

Robin & Peter on LIFE SETTLEMENTS



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Two New Life Settlement Laws Advance Consumer Rights

The State of Washington recently passed new life settlement legislation that is set to take effect July 26, 2009. While the new law generally follows the NCOIL (National Conference of Insurance Legislators) model, it contains a groundbreaking provision.

The law requires that, upon lapse or surrender of a policy on an insured age 60 or older, the insurance company must notify the policy owner that alternative transactions to lapse or surrender may be available and must describe those alternatives. The commissioner of insurance is directed to approve forms for this purpose.

On June 12, Maine's governor signed legislation, which takes effect later this year, that provides similar protection to seniors who are about to lapse or surrender a policy. The law requires insurers to distribute a brochure, to be developed the Bureau of Insurance, that describes alternatives to lapse or surrender like life settlements. In addition, the law further protects the rights of policy owners by providing that ***"An insurer may not engage in a transaction, act, practice or course of business or dealing that restricts, limits or impairs in any way the lawful transfer of ownership, change of beneficiary or assignment of a policy."***

While these are the first states to enact this type of disclosure, others are considering similar legislation. It comes at an important time when financial hardships could significantly increase the number of policies that are lapsed or surrendered.

Many insurers have fought vigorously against such disclosure and several expressly prohibit their producers from engaging in life settlement transactions on behalf of their clients. **The Washington and Maine legislatures, through these disclosure provisions, have recognized that a life settlement can be a valuable alternative for a consumer who is about to lapse or surrender a policy.**

It will be interesting to see if the hard-line insurers soften their positions and begin to allow their agents to offer clients the option of a life settlement in response to the growing recognition by lawmakers of the value of life settlements.

Contact us:

Robin S. Weinberger, CLU, ChFC, CLTC

Peter N. Katz, JD, CLU, ChFC

(617) 451-3343
rsw220@aol.com

(860) 673-3642
pkatzlife@yahoo.com

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