a ~~viatical~~ life settlement contract or insurance policy;
 - (b) The underwriting of a ~~viatical~~ life settlement contract or insurance policy;
 - (c) A claim for payment or benefit pursuant to a ~~viatical~~ life settlement contract or insurance policy;
 - (d) Premiums paid on an insurance policy;
 - (e) Payments and changes in ownership or beneficiary made in accordance with the terms of a ~~viatical~~ life settlement contract or insurance policy;

- 1 (f) The reinstatement or conversion of an insurance policy;
- 2 (g) The solicitation, offer, effectuation, or sale of a ~~viatical~~ life
- 3 settlement contract or insurance policy;
- 4 (h) The issuance of written evidence of a ~~viatical~~ life settlement
- 5 contract or insurance; or
- 6 (i) A financing transaction; ~~and~~
- 7 (2) Employing any plan, financial structure, device, scheme, or artifice to
- 8 defraud related to ~~viatical~~ settled policies;
- 9 (3) Entering any practice or plan that involves stranger-originated life
- 10 insurance; and
- 11 (4) Failing to disclose to the insurer when requested by the insurer that the
- 12 prospective insured has undergone a life expectancy evaluation by any
- 13 person other than the insurer or the insured's authorized
- 14 representatives in connection with the issuance of the policy;
- 15 b. In the furtherance of a fraud or to prevent the detection of a fraud any person
- 16 commits or permits its employees or its agents to:
- 17 (1) Remove, conceal, alter, destroy, or sequester from the commissioner
- 18 the assets or records of a licensee or other person engaged in the
- 19 business of ~~viatical~~ life settlements;
- 20 (2) Misrepresent or conceal the financial condition of a licensee, financing
- 21 entity, insurer, or other person;
- 22 (3) Transact the business of ~~viatical~~ life settlements in violation of laws
- 23 requiring a license, certificate of authority, or other legal authority for the
- 24 transaction of the business of ~~viatical~~ life settlements; or
- 25 (4) File with the commissioner or the equivalent chief insurance regulatory
- 26 official of another jurisdiction a document containing false information or
- 27 otherwise conceal information about a material fact from the
- 28 commissioner;
- 29 c. Embezzlement, theft, misappropriation, or conversion of moneys, funds,
- 30 premiums, credits, or other property of a ~~viatical~~ settlement provider, insurer,

insured, ~~viator~~ owner, insurance policy owner, or any other person engaged in the business of ~~viatical~~ life settlements or insurance;

- d. Recklessly entering ~~into~~, negotiating, brokering, or otherwise dealing in a ~~viatical~~ life settlement contract, the subject of which is a life insurance policy that was obtained by presenting false information concerning any fact material to the policy or by concealing, for the purpose of misleading another, information concerning any fact material to the policy, if the person or the persons intended to defraud the policy's issuer, the ~~viatical settlement~~ provider or the ~~viator~~ owner. "Recklessly" means engaging in the conduct in conscious and clearly unjustifiable disregard of a substantial likelihood of the existence of the relevant facts or risks, such disregard involving a gross deviation from acceptable standards of conduct; or
- e. Attempting to commit, assisting, aiding, or abetting in the commission of, or conspiracy to commit the acts or omissions specified in this subsection.

6. ~~"Person" means a natural person or a legal entity, including an individual, partnership, limited liability company, association, trust, or corporation.~~

7. a. "Life settlement contract" means a written agreement between an owner and a provider or any affiliate of the provider establishing the terms under which compensation or anything of value is or will be paid, which compensation or value is less than the expected death benefits of the policy, in return for the owner's present or future assignment, transfer, sale, devise, or bequest of the death benefit or ownership of any portion of the insurance policy or certificate of insurance. "Life settlement contract" also includes the transfer for compensation or value of ownership or beneficial interest in a trust or other entity that owns such policy if the trust or other entity was formed or availed of for the principal purpose of acquiring one or more life insurance contracts, which life insurance contract insures the life of a person residing in this state.
- b. "Life settlement contract" includes a premium finance loan made for a life insurance policy by a lender to an owner on, before, or after the date of issuance of the policy if:
- (1) The loan proceeds are not used solely to pay:

- 1 (a) Premiums for the policy; or
- 2 (b) The costs of the loan, including interest; arrangement fees;
- 3 utilization fees and similar fees; closing costs; legal fees and
- 4 expenses; trustee fees and expenses; and third-party collateral
- 5 provider fees and expenses, including fees payable to letter of
- 6 credit issuers;
- 7 (2) The owner or the insured receives on the date of the premium finance
- 8 loan a guarantee of a future life settlement value of the policy; or
- 9 (3) The owner or the insured agrees on the date of the premium finance
- 10 loan to sell the policy or any portion of its death benefit on any date
- 11 following the issuance of the policy.
- 12 c. "Life settlement contract" does not include"
- 13 (1) A policy loan or accelerated death benefit made by the insurer pursuant
- 14 to the policy's terms;
- 15 (2) A loan made by a bank or other licensed financial institution in which
- 16 the lender takes an interest in a life insurance policy solely to secure
- 17 repayment of the loan or, if there is a default on the loan and the policy
- 18 is transferred, the further assignment of the policy by the lender,
- 19 provided that neither the default itself nor the transfer of the policy in
- 20 connection with such default is pursuant to an agreement or
- 21 understanding with any other person for the purpose of evading
- 22 regulation under this chapter;
- 23 (3) A loan made by a lender that does not violate chapter 26.1-20.1,
- 24 provided that the premium finance loan is not described in
- 25 subdivision b;
- 26 (4) An agreement in which all the parties are closely related to the insured
- 27 by blood or law or have a lawful substantial economic interest in the
- 28 continued life, health, and bodily safety of the individual insured, or are
- 29 trusts established primarily for the benefit of such parties;
- 30 (5) Any designation, consent, or agreement by an insured who is an
- 31 employee of an employer in connection with the purchase by the

- 1 employer, or a trust established by the employer, of life insurance on
2 the life of the employee;
- 3 (6) A bona fide business succession planning arrangement:
- 4 (a) Between one or more shareholders in a corporation or between a
5 corporation and one or more of the corporation's shareholders or
6 one or more trusts established by the corporation's shareholders;
- 7 (b) Between one or more partners in a partnership or between a
8 partnership and one or more of the partnership's partners or one
9 or more trusts established by the partnership's partners; or
- 10 (c) Between one or more members in a limited liability company or
11 between a limited liability company and one or more of the limited
12 liability company's members or one or more trusts established by
13 the limited liability company's members;
- 14 (7) An agreement entered into by a service recipient, or a trust established
15 by the service recipient, and a service provider, or a trust established by
16 the service provider, who performs significant services for the service
17 recipient's trade or business; or
- 18 (8) Any other contract, transaction, or arrangement exempted from the
19 definition of life settlement contract by the commissioner based on a
20 determination that the contract, transaction, or arrangement is not of the
21 type intended to be regulated by this chapter.
- 22 8. "Life settlement investment agent" means an individual who is an appointed or
23 contracted agent of a provider who solicits or arranges the funding for the purchase
24 of a life settlement by a life settlement purchaser and who is acting on behalf of a
25 provider. A life settlement investment agent is an agent as defined in section
26 10-04-02.
- 27 a. A life settlement investment agent may not have any contact directly or
28 indirectly with the owner or insured or have knowledge of the identity of the
29 owner or insured.

b. A life settlement investment agent is deemed to represent the provider of whom the life settlement investment agent is an appointed or contracted agent.

9. "Life settlement purchase agreement" means a contract or agreement, entered by a life settlement purchaser, to which the owner is not a party, to purchase a life insurance policy or an interest in a life insurance policy, that is entered for the purpose of deriving an economic benefit. A life settlement purchase agreement is a life settlement contract as defined in section 10-04-02.

10. a. "Life settlement purchaser" means a person that provides a sum of money as consideration for a life insurance policy or an interest in the death benefits of a life insurance policy that has been or will be the subject of a life settlement contract, or a person that owns or acquires or is entitled to a beneficial interest in a trust that owns a life settlement contract or is the beneficiary of a life insurance policy that has been or will be the subject of a life settlement contract, for the purpose of deriving an economic benefit.

b. "Life settlement purchaser" does not include:

- (1) A licensee under this chapter;
- (2) An accredited investor or qualified institutional buyer as defined, respectively, in rule 501(a) or rule 144A adopted under the Securities Act of 1933, as amended [15 U.S.C. 77a et seq.];
- (3) A financing entity;
- (4) A special purpose entity; or
- (5) A related provider trust.

11. a. "Owner" means the owner of a life insurance policy or a certificate holder under a group policy that resides in this state and enters or seeks to enter a life settlement contract. For the purposes of this chapter, an owner may 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 or condition except where specifically addressed. If there is more than one owner on a single policy and the owners are residents of different states, the transactions must be governed by the law of the state in which the owner

1 having the largest percentage ownership resides or, if the owners hold equal
2 ownership, the state of residence of one owner agreed upon in writing by all
3 the owners.

4 b. "Owner" does not include:

- 5 (1) A licensee under this chapter;
6 (2) A qualified institutional buyer as defined in rule 144A adopted under the
7 Securities Act of 1933, as amended [15 U.S.C. 77a et seq.];
8 (3) A financing entity;
9 (4) A special purpose entity; or
10 (5) A related provider trust.

11 12. "Policy" means an individual or group policy, group certificate, contract, or
12 arrangement of life insurance owned by a resident of this state, regardless of
13 whether delivered or issued for delivery in this state.

14 13. a. "Provider" means a person, other than an owner, that enters or effectuates a
15 life settlement contract with an owner resident in this state.

16 b. "Provider" does not include:

- 17 (1) A bank, savings bank, savings and loan association, or credit union;
18 (2) A licensed lending institution or premium finance company making
19 premium finance loans and exempted by the commissioner from the
20 licensing requirement under the premium finance laws, that takes an
21 assignment of a life insurance policy solely as collateral for a loan;
22 (3) The issuer of the life insurance policy;
23 (4) An authorized or eligible insurer that provides stop-loss coverage or
24 financial guaranty insurance to a provider, purchaser, financing entity,
25 special purpose entity, or related provider trust;
26 (5) An individual who enters or effectuates no more than one agreement in
27 a calendar year for the transfer of life insurance policies for any value
28 less than the expected death benefit;
29 (6) A financing entity;
30 (7) A special purpose entity;
31 (8) A related provider trust;

1 (9) A life settlement purchaser; or

2 (10) Any other person that the commissioner determines is not the type of
3 person intended to be covered by the definition of provider.

4 8- 14. "Related provider trust" means a titling trust or other trust established by a licensed
5 ~~viatical settlement~~ provider or a financing entity for the sole purpose of holding the
6 ownership or beneficial interest in purchased policies in connection with a financing
7 transaction. The trust must have a written agreement with the licensed ~~viatical~~
8 ~~settlement~~ provider under which the licensed ~~viatical settlement~~ provider is
9 responsible for ensuring compliance with all statutory and regulatory requirements
10 and under which the trust agrees to make all records and files related to ~~viatical life~~
11 settlement transactions available to the commissioner as if those records and files
12 were maintained directly by the licensed ~~viatical settlement~~ provider.

13 15. "Settled policy" means a life insurance policy or certificate that has been acquired
14 by a provider pursuant to a life settlement contract.

15 9- 16. "Special purpose entity" means a corporation, partnership, trust, limited liability
16 company, or other similar entity formed solely to provide either directly or indirectly
17 access to institutional capital markets:

18 a. For a financing entity or licensed ~~viatical settlement~~ provider; or

19 b. (1) In connection with a transaction in which the securities in the special
20 purposes entity are acquired by the ~~viator~~ owner or by "qualified
21 institutional buyers" as defined in rule 144 adopted under the Securities
22 Act of 1933, as amended [15 U.S.C. 77a et seq.]; or

23 (2) The securities pay a fixed rate of return commensurate with established
24 asset-backed institutional capital markets.

25 17. "Stranger-originated life insurance" means a practice or a plan to initiate a life
26 insurance policy for the benefit of a third-party investor that, at the time of policy
27 origination, has no insurable interest in the insured. Stranger-originated life
28 insurance practices include cases in which life insurance is purchased with
29 resources or guarantees from or through a person that on its own, at the time of
30 policy inception, could not lawfully initiate the policy, and in which, at the time of
31 policy inception, there is an arrangement or agreement, whether verbal or written,

to directly or indirectly transfer the ownership of the policy or the policy benefits or both to a third party. Trusts that are created to give the appearance of insurable interest and are used to initiate policies for investors violate insurable interest laws and the prohibition against wagering on life. Stranger-originated life insurance arrangements do not include those practices set forth in subdivision c of subsection 7.

~~10.~~ 18. "Terminally ill" means having an illness or sickness that can reasonably be expected to result in death in twenty-four months or less.

~~11.~~ "Viatical settlement broker" means a person who working exclusively on behalf of a viator and for a fee, commission, or other valuable consideration, offers or attempts to negotiate viatical settlement contracts between a viator and one or more viatical settlement providers or one or more viatical settlement brokers. Notwithstanding the manner in which the viatical settlement broker is compensated, a viatical settlement broker is deemed to represent only the viator, and not the insurer or the viatical settlement provider, and owes a fiduciary duty to the viator to act according to the viator's instructions and in the best interest of 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 purchaser.

~~12.~~ a. "Viatical settlement contract" means a written agreement between a viator and a viatical settlement provider or any affiliate of the viatical settlement provider establishing the terms under which compensation or anything of value is or will be paid, which compensation or value is less than the expected death benefits of the policy, in return for the viator's present or future assignment, transfer, sale, devise, or bequest of the death benefit or ownership of any portion of the insurance policy or certificate of insurance.

b. "Viatical settlement contract" includes a premium finance loan made for a life insurance policy by a lender to a viator on, before, or after the date of issuance of the policy if:

(1) The loan proceeds are not used solely to pay:

- (a) ~~Premiums for the policy; or~~
 - (b) ~~The costs of the loan, including interest, arrangement fees, utilization fees and similar fees closing costs, legal fees and expenses, trustee fees and expenses, and third party collateral provider fees and expenses, including fees payable to letter of credit issuers;~~
 - (2) ~~The viator or the insured receives on the date of the premium finance loan a guarantee of a future viatical settlement value of the policy; or~~
 - (3) ~~The viator or the insured agrees on the date of the premium finance loan to sell the policy or any portion of its death benefit on any date following the issuance of the policy.~~
- e. ~~"Viatical settlement contract" does not include:~~
- (1) ~~A policy loan or accelerated death benefit made by the insurer pursuant to the policy's terms;~~
 - (2) ~~A loan made by a bank or other licensed financial institution in which the lender takes an interest in a life insurance policy solely to secure repayment of the loan or, if there is a default on the loan and the policy is transferred, the further assignment of the policy by the lender, provided that the default itself is not pursuant to an agreement or understanding with any other person for the purpose of evading regulation under this chapter;~~
 - (3) ~~A loan made by a lender that does not violate chapter 26.1 20.1, provided that the premium finance loan is not described in subdivision b;~~
 - (4) ~~An agreement in which all the parties are closely related to the insured by blood or law or have a lawful substantial economic interest in the continued life, health, and bodily safety of the person insured, or are trusts established primarily for the benefit of such parties;~~
 - (5) ~~Any designation, consent, or agreement by an insured who is an employee of an employer in connection with the purchase by the~~

- 1 employer, or trust established by the employer, of life insurance on the
2 life of the employee;
- 3 (6) ~~A bona fide business succession planning arrangement:~~
- 4 (a) ~~Between one or more shareholders in a corporation or between a~~
5 corporation and one or more of its shareholders or one or more
6 trusts established by its shareholders;
- 7 (b) ~~Between one or more partners in a partnership or between a~~
8 partnership and one or more of its partners or one or more trusts
9 established by its partners; or
- 10 (c) ~~Between one or more members in a limited liability company or~~
11 between a limited liability company and one or more of its
12 members or one or more trusts established by its members;
- 13 (7) ~~An agreement entered into by a service recipient, or a trust established~~
14 by the service recipient, and a service provider, or a trust established by
15 the service provider, who performs significant services for the service
16 recipient's trade or business; or
- 17 (8) ~~Any other contract, transaction, or arrangement exempted from the~~
18 definition of viatical settlement contract by the commissioner based on
19 a determination that the contract, transaction, or arrangement is not of
20 the type intended to be regulated by this chapter.
- 21 13. ~~"Viatical settlement investment agent" means a person who is an appointed or~~
22 contracted agent of a licensed viatical settlement provider who solicits or arranges
23 the funding for the purchase of a viatical settlement by a viatical settlement
24 purchaser and who is acting on behalf of a viatical settlement provider. A viatical
25 settlement investment agent is an agent as defined in section 10-04-02.
- 26 a. ~~A viatical settlement investment agent shall not have any contact directly or~~
27 indirectly with the viator or insured or have knowledge of the identity of the
28 viator or insured.
- 29 b. ~~A viatical settlement investment agent is deemed to represent the viatical~~
30 settlement provider of whom the viatical settlement investment agent is an
31 appointed or contracted agent.

~~14.—a. "Viatical settlement provider" means a person, other than a viator, that enters into or effectuates a viatical settlement contract with a viator resident in this state.~~

b. ~~"Viatical settlement provider" does not include:~~

- (1) ~~A bank, savings bank, savings and loan association, or credit union;~~
- (2) ~~A licensed lending institution or premium finance company making premium finance loans and exempted by the commissioner from the licensing requirement under the premium finance laws, that takes an assignment of a life insurance policy solely as collateral for a loan;~~
- (3) ~~The issuer of the life insurance policy;~~
- (4) ~~An authorized or eligible insurer that provides stop loss coverage or financial guaranty insurance to a viatical settlement provider, purchaser, financing entity, special purpose entity, or related provider trust;~~
- (5) ~~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;~~
- (6) ~~A financing entity;~~
- (7) ~~A special purpose entity;~~
- (8) ~~A related provider trust;~~
- (9) ~~A viatical settlement purchaser; or~~
- (10) ~~Any other person that the commissioner determines is not the type of person intended to be covered by the definition of viatical settlement provider.~~

~~15. "Viatical settlement purchase agreement" means a contract or agreement, entered into by a viatical settlement purchaser, to which the viator is not a party, to purchase a life insurance policy or an interest in a life insurance policy, that is entered into for the purpose of deriving an economic benefit. A viatical settlement purchase agreement is a viatical settlement contract as defined in section 10-04-02.~~

~~16. a. "Viatical settlement purchaser" means a person who provides a sum of money as consideration for a life insurance policy or an interest in the death benefits~~

of a life insurance policy that has been or will be the subject of a viatical settlement contract, 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.

b. "Viatical settlement purchaser" does not include:

- (1) A licensee under this chapter;
- (2) An accredited investor or qualified institutional buyer as defined, respectively, in rule 501(a) or rule 144A adopted under the Securities Act of 1933, as amended;
- (3) A financing entity;
- (4) A special purpose entity; or
- (5) A related provider trust.

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

18.—a. "Viator" means the owner of a life insurance policy or a certificate holder under a group policy who resides in this state and enters or seeks to enter into a viatical settlement contract. For the purposes of this chapter, 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 or condition except where specifically addressed. If there is more than one viator on a single policy and the viators are residents of different states, the transactions 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 the viators.

b. "Viator" does not include:

- (1) A licensee under this chapter;
- (2) Qualified institutional buyer as defined, respectively, in rule 144A adopted under the Securities Act of 1933, as amended;
- (3) A financing entity;

(4) ~~A special purpose entity; or~~

(5) ~~A related provider trust.~~

SECTION 3. AMENDMENT. Section 26.1-33.3-02 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-02. License and bond requirements.

1. a. A person ~~shall~~ may not operate as a ~~viatical settlement~~ provider or ~~viatical settlement~~ broker without first obtaining a license from the commissioner of the state of residence of the ~~viator~~ owner. A person may not operate as a ~~viatical settlement~~ broker without first obtaining an insurance producer license from the commissioner.
- b. The insurer that issued the policy being ~~viaticated~~ settled ~~may~~ not be responsible for any act or omission of a ~~viatical settlement~~ broker or ~~viatical settlement~~ provider arising out of or in connection with the ~~viatical life~~ settlement transaction, unless the insurer receives compensation for the placement of a ~~viatical life~~ settlement contract from the ~~viatical settlement~~ provider or ~~viatical settlement~~ broker in connection with the ~~viatical life~~ settlement contract.
- c. ~~A person~~ An individual licensed as an attorney, certified public accountant, or financial planner accredited by a nationally recognized accreditation agency, who is retained to represent the ~~viator~~ owner, whose compensation is not paid directly or indirectly by the ~~viatical settlement~~ provider, may negotiate ~~viatical life~~ settlement contracts on behalf of the ~~viator~~ owner without having to obtain a license as a ~~viatical settlement~~ broker.
2. Application for a ~~viatical settlement~~ provider or ~~viatical settlement~~ broker license ~~shall~~ must be made to the commissioner by the applicant on a form prescribed by the commissioner, and these applications ~~shall~~ must be accompanied by a two hundred fifty dollar fee for a provider license and a two hundred dollar fee for a broker license.
3. Licenses may be renewed from year to year on the anniversary date upon payment of the annual renewal fee of one hundred dollars. Failure to pay the fees by the renewal date results in expiration of the license.

- 1 4. The applicant shall provide information on forms required by the commissioner.
2 The commissioner ~~shall have authority~~ may, at any time, ~~to~~ require the applicant to
3 fully disclose the identity of all stockholders, partners, officers, members, and
4 employees, and the commissioner may refuse to issue a license in the name of a
5 legal entity if not satisfied that any officer, employee, stockholder, partner, or
6 member thereof who may materially influence the applicant's conduct meets the
7 standards of this chapter.
- 8 5. A license issued to a legal entity authorizes all partners, officers, members, and
9 designated employees to act as ~~viatical settlement~~ providers or ~~viatical settlement~~
10 brokers, as applicable, under the license, and all those persons ~~shall~~ must be
11 named in the application and any supplements to the application.
- 12 6. Upon the filing of an application and the payment of the license fee, the
13 commissioner shall make an investigation of each applicant and issue a license if
14 the commissioner finds that the applicant:
 - 15 a. If a ~~viatical settlement~~ provider, has provided a detailed plan of operation;
 - 16 b. Is competent and trustworthy and intends to act in good faith in the capacity
17 involved by the license applied for;
 - 18 c. Has a good business reputation and has had experience, training, or
19 education so as to be qualified in the business for which the license is applied
20 for;
 - 21 d. (1) If a ~~viatical settlement~~ provider, has demonstrated evidence of financial
22 responsibility in a format prescribed by the commissioner through either
23 a surety bond executed and issued by an insurer authorized to issue
24 surety bonds in this state or a deposit of cash, certificates of deposit, or
25 securities or any combination thereof in the amount of one hundred fifty
26 thousand dollars.
27 (2) If a ~~viatical settlement~~ broker, has demonstrated evidence of financial
28 responsibility in a format prescribed by the commissioner through either
29 a surety bond executed and issued by an insurer authorized to issue
30 surety bonds in this state or a deposit of cash, certificates of deposit, or

securities or any combination thereof in the amount of one hundred fifty thousand dollars.

(3) The commissioner shall accept, as evidence of financial responsibility, proof that financial instruments in accordance with the requirements in this section have been filed with one or more states where the applicant is licensed as a ~~viatical-settlement~~ provider or ~~viatical-settlement~~ broker.

(4) The commissioner may ask for evidence of financial responsibility at any time the commissioner deems necessary.

(5) Any surety bond issued pursuant to this subdivision shall specifically authorize recovery by the commissioner on behalf of any person in this state ~~who~~ which sustained damages as the result of erroneous acts, failure to act, conviction of fraud, or conviction of unfair practices by the ~~viatical-settlement~~ provider or ~~viatical-settlement~~ broker;

e. If a legal entity, provides a certificate of good standing from the state of its domicile; and

f. If a ~~viatical-settlement~~ provider or ~~viatical-settlement~~ broker, has provided an antifraud plan that meets the requirements of subsection 7 of section 26.1-33.3-13.

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

8. A ~~viatical-settlement~~ provider or ~~viatical-settlement~~ broker shall provide to the commissioner new or revised information about officers, ten percent or more stockholders, partners, directors, members, or designated employees within thirty days of the change.

SECTION 4. AMENDMENT. Section 26.1-33.3-03 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-03. License revocation and denial.

- 1 1. The commissioner may refuse to issue, suspend, revoke, or refuse to renew the
2 license of a ~~viatical settlement~~ provider or ~~viatical settlement~~ broker if the
3 commissioner finds that:
 - 4 a. There was any material misrepresentation in the application for the license;
 - 5 b. The licensee or any officer, partner, member, or key management personnel
6 has been convicted of fraudulent or dishonest practices is subject to a final
7 administrative action or is otherwise shown to be untrustworthy or
8 incompetent;
 - 9 c. The ~~viatical settlement~~ provider demonstrates a pattern of unreasonable
10 payments to ~~viators~~ owners;
 - 11 d. The licensee or any officer, partner, member, or key management personnel
12 has been found guilty of, or has pleaded guilty or nolo contendere to, any
13 felony, or to misdemeanor involving fraud or moral turpitude, regardless of
14 whether a judgment of conviction has been entered by the court;
 - 15 e. The ~~viatical settlement~~ provider has entered ~~into~~ any ~~viatical~~ life settlement
16 contract that has not been approved pursuant to this chapter;
 - 17 f. The ~~viatical settlement~~ provider has failed to honor contractual obligations set
18 out in a ~~viatical~~ life settlement contract;
 - 19 g. The licensee no longer meets the requirements for initial licensure;
 - 20 h. The ~~viatical settlement~~ provider has assigned, transferred, or pledged a
21 ~~viaticated~~ settled policy to a person other than a ~~viatical settlement~~ provider
22 licensed in this state, ~~viatical~~ life settlement purchaser, an accredited investor,
23 or qualified institutional buyer as defined, respectively, in rule 501(a) or rule
24 144A promulgated under the Securities Act of 1933, as amended [15 U.S.C.
25 77a et seq.], financing entity, special purpose entity, or related provider trust;
26 or
 - 27 i. The licensee or any officer, partner, member, or key management personnel
28 has violated any provision of this chapter.
- 29 2. The commissioner may suspend, revoke, or refuse to renew the license of a
30 ~~viatical settlement~~ broker if the commissioner finds that the ~~viatical settlement~~

broker has violated the provisions of this chapter or has otherwise engaged in bad-faith conduct with one or more ~~viators~~ owners.

3. If the commissioner denies a license application or suspends, revokes, or refuses to renew the license of a ~~viatical settlement~~ provider or ~~viatical settlement~~ broker pursuant to this chapter, the commissioner shall conduct a hearing in accordance with chapter 28-32.

SECTION 5. AMENDMENT. Section 26.1-33.3-04 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-04. Approval of ~~viatical~~ life settlement contracts and disclosure statements. A person ~~shall~~ may not use a ~~viatical life~~ settlement contract form or provide to a ~~viator~~ an owner a disclosure statement form in this state unless first filed with and approved by the commissioner. The commissioner shall disapprove a ~~viatical life~~ settlement contract form or disclosure statement form if, in the commissioner's opinion, the contract or provisions contained ~~therein in the form~~ fail to meet the requirement of sections 26.1-33.3-07, 26.1-33.3-09, and 26.1-33.3-12 and subsection 2 of section 26.1-33.3-13 or are unreasonable, contrary to the interests of the public, or otherwise misleading or unfair to the ~~viator~~ owner.

SECTION 6. AMENDMENT. Section 26.1-33.3-05 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-05. Reporting requirements and privacy.

1. ~~Each viatical~~ For any policy settled within five years of policy issuance, each life settlement provider shall file with the commissioner on or before March first of each year an annual statement containing such information as the commissioner may prescribe by regulation. In addition to any other requirements, the annual statement must specify the total number, aggregate face amount, and life settlement proceeds of policies settled during the immediately preceding calendar year, together with a breakdown of the information by policy issue year. The annual statement must also include the names of the insurance companies with which policies have been settled and the life settlement brokers that have settled such policies. Such information ~~shall be~~ is limited to only those transactions ~~where~~ for which the ~~viator~~ owner is a resident of this state. Individual transaction data regarding the business of ~~viatical~~ life settlements or data that could compromise

the privacy of personal, financial, and health information of the ~~viator~~ owner or insured ~~shall~~ must be filed with the commissioner on a confidential basis.

2. 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~~ may not disclose that identity as an insured, or the insured's financial or medical information to any other person unless the disclosure:
 - a. Is necessary to effect a ~~viatical~~ life settlement between the ~~viator~~ owner and a ~~viatical-settlement~~ provider and the ~~viator~~ owner and insured have provided prior written consent to the disclosure;
 - b. Is provided in response to an investigation or examination by the commissioner or any other governmental officer or agency or pursuant to the requirements of subsection 3 of section 26.1-33.3-13;
 - c. Is a term of or condition to the transfer of a policy by one ~~viatical-settlement~~ provider to another ~~viatical-settlement~~ provider;
 - d. 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~~ owner and insured have provided prior written consent to the disclosure;
 - e. Is necessary to allow the ~~viatical-settlement~~ provider or ~~viatical-settlement~~ broker or ~~their~~ the provider's or broker's authorized representatives to make contacts for the purpose of determining health status; or
 - f. Is required to purchase stop-loss coverage or financial guaranty insurance.

SECTION 7. AMENDMENT. Section 26.1-33.3-06 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-06. Examination or investigations.

1. Authority, scope, and scheduling of examinations.
 - (1) The commissioner may conduct an examination under this chapter of a licensee as often as the commissioner deems appropriate after considering the factors set forth in this subdivision.

- 1 (2) In scheduling and determining the nature, scope, and frequency of the
2 examinations, the commissioner shall consider such matters as the
3 consumer complaints, results of financial statement analyses and
4 ratios, changes in management or ownership, actuarial opinions, report
5 of independent certified public accountants, and other relevant criteria
6 as determined by the commissioner.
- 7 b. For purposes of completing an examination of a licensee under this chapter,
8 the commissioner may examine or investigate any person, or the business of
9 any person, insofar as the examination or investigation is, in the sole
10 discretion of the commissioner, necessary or material to the examination of
11 the licensee.
- 12 c. In lieu of an examination under this chapter of any foreign or alien licensee
13 licensed in this state, the commissioner may accept an examination report on
14 the licensee as prepared by the commissioner for the licensee's state of
15 domicile or port-of-entry state.
- 16 d. As far as practical, the examination of a foreign or alien insurer ~~shall~~ must be
17 made in cooperation with the insurance supervisory officials of other states in
18 which the insurer transacts business.
- 19 2. Record retention requirement.
- 20 a. A person required to be licensed by this chapter ~~shall~~ for five years shall
21 retain copies of all:
- 22 (1) Proposed, offered, or executed contracts, purchase agreements,
23 underwriting documents, policy forms, and applications from the date of
24 the proposal, offer, or execution of the contract or purchase agreement,
25 whichever is later;
- 26 (2) Checks, drafts, or other evidence and documentation related to the
27 payment, transfer, deposit, or release of funds from the date of the
28 transaction; and
- 29 (3) Other records and documents related to the requirements of this
30 chapter.

b. The section does not relieve a person of the obligation to produce these documents to the commissioner after the retention period has expired if the person has retained the documents.

c. Records required to be retained by this section must be legible and complete and may be retained in paper, photograph, microprocess, magnetic, mechanical, or electronic media, or by any process that accurately reproduces or forms a durable medium for the reproduction of a record.

3. Conduct of examinations.

a. Upon determining that an examination should be conducted, the commissioner shall issue an examination warrant appointing one or more examiners to perform the examination and instructing ~~them~~ the examiners as to the scope of the examination. In conducting the examination, the examiner shall observe those guidelines and procedures set forth in the examiners handbook adopted by the national association of insurance commissioners. The commissioner may also employ such other guidelines or procedures as the commissioner may deem appropriate.

b. Every licensee or person from whom information is sought, its officers, directors, and agents shall provide to the examiners timely, convenient, and free access at all reasonable hours at its offices to all books, records, accounts, papers, documents, assets, and computer or other recordings relating to the property, assets, business, and affairs of the licensee being examined. The officers, directors, employees, and agents of the licensee or person shall facilitate the examination and aid in the examination so far as it is in their power to do so. The refusal of a licensee, by its officers, directors, employees, or agents, to submit to examination or to comply with any reasonable written request of the commissioner shall be grounds for suspension or refusal of, or nonrenewal of, any license or authority held by the licensee to engage in the ~~vital~~ vital life settlement business or other business subject to the commissioner's jurisdiction. Any proceedings for suspension, revocation, or refusal of any license or authority ~~shall~~ must be conducted pursuant to this title and chapter 28-32.

- 1 c. The commissioner ~~shall have the power to~~ may issue subpoenas, ~~to~~
2 administer oaths, and ~~to~~ examine under oath any person as to any matter
3 pertinent to the examination. Upon the failure or refusal of a person to obey a
4 subpoena, the commissioner may petition a court of competent jurisdiction,
5 and upon proper showing, the court may enter an order compelling the
6 witness to appear and testify or produce documentary evidence. Failure to
7 obey the court order ~~shall~~ must be punishable as contempt of court.
- 8 d. When making an examination under this chapter, the commissioner may
9 retain attorneys, appraisers, independent actuaries, independent certified
10 public accountants, or other professionals and specialists as examiners, the
11 reasonable cost of which ~~shall~~ must be borne by the licensee that is the
12 subject of the examination.
- 13 e. ~~Nothing contained in this~~ This chapter ~~shall~~ may not be construed to limit the
14 commissioner's authority to terminate or suspend an examination in order to
15 pursue other legal or regulatory action pursuant to the insurance laws of this
16 state. Findings of fact and conclusions made pursuant to any examination
17 ~~shall~~ must be prima facie evidence in any legal or regulatory action.
- 18 f. ~~Nothing contained in this~~ This chapter ~~shall~~ may not be construed to limit the
19 commissioner's authority to use and, if appropriate, to make public any final or
20 preliminary examination report, any examiner or licensee workpapers or other
21 documents, or any other information discovered or developed during the
22 course of any examination in the furtherance of any legal or regulatory action
23 which the commissioner may deem appropriate.
- 24 4. Examination reports.
- 25 a. Examination reports ~~shall~~ must be comprised of only facts appearing upon the
26 books, records, or other documents of the licensee, ~~its~~ the licensee's agents,
27 or other persons examined, or as ascertained from the testimony of ~~its~~ the
28 licensee's officers or agents or other persons examined concerning ~~its~~ the
29 licensee's affairs, and such conclusions and recommendations as the
30 examiners find reasonably warranted from the facts.

b. No later than sixty days following completion of the examination, the examiner in charge shall file with the commissioner a verified written report of examination under oath. Upon receipt of the verified report, the commissioner shall transmit the report to the licensee examined, together with a notice that shall afford the licensee examined a reasonable opportunity of not more than thirty days to make a written submission or rebuttal with respect to any matters contained in the examination report.

c. If the commissioner determines that regulatory action is appropriate as a result of an examination, the commissioner may initiate any proceedings or actions provided by law.

5. Confidentiality of examination information.

a. Names and individual identification data for all ~~visitors shall~~ owners must be considered private and confidential information and ~~shall may~~ not be disclosed by the commissioner, unless required by law.

b. Except as otherwise provided in this chapter, all examination reports, working papers, recorded information, documents, and copies thereof produced by, obtained by, or disclosed to the commissioner or any other person in the course of an examination made under this chapter, or in the course of analysis or investigation by the commissioner of the financial condition or market conduct of a licensee shall be confidential by law and privileged, ~~shall not be~~ are subject to section 44-04-18 and section 6 of article XI of the Constitution of North Dakota, ~~shall are~~ not be subject to subpoena, and ~~shall are~~ not be subject to discovery or admissible in evidence in any private civil action. The commissioner ~~is authorized to~~ may use the documents, materials, or other information in the furtherance of any regulatory or legal action brought as part of the commissioner's official duties.

c. Documents, materials, or other information, including all working papers, and copies thereof, in the possession or control of the national association of insurance commissioners and its affiliates and subsidiaries ~~shall be~~ are confidential by law and privileged, ~~shall are~~ not be subject to subpoena, and

~~shall~~ are not be subject to discovery or admissible in evidence in any private civil action if they are:

- (1) Created, produced, or obtained by or disclosed to the national association of insurance commissioners and its affiliates and subsidiaries in the course of assisting an examination made under this chapter, or assisting a commissioner in the analysis or investigation of the financial condition or market conduct of a licensee; or
- (2) Disclosed to the national association of insurance commissioners and its affiliates and subsidiaries under subdivision d by a commissioner.
- (3) For the purposes of subdivision b, this chapter includes the law of another state or jurisdiction that is substantially similar to this chapter.

d. Neither the commissioner nor any person that received the documents, material, or other information while acting under the authority of the commissioner, including the national association of insurance commissioners and its affiliates and subsidiaries, ~~shall~~ may be permitted to testify in any private civil action concerning any confidential documents, materials, or information subject to subdivision a.

e. In order to assist in the performance of the commissioner's duties, the commissioner:

- (1) May share documents, materials, or other information, including the confidential and privileged documents, materials, or information subject to subdivision a, with other state, federal, and international regulatory agencies, with the national association of insurance commissioners and its affiliates and subsidiaries, and with state, federal, and international law enforcement authorities, provided that the recipient agrees to maintain the confidentiality and privileged status of the document, material, communication, or other information;
- (2) May receive documents, materials, communications, or information, including otherwise confidential and privileged documents, materials, or information, from the national association of insurance commissioners and its affiliates and subsidiaries, and from regulatory and law

enforcement officials of other foreign or domestic jurisdiction, and shall maintain as confidential or privileged any document, material, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information; and

(3) May enter ~~into~~ agreements governing sharing and use of information consistent with this subsection.

f. ~~No-waiver~~ Waiver of any applicable privilege or claim of confidentiality in the documents, materials, or information ~~shall~~ may not occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in subdivision d.

g. A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established under this subsection ~~shall~~ must be available and enforced in any proceeding in, and in any court of, this state.

h. ~~Nothing contained in this~~ This chapter ~~shall~~ may not prevent or be construed as prohibiting the commissioner from disclosing the content of an examination report, preliminary examination report or results, or any matter relating thereto, to the commissioner of any other state or country, or to law enforcement officials of this or any other state or agency of the federal government at any time or to the national association of insurance commissioners, so long as such agency or office receiving the report or matters relating thereto agrees in writing to hold ~~it~~ the reports or matters confidential and in a manner consistent with this chapter.

6. Conflict of interest.

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

(1) ~~A viator~~ An owner;

- 1 (2) An insured in a ~~vaticated~~ settled insurance policy; or
- 2 (3) A beneficiary in an insurance policy that is proposed to be ~~vaticated~~
- 3 settled.
- 4 b. Notwithstanding the requirements of this subsection, the commissioner may
- 5 retain from time to time, on an individual basis, qualified actuaries, certified
- 6 public accountants, or other similar individuals who are independently
- 7 practicing their professions, even though these ~~persons~~ individuals may from
- 8 time to time be similarly employed or retained by persons subject to
- 9 examination under this chapter.
- 10 7. ~~Cost of examinations.~~ The expenses incurred in conducting any examination must
- 11 be paid by the licensee or applicant.
- 12 8. Immunity from liability.
- 13 a. ~~No~~ A cause of action ~~shall~~ may not arise nor ~~shall~~ may any liability be
- 14 imposed against the commissioner, the commissioner's authorized
- 15 representatives, or any examiner appointed by the commissioner for any
- 16 statements made or conduct performed in good faith while carrying out the
- 17 provisions of this chapter.
- 18 b. ~~No~~ A cause of action ~~shall~~ may not arise, nor ~~shall~~ may any liability be
- 19 imposed against any person for the act of communicating or delivering
- 20 information or data to the commissioner or the commissioner's authorized
- 21 representative or examiner pursuant to an examination made under this
- 22 chapter, if the act of communication or delivery was performed in good faith
- 23 and without fraudulent intent or the intent to deceive. This subdivision does
- 24 not abrogate or modify in any way any common law or statutory privilege or
- 25 immunity heretofore enjoyed by any person identified in subdivision a.
- 26 c. A person identified in subdivision a or b ~~shall be~~ is entitled to an award of
- 27 attorney's fees and costs if the person is the prevailing party in a civil cause of
- 28 action for libel, slander, or any other relevant tort arising out of activities in
- 29 carrying out the provisions of this chapter and the party bringing the action
- 30 was not substantially justified in doing so. For purposes of this section, a

proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated.

9. ~~Investigative authority of the commissioner.~~ The commissioner may investigate suspected fraudulent ~~viatical life~~ settlement acts and persons engaged in the business of ~~viatical life~~ settlements.

SECTION 8. AMENDMENT. Section 26.1-33.3-07 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-07. Disclosure to ~~viator~~ owner.

1. With each application for a ~~viatical life~~ settlement, a ~~viatical settlement~~ provider or ~~viatical settlement~~ broker shall provide the ~~viator~~ owner with at least the following disclosures no later than the time the application for the ~~viatical life~~ settlement contract is signed by all parties. The disclosures ~~shall~~ must be provided in a separate document that is signed by the ~~viator~~ owner and the ~~viatical settlement~~ provider or ~~viatical settlement~~ broker, and ~~shall~~ must provide the following information:
 - a. There are possible alternatives to ~~viatical life~~ settlement contracts, including any accelerated death benefits or policy loans offered under the ~~viator's~~ owner's life insurance policy.
 - b. ~~That a viatical settlement~~ A broker represents exclusively the ~~viator~~ owner, and not the insurer or the ~~viatical settlement~~ provider, and owes a fiduciary duty to the ~~viator~~ owner, including a duty to act according to the ~~viator's~~ owner's instructions and in the best interest of the ~~viator~~ owner.
 - c. Some or all of the proceeds of the ~~viatical life~~ settlement may be taxable under federal income tax and state franchise and income taxes, and assistance should be sought from a professional tax advisor.
 - d. Proceeds of the ~~viatical life~~ settlement could be subject to the claims of creditors.
 - e. Receipt of the proceeds of a ~~viatical life~~ settlement may adversely affect the ~~viator's~~ owner's eligibility for medicaid or other government benefits or entitlements, and advice should be obtained from the appropriate government agencies.

- 1 f. The ~~viator~~ owner has the right to rescind a ~~viatical~~ life settlement contract
2 before the earlier of sixty calendar days after the date upon which the ~~viatical~~
3 life settlement contract is executed by all parties or thirty calendar days after
4 the ~~viatical~~ life settlement proceeds have been delivered to the escrow agent
5 by or on behalf of the settlement provider, as provided in subsection 5 of
6 section 26.1-33.3-09. Rescission, if exercised by the ~~viator~~ owner, is effective
7 only if both notice of the rescission is given, and the ~~viator~~ owner repays all
8 proceeds and any premiums, loans, and loan interest paid on account of the
9 ~~viatical-settlement~~ provider within the rescission period. If the insured dies
10 during the rescission period, the ~~viatical~~ life settlement contract ~~shall~~ must be
11 deemed to have been rescinded, subject to repayment by the ~~viator~~ owner or
12 the ~~viator's~~ owner's estate of all ~~viatical~~ life settlement proceeds and any
13 premiums, loans, and loan interest.
- 14 g. Funds will be sent to the ~~viator~~ owner by the later of the expiration of the
15 rescission period or within three business days after the ~~viatical-settlement~~
16 provider has received the ~~insurer~~ insurer's or group administrator's written
17 acknowledgment that ownership of the policy or interest in the certificate has
18 been transferred and the beneficiary has been designated.
- 19 h. Entering ~~into~~ a ~~viatical~~ life settlement contract may cause other rights or
20 benefits, including conversion rights and waiver of premium benefits that may
21 exist under the policy or certificate, to be forfeited by the ~~viator~~ owner.
22 Assistance should be sought from a financial adviser.
- 23 i. Disclosure to ~~a viator~~ an owner shall include distribution of a brochure
24 describing the process of ~~viatical~~ life settlements. The national association of
25 insurance commissioners' form for the brochure ~~shall~~ must be used unless
26 another form is developed or approved by the commissioner.
- 27 j. The disclosure document ~~shall~~ must contain the following language: "All
28 medical, financial, or personal information solicited or obtained by a ~~viatical~~
29 ~~settlement~~ provider or ~~viatical-settlement~~ broker about an insured, including
30 the insured's identity or the identity of family members, a spouse, or a
31 significant other may be disclosed as necessary to effect the ~~viatical~~ life

1 settlement between the viator owner and the ~~viatical settlement~~ provider. If
2 you are asked to provide this information, you will be asked to consent to the
3 disclosure. The information may be provided to someone who buys the policy
4 or provides funds for the purchase. You may be asked to renew your
5 permission to share information every two years."

- 6 k. Following execution of a ~~viatical life~~ contract, the insured may be contacted
7 for the purpose of determining the insured's health status and to confirm the
8 insured's residential or business street address and telephone number, or as
9 otherwise provided in this chapter. This contact ~~shall~~ must be limited to once
10 every three months if the insured has a life expectancy of more than one year,
11 and no more than once per month if the insured has a life expectancy of one
12 year or less. All such contacts ~~shall~~ must be made only by a ~~viatical~~
13 ~~settlement~~ provider licensed in the state in which the viator owner resided at
14 the time of the ~~viatical life~~ settlement, or by the authorized representative of a
15 duly licensed ~~viatical settlement~~ provider.

- 16 2. A ~~viatical settlement~~ provider shall provide the viator owner with at least the
17 following disclosures no later than the date the ~~viatical life~~ settlement contract is
18 signed by all parties. The disclosures ~~shall~~ must be conspicuously displayed in the
19 ~~viatical life~~ settlement contract or in a separate document signed by the viator
20 owner and provide the following information:

- 21 a. The affiliation, if any, between the ~~viatical settlement~~ provider and the issuer
22 of the insurance policy to be ~~viaticated~~ settled;
- 23 b. The document ~~shall~~ must include the name, business address, and telephone
24 number of the ~~viatical settlement~~ provider;
- 25 c. Any affiliations or contractual arrangements between the ~~viatical settlement~~
26 provider and the ~~viatical life~~ settlement purchaser;
- 27 d. If an insurance policy to be ~~viaticated~~ settled has been issued as a joint policy
28 or involves family riders or any coverage of a life other than the insured under
29 the policy to be ~~viaticated~~ settled, the ~~viator shall~~ owner must be informed of
30 the possible loss of coverage on the other lives under the policy and ~~shall~~

- 1 ~~must~~ be advised to consult with the ~~viator's owner's~~ insurance producer or the
- 2 insurer issuing the policy for advice on the proposed ~~viatical life~~ settlement;
- 3 e. State the dollar amount of the current death benefit payable to the ~~viatical~~
- 4 ~~settlement~~ provider under the policy or certificate. If known, the ~~viatical~~
- 5 ~~settlement~~ provider ~~shall~~ also shall disclose the availability of any additional
- 6 guaranteed insurance benefits, the dollar amount of any accidental death and
- 7 dismemberment benefits under the policy or certificate, and the extent to
- 8 which the ~~viator's owner's~~ interest in those benefits will be transferred as a
- 9 result of the ~~viatical life~~ settlement contract; and
- 10 f. Provide the name, business address, and telephone number of the
- 11 independent third-party escrow agent, and the fact that the ~~viator or~~ owner
- 12 may inspect or receive copies of the relevant escrow or trust agreements or
- 13 documents.
- 14 3. A ~~viatical settlement~~ broker shall provide the ~~viator~~ owner with at least the following
- 15 disclosures no later than the date the ~~viatical life~~ settlement contract is signed by
- 16 all parties. The disclosures ~~shall~~ must be conspicuously displayed in the ~~viatical~~
- 17 life settlement contract or in a separate document signed by the ~~viator~~ owner and
- 18 provide the following information:
- 19 a. The name, business address, and telephone number of the ~~viatical settlement~~
- 20 broker;
- 21 b. A full, complete, and accurate description of all offers, counteroffers,
- 22 acceptances, and rejections relating to the proposed ~~viatical life~~ settlement
- 23 contract;
- 24 c. A written disclosure of any affiliations or contractual arrangements between
- 25 the ~~viatical settlement~~ broker and any person making an offer in connection
- 26 with the proposed ~~viatical life~~ settlement contracts;
- 27 d. The amount and method of calculating the broker's compensation, which term
- 28 "compensation" includes anything of value paid or given to a ~~viatical~~
- 29 ~~settlement~~ broker for the placement of a policy; and
- 30 e. If any portion of the ~~viatical settlement~~ broker's compensation, as defined in
- 31 subdivision c, is taken from a proposed ~~viatical life~~ settlement offer, the broker

shall disclose the total amount of the ~~viatical~~ life settlement offer and the percentage of the ~~viatical~~ life settlement offer comprised by the ~~viatical~~ settlement broker's compensation.

4. If the ~~viatical-settlement~~ provider transfers ownership or changes the beneficiary of the insurance policy, the provider shall communicate in writing the change in ownership or beneficiary to the insured within twenty days after the change.

5. A ~~viatical-settlement~~ provider or ~~its~~ ~~viatical~~ the provider's life settlement investment agent shall provide the ~~viatical~~ life settlement purchaser with at least the following disclosures ~~prior to~~ before the date the ~~viatical~~ life settlement purchase agreement is signed by all parties. The disclosures ~~shall~~ must be conspicuously displayed in any ~~viatical~~ life purchase contract or in a separate document signed by the ~~viatical~~ life settlement purchaser and ~~viatical-settlement~~ provider or ~~viatical~~ life settlement investment agent, and ~~shall~~ must make the following disclosure to the ~~viatical~~ life settlement 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 ~~viatical~~ 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 ~~viatical~~ settled life insurance contract should not be considered a liquid purchase since it is impossible to predict the exact timing of its 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 ~~viatical~~ 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 ~~viatical~~ life settlement purchase agreement. These payments may reduce the

1 purchaser's return. If a party other than the purchaser is responsible for the
2 payment, the name and address of that party also ~~shall~~ must be disclosed.

3 f. The purchaser is responsible for payment of the insurance premiums or other
4 costs related to the policy if the insured returns to health. Disclose the
5 amount of such premiums, if applicable.

6 g. State the name, business address, and telephone number of the independent
7 third party providing escrow services and the relationship to the broker.

8 h. The amount of any trust fees or other expenses to be charged to the ~~viatical~~
9 life settlement purchaser shall be disclosed.

10 i. State whether the purchaser is entitled to a refund of all or part of the
11 purchaser's investment under the settlement contract if the policy is later
12 determined to be null and void.

13 j. Disclose that group policies may contain limitations or caps in the conversion
14 rights, additional premiums may have to be paid if the policy is converted,
15 name the party responsible for the payment of the additional premiums and, if
16 a group policy is terminated and replaced by another group policy, state that
17 there may be no right to convert the original coverage.

18 k. Disclose the risks associated with policy contestability, including the risk that
19 the purchaser will have no claim or only a partial claim to death benefits
20 should the insurer rescind the policy within the contestability period.

21 l. Disclose whether the purchaser will be the owner of the policy in addition to
22 being the beneficiary, and if the purchaser is the beneficiary only and not also
23 the owner, the special risks associated with that status, including the risk that
24 the beneficiary may be changed or the premium may not be paid.

25 m. Describe the experience and qualifications of the person ~~who~~ that determines
26 the life expectancy of the insured, such as in-house staff, independent
27 physicians, and specialty firms that weigh medical and actuarial data; the
28 information this projection is based on; and the relationship of the projection
29 maker to the ~~viatical settlement~~ provider, if any.

30 n. Disclosure to an investor ~~shall~~ must include distribution of a brochure
31 describing the process of investment in ~~viatical~~ life settlements. The national

association of insurance commissioners' form for the brochure ~~shall~~ must be used unless one is developed by the commissioner.

6. A ~~viatical settlement~~ provider or ~~its viatical~~ the provider's life settlement investment agent shall provide the ~~viatical~~ life settlement 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 ~~shall~~ must be contained in a document signed by the ~~viatical~~ life settlement purchaser and ~~viatical settlement~~ provider or ~~viatical~~ life settlement investment agent, and shall make the following disclosures to the ~~viatical~~ life settlement purchaser:

- a. Disclose all the life expectancy certifications obtained by the provider in the process of determining the price paid to the ~~viator~~ 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. 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 ~~viator~~ owner continues the term policy at the end of the current term.
- f. State whether the policy is contestable.
- g. State whether the insurer that wrote the policy has any additional rights that could negatively affect or extinguish the purchaser's rights under the ~~viatical~~ life settlement contract, what these rights are, and under what conditions these rights are activated.

h. State the name and address of the person responsible for monitoring the insured's condition. Describe how often the monitoring of the insured's condition is done, how the date of death is determined, and how and when this information will be transmitted to the purchaser.

7. The ~~viatical~~ life settlement purchase agreement is voidable by the purchaser at any time within three days after the disclosures mandated by subsections 5 and 6 are received by the purchaser.

SECTION 9. AMENDMENT. Section 26.1-33.3-08 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-08. Disclosure to insurer. ~~Prior to~~ Before the initiation of a ~~viatical~~ life settlement plan, ~~viatical~~ life settlement transaction, or series of ~~viatical~~ life settlement transactions, a ~~viatical~~ life settlement broker or ~~viatical~~ life settlement provider shall fully disclose all nonproprietary information to an insurer the details of the plan, transaction, or series of transactions, to which the ~~viatical~~ life settlement broker or ~~viatical~~ life settlement provider is a party, to originate, renew, continue, or finance a life insurance policy with the insurer for the purpose of engaging in the business of ~~viatical~~ life settlements at any time ~~prior to~~, before or during the first five years after, issuance of the policy. Any disclosure required under this section must be in writing.

SECTION 10. AMENDMENT. Section 26.1-33.3-09 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-09. General rules.

1. a. A ~~viatical~~ life settlement provider entering into a ~~viatical~~ life settlement contract shall first obtain:

- (1) If the ~~viator~~ owner is the insured, a written statement from a licensed attending physician that the ~~viator~~ owner is of sound mind and under no constraint or undue influence to enter into a ~~viatical~~ life settlement contract; and
- (2) A document in which the insured consents to the release of the insured's medical records to a licensed ~~viatical~~ life settlement provider, ~~viatical~~ life settlement broker, and the insurance company that issued the life insurance policy covering the life of the insured.

- 1 b. Within twenty days after ~~a viator~~ an owner executes documents necessary to
2 transfer any rights under an insurance policy or within twenty days of entering
3 any agreement, option, promise, or any other form of understanding,
4 expressed or implied, to ~~viate~~ settle the policy, the ~~viatical settlement~~
5 provider shall give written notice to the insurer that issued that insurance
6 policy that the policy has or will become a ~~viated~~ settled policy. The notice
7 ~~shall~~ must be accompanied by the documents required by subdivision c.
- 8 c. The ~~viatical~~ provider shall deliver a copy of the medical release required
9 under paragraph 2 of subdivision a, a copy of the ~~viator's~~ owner's application
10 for the ~~viatical life~~ settlement contract, the notice required under subdivision b,
11 and a request for verification of coverage to the insurer that issued the life
12 policy that is the subject of the ~~viatical life settlement~~ transaction. The
13 national association of insurance commissioners' form for verification of
14 coverage ~~shall~~ must be used unless another form is developed or approved
15 by the commissioner.
- 16 d. The insurer shall respond to a request for verification of coverage submitted
17 on an approved form by a ~~viatical settlement~~ provider or ~~viatical settlement~~
18 broker within thirty calendar days of the date the request is received and shall
19 indicate whether, based on the medical evidence and documents provided,
20 the insurer intends to pursue an investigation at this time regarding the validity
21 of the insurance contract or possible fraud. The insurer shall accept a request
22 for verification of coverage made on a national association of insurance
23 commissioners' form or any other form approved by the commissioner. The
24 insurer shall accept an original or facsimile or electronic copy of such request
25 and any accompanying authorization signed by the ~~viator~~ owner. Failure by
26 the insurer to meet ~~its~~ the insurer's obligations under this subsection ~~shall be~~
27 is a violation of subsection 3 of section 26.1-33.3-10 and section
28 26.2-33.3-15.
- 29 e. ~~Prior to~~ Before or at the time of execution of the ~~viatical life~~ settlement
30 contract, the ~~viatical settlement~~ provider shall obtain a witnessed document in
31 which the ~~viator~~ owner consents to the ~~viatical life~~ settlement contract,

represents that the ~~viator~~ owner has a full and complete understanding of the ~~viatical~~ life settlement contract, that the ~~viator~~ owner has a full and complete understanding of the benefits of the life insurance policy, acknowledges that the ~~viator~~ owner is entering ~~into~~ the ~~viatical~~ life settlement contract freely and voluntarily, and, for persons with a terminal or chronic illness or condition, acknowledges that the insured has a terminal or chronic illness and that the terminal or chronic illness or condition was diagnosed after the life insurance policy was issued.

f. 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.

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

3. All ~~viatical~~ life settlement contracts entered ~~into~~ in this state shall provide the ~~viator~~ owner with a right to rescind the contract before the earlier of sixty calendar days after the date upon which the ~~viatical~~ life settlement contract is executed by all parties or thirty calendar days after the ~~viatical~~ life settlement proceeds have been sent to the escrow agent by or on behalf of the ~~viatical-settlement~~ provider as provided in subsection 5 of section ~~26-1-33.3-09~~. Rescission by the ~~viator~~ owner may be conditioned upon the ~~viator~~ owner both giving notice and repaying to the ~~viatical-settlement~~ provider within the rescission period all proceeds of the settlement and any premiums, loans, and loan interest paid by or on behalf of the ~~viatical-settlement~~ provider in connection with or as a consequence of the ~~viatical~~ life settlement. If the insured dies during the rescission period, the ~~viatical~~ life settlement contract ~~shall be~~ is deemed to have been rescinded, subject to repayment to the ~~viatical-settlement~~ provider or purchaser of all ~~viatical~~ life settlement proceeds, and any premiums, loans, and loan interest that have been paid by the ~~viatical-settlement~~ provider or purchaser, which ~~shall~~ must be paid within sixty calendar days of the death of the insured. In the event of any rescission, if the ~~viatical-settlement~~ provider has paid commissions or other

1 compensation to a ~~viatical settlement~~ broker in connection with the rescinded
2 transaction, the ~~viatical settlement~~ broker shall refund all ~~such~~ the commissions
3 and compensation to the ~~viatical settlement~~ provider within five business days
4 following receipt of written demand from the ~~viatical settlement~~ provider, which
5 demand ~~shall~~ must be accompanied by either the ~~viator's~~ owner's notice of
6 rescission if rescinded at the election of the ~~viator~~ owner, or notice of the death of
7 the insured if rescinded by reason of the death of the insured within the applicable
8 rescission period.

- 9 4. The ~~viatical settlement~~ provider shall instruct the ~~viator~~ owner to send the executed
10 documents required to effect the change in ownership, assignment, or change in
11 beneficiary directly to the independent escrow agent. Within three business days
12 after the date the escrow agent receives the document, or from the date the ~~viatical~~
13 ~~settlement~~ provider receives the documents, if the ~~viator~~ owner erroneously
14 provides the documents directly to the provider, the provider shall pay or transfer
15 the proceeds of the ~~viatical life~~ settlement into an escrow or trust account
16 maintained in a state or federally chartered financial institution whose deposits are
17 insured by the federal deposit insurance corporation. Upon payment of the
18 settlement proceeds into the escrow account, the escrow agent shall deliver the
19 original change in ownership, assignment, or change in beneficiary forms to the
20 ~~viatical settlement~~ provider or related provider trust or other designated
21 representative of the ~~viatical settlement~~ provider. Upon the later to occur of the
22 expiration of any then remaining rescission period or the escrow agent's receipt of
23 the acknowledgement of the properly completed transfer of ownership,
24 assignment, or designation of beneficiary from the insurance company, the escrow
25 agent shall pay the settlement proceeds to the ~~viator~~ owner.

- 26 5. Failure to tender consideration to the ~~viator~~ owner for the ~~viatical life~~ settlement
27 contract within the time set forth in the disclosure pursuant to subdivision g of
28 subsection 1 of section 26.1-33.3-07 renders the ~~viatical life~~ settlement contract
29 voidable by the ~~viator~~ owner for lack of consideration until the time consideration is
30 tendered to and accepted by the ~~viator~~ owner. Funds ~~shall be~~ are deemed sent by
31 a ~~viatical settlement~~ provider to a ~~viator~~ an owner as of the date that the escrow

agent either releases funds for wire transfer to the ~~viator~~ owner or places a check for delivery to the ~~viator~~ owner via United States postal service or other nationally recognized delivery service.

6. Contacts with the insured for the purpose of determining the health status of the insured by the ~~viatical settlement~~ provider or ~~viatical settlement~~ broker after the ~~viatical~~ life settlement has occurred ~~shall only~~ may be made by the ~~viatical settlement~~ provider or broker licensed in this state or ~~its~~ the provider's or broker's authorized representatives and ~~shall~~ must be limited to once every three months for insureds with a life expectancy of more than one year, and to no more than once per month for insureds with a life expectancy of one year or less. The provider or broker shall explain the procedure for these contacts at the time the ~~viatical~~ life settlement contract is entered ~~into~~. The limitations set forth in this subsection ~~shall~~ do not apply to any contacts with an insured for reasons other than determining the insured's health status. ~~Viatical settlement providers~~ Providers and ~~viatical settlement~~ brokers ~~shall be~~ are responsible for the actions of ~~their~~ the provider's and broker's authorized representatives.

SECTION 11. AMENDMENT. Section 26.1-33.3-10 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-10. Prohibited practices.

1. It is in violation of this chapter for any person to enter ~~into~~ a ~~viatical~~ life settlement contract at any time ~~prior to~~ before the application for or issuance of a policy ~~which~~ that is the subject of a ~~viatical~~ life settlement contract or within a five-year period commencing with the date of issuance of the insurance policy or certificate unless the ~~viator~~ owner certifies to the ~~viatical settlement~~ provider or it is otherwise conclusively shown by the ~~viatical settlement~~ provider that one or more of the following conditions have been met within the five-year period:

a. The policy was issued upon the ~~viator's~~ owner's exercise of conversion rights arising out of a group or individual policy, provided the total of the time covered under the conversion policy plus the time covered under the prior policy is at least sixty months. The time covered under a group policy ~~shall~~ must be calculated without regard to any change in insurance carriers,

- 1 provided the coverage has been continuous and under the same group
2 sponsorship;
- 3 b. The ~~viator~~ owner submits independent evidence to the ~~viatical settlement~~
4 provider that one or more of the following conditions have been met within the
5 five-year period:
- 6 (1) The ~~viator~~ owner or insured is terminally or chronically ill;
7 (2) The ~~viator's~~ owner's spouse dies or no remaining beneficiaries are then
8 surviving;
9 (3) The ~~viator~~ owner divorces a spouse;
10 (4) The ~~viator~~ owner retires from full-time employment; or
11 (5) The ~~viator~~ owner becomes physically or mentally disabled and a
12 physician determines that the disability prevents the ~~viator~~ owner from
13 maintaining full-time employment;
- 14 c. A final order, judgment, or decree is entered by a court of competent
15 jurisdiction, on the application of a creditor of the ~~viator~~ owner, adjudicating
16 the ~~viator~~ owner in default, bankrupt, or insolvent, or approving a petition
17 seeking reorganization of the ~~viator~~ owner or appointing a receiver, trustee, or
18 liquidator to all or a substantial part of the ~~viator's~~ owner's assets; or
- 19 d. The ~~viator~~ owner enters ~~into a viatical life~~ settlement contract more than two
20 years after the date of issuance of a policy and, with respect to the policy, at
21 all times ~~prior to~~ before the date that is two years after policy issuance, the
22 following conditions are met:
- 23 (1) Policy premiums have been funded exclusively with unencumbered
24 assets, including an interest in the life insurance policy being financed
25 only to the extent of ~~its~~ the policy's net cash surrender value, provided
26 by, or fully recourse liability incurred by, the insured or a person
27 described in paragraph 4 of subdivision c of subsection ~~12 7~~ of section
28 26.1-33.3-01;
- 29 (2) There is no agreement or understanding with any other person to
30 guarantee any such liability or to purchase, or stand ready to purchase,

1 the policy, including through an assumption or forgiveness of the loan;
2 and

3 (3) Neither the insured nor the policy has been evaluated for settlement in
4 connection with the issuance of the policy.

5 2. Copies of the independent evidence described in subdivision b of subsection 1 and
6 documents required by subsection 1 of section 26.1-33.3-09 ~~shall~~ must be
7 submitted to the insurer when the ~~viatical settlement~~ provider submits a request to
8 the insurer for verification of coverage. The copies ~~shall~~ must be accompanied by
9 a letter of attestation from the ~~viatical settlement~~ provider that the copies are true
10 and correct copies of the documents received by the ~~viatical settlement~~ provider.

11 3. If the ~~viatical settlement~~ provider submits to the insurer a copy of the ~~owner~~
12 owner's or insured's certification described in and the independent evidence
13 required by subdivision b of subsection 1 when the provider submits a request to
14 the insurer to effect the transfer of the policy or certificate to the ~~viatical settlement~~
15 provider, the copy ~~shall be~~ is deemed to conclusively establish that the ~~viatical life~~
16 settlement contract satisfies the requirements of this section and the insurer shall
17 timely respond to the request.

18 4. An insurer may not require, as a condition of responding to a request for
19 verification of coverage or effecting the transfer of a policy pursuant to a ~~viatical life~~
20 settlement contract, that the ~~viator~~ owner, insured, ~~viatical settlement~~ provider, or
21 ~~viatical settlement~~ broker sign any forms, disclosures, consent, or waiver form that
22 has not been expressly approved by the commissioner for use in connection with
23 ~~viatical life~~ settlement contracts in this state.

24 5. Upon receipt of a properly completed request for change of ownership or
25 beneficiary of a policy, the insurer shall respond in writing within thirty calendar
26 days with written acknowledgement confirming that the change has been effected
27 or specifying the reasons why the requested change cannot be processed. The
28 insurer ~~shall~~ may not unreasonably delay effecting change of ownership or
29 beneficiary and ~~shall~~ may not otherwise seek to interfere with any ~~viatical life~~
30 settlement contract lawfully entered into in this state.

1 **SECTION 12. AMENDMENT.** Section 26.1-33.3-11 of the North Dakota Century Code
2 is amended and reenacted as follows:

3 **26.1-33.3-11. Prohibited practices and conflicts of interest.**

- 4 1. With respect to any ~~viatical life~~ settlement contract or insurance policy, ~~no viatical~~
5 ~~settlement~~ a broker may not knowingly ~~shall~~ solicit an offer from, effectuate a
6 ~~viatical life~~ settlement with, or make a sale to any ~~viatical-settlement~~ provider,
7 ~~viatical life~~ settlement purchaser, financing entity, or related provider that is
8 controlling, controlled by, or under common control with ~~such viatical-settlement~~
9 the broker unless the relationship is disclosed to the owner.
- 10 2. With respect to any ~~viatical life~~ settlement contract or insurance policy, ~~no viatical~~
11 ~~settlement~~ a provider may not knowingly ~~may~~ enter into a ~~viatical life~~ settlement
12 contract with ~~a viator~~, an owner if, in connection with such ~~viatical life~~ settlement
13 contract, anything of value will be paid to a ~~viatical-settlement~~ broker that is
14 controlling, controlled by, or under common control with ~~such viatical-settlement~~
15 the provider or the viatical life settlement purchaser, financing entity, or related
16 provider trust that is involved in such viatical the life settlement contract, unless the
17 relationship is disclosed to the owner.
- 18 3. A violation of subsection 1 or 2 ~~shall be~~ is deemed a fraudulent ~~viatical life~~
19 settlement act.
- 20 4. A person may not issue, solicit, market, or otherwise promote the purchase of an
21 insurance policy for the purpose of or with an emphasis on settling the policy.
- 22 5. A person may not enter a premium finance agreement with any other person or
23 agency, or any person affiliated with that person or agency, pursuant to which the
24 person shall receive any proceeds, fees, or other consideration, directly or
25 indirectly, from the policy or owner of the policy or any other person with respect to
26 the premium finance agreement or any life settlement contract or other transaction
27 related to that policy which are in addition to the amounts required to pay the
28 principal, interest, and service charges related to policy premiums pursuant to the
29 premium finance agreement or subsequent sale of the agreement; provided,
30 further, that any payment, charge, fee, or other amount in addition to the amount
31 required to pay the principal, interest, and service charges related to policy

premiums paid under the premium finance agreement must be remitted to the original owner of the policy or to the original owner's estate if the original owner is not living at the time of the determination of overpayment.

6. In the solicitation, application, or issuance of a life insurance policy, a person may not employ any device, scheme, or artifice in violation of the state's insurable interest laws.

7. It is unlawful for an insurance company to engage in any transaction, act, or practice or course of business or dealing which restricts, limits, or impairs in any way the lawful transfer of ownership, change of beneficiary, or assignment of a policy to effectuate a ~~viatical life~~ settlement contract.

SECTION 13. AMENDMENT. Section 26.1-33.3-12 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-12. Advertising for ~~viatical life~~ settlements. Every ~~viatical life~~ settlement licensee shall establish and at all times maintain a system of control over the content, form, and method of dissemination of all advertisements of ~~its~~ the licensee's contracts, products, and services. All advertisements, regardless of by whom written, created, designed, or presented, ~~shall be~~ are the responsibility of the ~~viatical life~~ settlement licensees, as well as the individual who created or presented the advertisement. A system of control ~~shall~~ must include regular routine notification, at least once a year, to agents and others authorized by the ~~viatical life~~ settlement licensee who disseminate advertisements of the requirements and procedures for approval ~~prior to~~ before the use of any advertisements not furnished by the ~~viatical life~~ settlement licensee. The commissioner may adopt rules to implement this section.

SECTION 14. AMENDMENT. Section 26.1-33.3-13 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-13. Fraud prevention and control.

1. Fraudulent ~~viatical life~~ settlement acts, interference, and participation of convicted felons prohibited.
 - a. A person ~~shall~~ may not commit a fraudulent ~~viatical life~~ settlement act.
 - b. A person ~~shall~~ may not knowingly or intentionally interfere with the enforcement of ~~the provisions of~~ this chapter or investigations of suspected or actual violations of this chapter.

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

4 2. Fraud warning required.

5 a. ~~Vatical~~ Life settlement contracts and applications for ~~vatical~~ life settlements,
6 regardless of the form of transmission, must contain the following statement
7 or a substantially similar statement:

8 "Any person ~~who~~ that knowingly presents false information in an
9 application for insurance or ~~vatical~~ life settlement contract is guilty of a
10 crime and may be subject to fines and confinement in prison."

11 b. The lack of a statement as required in subdivision a does not constitute a
12 defense in any prosecution for a fraudulent ~~vatical~~ life settlement act.

13 3. Mandatory reporting of fraudulent ~~vatical~~ life settlement acts.

14 a. Any person engaged in the business of ~~vatical~~ life settlements having
15 knowledge or a reasonable suspicion that a fraudulent ~~vatical~~ life settlement
16 act is being, will be, or has been committed shall provide to the commissioner
17 such information as required by, and in a manner prescribed by, the
18 commissioner.

19 b. Any other person having knowledge or a reasonable belief that a fraudulent
20 ~~vatical~~ life settlement act is being, will be, or has been committed may
21 provide to the commissioner the information required by, and in a manner
22 prescribed by, the commissioner.

23 4. Immunity from liability.

24 a. ~~No civil~~ Civil liability ~~shall~~ may not be imposed on and ~~no a~~ a cause of action
25 ~~shall~~ may not arise from a person's furnishing information concerning
26 suspected, anticipated, or completed fraudulent ~~vatical~~ life settlement acts or
27 suspected or completed fraudulent insurance acts, if the information is
28 provided to or received from:

29 (1) The commissioner or the commissioner's employees, agents, or
30 representatives;

- (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 ~~vatical~~ life settlement acts or that person's agents, employees, or representatives;
 - (4) The national association of insurance commissioners, national association of securities dealers, the North American securities administrators association, or their employees, agents, or representatives, or other regulatory body overseeing life insurance, ~~vatical~~ life settlements, securities, or investment fraud; or
 - (5) The life insurer that issued the life insurance policy covering the life of the insured.
 - b. Subdivision a ~~shall~~ does not apply to statements made with actual malice. In an action brought against a person for filing a report or furnishing other information concerning a fraudulent ~~vatical~~ life settlement act, the party bringing the action shall plead specifically any allegation that subdivision a does not apply because the person filing the report or furnishing the information did so with actual malice.
 - c. A person furnishing information as identified in subdivision a ~~shall be~~ is entitled to an award of attorney's fees and costs if the person is the prevailing party in a civil cause of action for libel, slander, or any other relevant tort arising out of activities in carrying out the provisions of this chapter and the party bringing the action was not substantially justified in doing so. For purposes of this section, a proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated. However, such an award does not apply to any person furnishing information concerning that person's own fraudulent ~~vatical~~ life settlement acts.
 - d. This section does not abrogate or modify common law or statutory privileges or immunities enjoyed by a person described in subdivision a.
5. Confidentiality.

- 1 a. The documents and evidence provided pursuant to subsection 4 or obtained
2 by the commissioner in an investigation of suspected or actual fraudulent
3 ~~vatical~~ life settlement acts shall be privileged and confidential and ~~shall is not~~
4 be a public record and ~~shall is not~~ be subject to discovery or subpoena in a
5 civil or criminal action.
- 6 b. Subdivision a does not prohibit release by the commissioner of documents
7 and evidence obtained in an investigation of suspected or actual fraudulent
8 ~~vatical~~ life settlement acts:
 - 9 (1) In administrative or judicial proceedings to enforce laws administered
10 by the commissioner;
 - 11 (2) To federal, state, or local law enforcement or regulatory agencies, to an
12 organization established for the purpose of detecting and preventing
13 fraudulent ~~vatical~~ life settlement acts, or to the national association of
14 insurance commissioners; or
 - 15 (3) At the discretion of the commissioner, to a person in the business of
16 ~~vatical~~ life settlements that is aggrieved by a fraudulent ~~vatical~~ life
17 settlement act.
- 18 c. Release of documents and evidence under subdivision b does not abrogate or
19 modify the privilege granted in subdivision a.
- 20 6. Other law enforcement or regulatory authority. This chapter ~~shall~~ does not:
 - 21 a. Preempt the authority or relieve the duty of other law enforcement or
22 regulatory agencies to investigate, examine, and prosecute suspected
23 violations of law;
 - 24 b. Prevent or prohibit a person from disclosing voluntarily information concerning
25 ~~vatical~~ life settlement fraud to a law enforcement or regulatory agency other
26 than the insurance department; or
 - 27 c. Limit the powers granted elsewhere by the laws of this state to the
28 commissioner or an insurance fraud unit to investigate and examine possible
29 violations of law and to take appropriate action against wrongdoers.
- 30 7. ~~Vatical~~ Life settlement antifraud initiatives.

- 1 a. ~~Viatical settlement providers~~ Providers and ~~viatical settlement~~ brokers shall
2 have in place antifraud initiatives reasonably calculated to detect, prosecute,
3 and prevent fraudulent ~~viatical life~~ settlement acts. At the discretion of the
4 commissioner, the commissioner may order, or a licensee may request and
5 the commissioner may grant, such modifications of the following required
6 initiatives as necessary to ensure an effective antifraud program. The
7 modifications may be more or less restrictive than the required initiatives so
8 long as the modifications may reasonably be expected to accomplish the
9 purpose of this section.
- 10 b. Antifraud initiatives ~~shall~~ must include:
- 11 (1) Fraud investigators, who may be ~~viatical settlement~~ provider or ~~viatical~~
12 ~~settlement~~ broker employees or independent contractors; and
- 13 (2) An antifraud plan, which ~~shall~~ must be submitted to the commissioner.
14 The antifraud plan shall include, ~~but not be limited to:~~
- 15 (a) A description of the procedures for detecting and investigating
16 possible fraudulent ~~viatical life~~ settlement acts and procedures for
17 resolving material inconsistencies between medical records and
18 insurance applications;
- 19 (b) A description of the procedures for reporting possible fraudulent
20 ~~viatical life~~ settlement acts to the commissioner;
- 21 (c) A description of the plan for antifraud education and training of
22 underwriters and other personnel; and
- 23 (d) A description or chart outlining the organizational arrangement of
24 the antifraud personnel who are responsible for the investigation
25 and reporting of possible fraudulent ~~viatical life~~ settlement acts
26 and investigating unresolved material inconsistencies between
27 medical records and insurance applications.
- 28 c. Antifraud plans submitted to the commissioner ~~shall be~~ are privileged and
29 confidential and ~~shall~~ are not ~~be~~ a public record and ~~shall~~ are not ~~be~~ subject
30 to discovery or subpoena in a civil or criminal action.

SECTION 15. AMENDMENT. Section 26.1-33.3-14 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-14. Injunctions - Civil remedies - Cease and desist - Penalty.

1. In addition to the penalties and other enforcement provisions of this chapter, if any person violates this chapter or any regulation implementing this chapter, the commissioner may seek an injunction in a court of competent jurisdiction and may apply for temporary and permanent orders that the commissioner determines are necessary to restrain the person from committing the violation.
2. 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.
3. The commissioner may issue, in accordance with this title and chapter 28-32, a cease and desist order upon a person that violates any provision of this chapter, any regulation or order adopted by the commissioner, or any written agreement entered into with the commissioner.
4. ~~When~~ If the commissioner finds that an activity in violation of this chapter presents an immediate danger to the public that requires an immediate final order, the commissioner may issue an emergency cease and desist order reciting with particularity the facts underlying the findings. The emergency cease and desist order is effective immediately upon service of a copy of the order on the respondent and remains effective for ninety days. If the commissioner begins nonemergency cease and desist proceedings, the emergency cease and desist order remains effective, absent an order by a court of competent jurisdiction pursuant to this title and chapter 28-32.
5. In addition to the penalties and other enforcement provisions of this chapter, any person ~~who~~ that violates this chapter is subject to civil penalties of up to fifty thousand dollars per violation. Imposition of civil penalties ~~shall be~~ is pursuant to an order of the commissioner issued under this title and chapter 28-32. The commissioner's order may require a person found to be in violation of this chapter to make restitution to persons aggrieved by violations of this chapter.

- 1 6. A person convicted of a violation of this chapter by a court of competent jurisdiction
2 is governed by chapter 12.1-32. A person convicted of a violation of this chapter
3 ~~shall~~ must be ordered to pay restitution to persons aggrieved by the violation of this
4 chapter. Restitution ~~shall~~ must be ordered in addition to a fine or imprisonment,
5 but not in lieu of a fine or imprisonment.
- 6 7. Except for a fraudulent ~~vatical~~ life settlement act committed by a ~~viator~~ an owner,
7 the enforcement provisions and penalties of this section ~~shall~~ do not apply to a
8 ~~viator~~ an owner.
- 9 8. A person convicted of a violation of this chapter by a court of competent jurisdiction
10 may be sentenced in accordance with subdivision a, b, c, or d based on the greater
11 of the value of property, services, or other benefit wrongfully obtained or attempted
12 to obtain; or the aggregate economic loss suffered by any person as a result of the
13 violation. A person convicted of a fraudulent ~~vatical~~ life settlement act must be
14 ordered to pay restitution to persons aggrieved by the fraudulent ~~vatical~~ life
15 settlement act. Restitution must be ordered in addition to a fine or imprisonment
16 but not in lieu of a fine or imprisonment. A fraudulent ~~vatical~~ life settlement act is:
- 17 a. A class A felony if the value of a ~~vatical~~ life settlement contract is more than
18 thirty-five thousand dollars;
- 19 b. A class B felony if the value of a ~~vatical~~ life settlement contract is more than
20 two thousand five hundred dollars but not more than thirty-five thousand
21 dollars;
- 22 c. A class C felony if the value of a ~~vatical~~ life settlement contract is more than
23 five hundred dollars but not more than two thousand five hundred dollars; or
24 d. A class A misdemeanor if the value of a ~~vatical~~ life settlement contract is five
25 hundred dollars or less.
- 26 9. In any prosecution under this section under subdivisions a, b, c, and d of
27 subsection 8, the value of the ~~vatical~~ life settlement contracts within any six-month
28 period may be aggregated and the defendant charged accordingly in applying in
29 the provisions of this section; provided that when two or more offenses are
30 committed by the same person in two or more counties, the accused may be
31 prosecuted in any county in which one of the offenses was committed for all of the

offenses aggregated under this section. The applicable statute of limitations provision ~~shall~~ does not begin to run until the insurance company or law enforcement agency is aware of the fraud, but in no event may the prosecution be commenced later than seven years after the act has occurred.

SECTION 16. AMENDMENT. Section 26.1-33.3-15 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-15. Unfair trade practices. A violation of this chapter, including the commission of a fraudulent ~~viatical life~~ settlement act, ~~shall be~~ is considered an unfair trade practice under section 26.1-04-03 subject to the penalties contained in that section.

SECTION 17. AMENDMENT. Section 26.1-33.3-16 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-16. Authority to promulgate regulations. The commissioner ~~shall have the authority to~~ may:

1. Promulgate regulations implementing this chapter;
2. Establish standards for evaluating reasonableness of payments under ~~viatical life~~ settlement contracts for ~~persons~~ individuals who are terminally or chronically ill. This authority includes 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 insuring the life of ~~a person that~~ an individual who is chronically or terminally ill;
3. Establish appropriate licensing requirements, fees, and standards for continued licensure for ~~viatical settlement~~ providers and brokers;
4. Require a bond or other mechanism for financial accountability for ~~viatical settlement~~ providers and brokers; and
5. Adopt rules governing the relationship and responsibilities of both insurers and ~~viatical settlement~~ providers and ~~viatical settlement~~ brokers during the ~~viatification settlement~~ of a life insurance policy or certificate.

SECTION 18. AMENDMENT. Section 26.1-33.3-17 of the North Dakota Century Code is amended and reenacted as follows:

26.1-33.3-17. Effective date. This chapter takes effect on August 1, 2007. A ~~viatical settlement~~ provider or ~~viatical settlement~~ broker transacting business in this state may continue

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- 1 to do so pending approval or disapproval of the provider or broker application for a license as
- 2 long as the application is filed with the commissioner by August 1, 2007.