INFORMATIONAL HEARING TO DISCUSS AND RECEIVE PUBLIC COMMENT ON THE BUSINESS ARRANGEMENTS VARIOUSLY CALLED STRANGER OWNED LIFE INSURANCE, STRANGER-ORIENTED LIFE INSURANCE, STRANGER ORIGNINATED LIFE INSURANCE OR SPECULATOR INITIATED LIFE INSURANCE

BEFORE THE

FLORIDA OFFICE OF INSURANCE REGULATION

Room 309 Florida Capitol Building
Tallahassee, Florida

August 28, 2008

Commissioner McCarty, thank you for allowing me to appear today on the issue of STOLI. My name is Tom Brooks and I am appearing today on behalf of the Institutional Life Markets Association ("ILMA"). Established by a consortium of the world's leading institutional investors and intermediaries, ILMA's members include: Credit Suisse, EFG Bank, Goldman, Sachs & Co., JP Morgan Chase, Mizuho International plc, UBS AG and WestLB AG.

ILMA supports appropriate regulation of the life settlement industry and has adopted Guiding Principles that emphasize transparency and disclosure in the life settlement industry. ILMA also has adopted a Life Settlement Transaction Disclosure Statement that has been adopted as an approved form by almost all states that regulate the life settlement industry. Both the Guiding Principles and the Disclosure Statement are attached to this statement for your information.

HISTORY OF STOLI DEFINITION

As you know, STOLI is a phrase or concept that does not appear in the National Association of Insurance Commissioners ("NAIC") Viatical Settlements Model Act (Model #697). During the lengthy debate over several meetings and conference calls by the NAIC's Life A Committee about revisions to its Viatical Settlement Model Act, while the concept of STOLI did surface and was discussed, the NAIC did not address the concept known as STOLI. In the final Model Act adopted by the NAIC in June of 2007, there is nothing contained therein that explicitly relates to concerns about STOLI or what, if anything, should be done to address this concept.

In a simultaneous track, the National Conference of Insurance Legislators ("NCOIL") also developed a model act known as the National Conference Legislators Life Settlement Model Act. Like the NAIC, NCOIL discussed and debated various proposals over a years time and on November 16, 2007, adopted the NCOIL Model. The NCOIL

Model does contain a definition of STOLI and a prohibition of engaging in STOLI transactions.

The NCOIL definition of STOLI is problematic, however. The definition was not discussed or approved at the NCOIL Life Insurance and Financial Planning Committee when it discussed and approved the NCOIL Model on November 15, 2007. The language that ultimately became part of the NCOIL Model only surfaced a few minutes before the NCOIL Executive Committee met on November 17, 2007 to approve the NCOIL Model that had previously been approved by its Life Insurance and Financial Planning Committee two day earlier.

Consequently, there was no time for either the interested parties or the members of the Executive Committee to properly evaluate the STOLI language that was submitted at the last minute for consideration by the NCOIL Executive Committee. Because of the acknowledgment by members of the Executive Committee of the imperfect STOLI definition contained in the NCOIL Model Act, at least 10 states that have adopted or are considering adoption of a STOLI definition do not use the definition that was contained in the NCOIL Model Act.

IS A STOLI DEFINITION NECESSARY?

Is it necessary to incorporate a definition of STOLI in a state's viatical or life settlement laws? No law should exclude or prohibit the legitimate sale of a life insurance policy by an owner to another party. It is well settled law that a life insurance policy is an asset that can be sold by an owner for a variety of reasons.

If an owner has purchased a life insurance policy and taken out a loan to finance the premiums, that is a legitimate financial transaction that occurs everyday in this country. These types of premium finance transaction should not be prohibited by a state's life settlement or viatical settlement laws.

Insurers should be the first line of defense in preventing a violation of a state's insurable interest laws. In the application for insurance, the carrier has broad authority to ask questions of an applicant that can ferret out any concerns as to whether the policy is for the benefit of one who has an insurable interest in the insured. In particular, if the concern over STOLI type transactions is at issue, the carrier can delve deeply into the purpose of the application. For example, if the applicant is over a certain age, the policy benefits exceed a certain amount and there is a question of whether the insurance is appropriate for the applicant, these should be flags for the carrier to investigate the application further.

If the carrier determines that the application contains false statements or that certain laws have been violated by the applicant in the application process, the carrier can deny the application initially, or within the two year contestability period if such violations are subsequently revealed.

CONCLUSION

If a definition of STOLI is adopted as a part of Florida's viatical settlement laws, it should not prevent premium finance arrangements to facilitate the acquisition of insurance by the applicant. Likewise, an insurable interest need not exist after the inception date of coverage under an insurance contract, in accordance with the Florida insurable interest law, in order to ensure that the consumer has an unfettered right to sell his property (policy) in accordance with state law.

LIFE SETTLEMENT TRANSACTION DISCLOSURE STATEMENT
[_____ __], 20[__]

THIS LIFE SETTLEMENT TRANSACTION DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION CONCERNING THE SALE OF YOUR LIFE INSURANCE POLICY, INCLUDING THE TOTAL COMMISSION TO BE PAID TO YOUR BROKER. BEFORE EXECUTING THIS DOCUMENT OR THE AGREEMENT FOR THE SALE OF YOUR POLICY, PLEASE REVIEW ALL INFORMATION THAT IS PRESENTED TO YOU CAREFULLY TO ENSURE THAT YOU, AS SELLER, UNDERSTAND AND AGREE WITH THIS INFORMATION.

AS THE PURCHASER OF YOUR LIFE INSURANCE POLICY, **[INSERT NAME OF PROVIDER]** ("PROVIDER") WILL PAY YOUR BROKER A COMMISSION, WHICH YOUR BROKER MAY SHARE WITH OTHER PARTIES. QUESTIONS REGARDING ANY COMMISSION PAID AND ANY SHARING ARRANGEMENTS BETWEEN BROKERS SHOULD BE DIRECTED TO YOUR BROKER. YOUR BROKER REPRESENTS YOU ALONE IN THIS TRANSACTION AND IS NOT AN AGENT OF OR AFFILIATED WITH THE PROVIDER.

1. Name of Seller of Policy:	
2. Name of each Insured under Policy:	
3. Name of Insurance Carrier:	
4. Policy Number:	
5. Name of each of your Brokers and/or Agents:	
6. Policy Face Amount (sometimes referred to as the "death benefit"):	$_____
7. Estimated Policy Cash Surrender Value:	$_____
8. Gross Purchase Price for the Policy:	$_____
9. Total amount (if any) to be paid to your insurance carrier and/or creditors at closing in order to pay-off any outstanding loan balance, including accrued interest:	$_____
10. Total amount of compensation being paid to your brokers and/or agents (including anything of value paid or given in connection with the sale of your policy) from the Gross Purchase Price:	$_____ [, which is _____% of the policy's face amount.] NOTE: Your Broker may share this commission with other parties.
11. Net Purchase Price payable to you at closing:	$_____ (plus premium reimbursement, if any, agreed to be paid by the Provider). NOTE: This amount is calculated by subtracting lines 9 and 10 from the Gross Purchase Price in line 8.

_____ Seller's Initials

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This Life Settlement Transaction Disclosure Statement is acknowledged and agreed to as of the date first set forth above.

SELLER

By: _____

Print Name: _____

Title: _____ **(if applicable)**

Subscribed and Sworn to before me this [__] day of [_____], 2007:

_____
Notary Public Seal

ADDITIONAL SELLER:[1]

By: _____

Print Name: _____

Title: _____ **(if applicable)**

Subscribed and Sworn to before me this [__] day of [_____], 2007:

_____
Notary Public Seal

USAGE NOTES:

1. This Life Settlement Transaction Disclosure Statement has not been approved for use in any jurisdiction. Please check with your state's insurance department before using this form.
2. Certain states may require the life settlement broker to acknowledge and sign this Life Settlement Transaction Disclosure Statement.
3. You should consult your counsel before using this Life Settlement Transaction Disclosure Statement in order to ensure that it complies with applicable law and regulations.
4. This Life Settlement Transaction Disclosure Statement may be used only with the express written consent of the Institutional Life Markets Association, Inc.

[1] Each seller must execute this Life Settlement Transaction Disclosure Statement.

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INSTITUTIONAL LIFE MARKETS ASSOCIATION, INC.

GUIDING PRINCIPLES

The Institutional Life Markets Association, Inc. (ILMA) is a trade association comprised of a number of the world's leading institutional investors and intermediaries in the mortality and longevity marketplace, formed to encourage the prudent and competitive development of a suite of evolving mortality and longevity related financial businesses, including the businesses of life settlements and premium finance.

Life insurance is one of the most important financial assets a consumer owns, and the prudent regulation of the life settlement and premium finance industries is critically important to a consumer's ability to acquire such asset and, during the term thereof, to realize all of the economic opportunities associated therewith.

To help bring consensus among the various life insurance companies, life settlement providers, brokers, banks, premium finance lenders and other participants in the life settlement and premium finance industries, and to facilitate the promulgation of appropriate regulation and the development of industry "best practices," ILMA has formulated the following guiding principles to be considered when conducting business in this marketplace.

- Transparency. Consumers are entitled to transparency when engaging in life settlement and premium finance transactions. Accordingly, a consumer's representative should disclose all bids received and provide full disclosure of all fees and commissions payable to such representative. Industry participants should not engage in premium finance transactions designed to conceal the nature of a transaction from life insurance companies. When a consumer applies for a life settlement or premium finance program, an advisor should emphasize the consumer's obligation to complete the application truthfully and accurately.

- Suitability. Life settlements and premium finance loans are not appropriate for everyone. Industry participants should advise consumers applying for life settlements or premium finance loans to seek competent, professional advice to fully understand the risks involved and to determine whether a transaction is right for them.

- Consumer Choices. Consumers should have the ability to choose how to finance their life insurance policy and whether to hold the policy to maturity, surrender it for cash surrender value or settle it in the secondary market. Regulations that unnecessarily restrict such choices are anti-consumer and should not be supported.

- Fiduciary Duty. Life settlements and premium finance loans are complex financial transactions. Consumer representatives such as agents, brokers, and other advisors should be mindful of the fiduciary duty they owe to consumers who participate in such transactions, including helping consumers understand the value of a policy and how best to realize this value. The nature and scope of this fiduciary duty should be explained and defined at the start of the professional relationship.

- Insurable Interest Principle. Industry participants should support laws designed to deter transactions that seek to evade insurable interest laws and principles.

- Policy Origination. No person should pay, directly or indirectly, an inducement to any prospective policy owner or Insured for taking out a life insurance policy. Offers of "rebates," "free insurance" and similar questionable incentives should be prohibited.

- Protection of Insured's Identity. Industry participants should develop and implement procedures designed to appropriately safeguard the identity of Insureds engaging in life settlement and premium finance transactions. These participants should make every effort to prevent the inappropriate disclosure of confidential information relating to an insured or to a particular transaction.

- Competition. A well regulated and competitive marketplace best serves the interest of consumers and industry participants. Industry participants should not support or engage in practices that seek to unlawfully restrict competition.

- Marketplace Education. Industry participants should seek to educate consumers, investors and others on legislative and administrative developments affecting the life settlement and premium finance industries. These persons should also seek to provide a forum for interested parties to examine and review such developments.

With these Guiding Principles as a basis, ILMA looks forward to engaging in a dialogue with the leaders of the life settlement and premium finance businesses to promote common interests and objectives and to develop industry "best practices." ILMA also looks forward to working with legislators and regulators to help design appropriate and consumer-oriented regulation.