

TO: ALL MEMBERS OF THE HOUSE OF REPRESENTATIVES
FROM: Representative Dan Frankel
SUBJECT: Co-sponsor Legislation – Viatical Settlements

In the near future I will be re-introducing consumer protection legislation entitled “Viatical Settlements” (HB2188 of 2009-2010). This legislation will update Pennsylvania’s viatical settlement law and adopt amendments advocated by the National Association of Insurance Commissioners (NAIC), and the National Conference of Insurance Legislators (NCOIL).

A viatical settlement is essentially the sale to another of a life insurance contract that has not fully matured, and unfortunately in many instances purchasers have taken advantage of the seller’s weakened bargaining position. In addition, a new type of transaction has recently emerged, i.e. stranger owned life insurance (STOLIs). STOLIs are practices or plans where a life insurance policy is initiated for the benefit of third party investors who have no insurable interest in the policy. In 1993, the NAIC adopted the Viatical Settlement Model Act, and by Act 107 of 2002, Pennsylvania enacted many of these consumer protections. The Pennsylvania law regulates the viatical industry and protects consumers, particularly the terminally ill and the chronically ill, from unscrupulous individuals in the viatical settlement business.

My legislation will strengthen the current law by the adding the consumer protections drafted by both associations. The bill expands existing definitions to ensure that more recent sham transactions are regulated; initiates a general 5 year ban on viatical settlements; adds transparency to the viatical industry; and expands Insurance Department regulatory jurisdiction to include STOLIs.

If you would like to join me in support of this important legislation, please contact Carrie Goodyear in my office via e-mail (cgoodyea@pahouse.net) or phone (705-7019).

The previous co-sponsors of this bill were: DeLUCA, MUSTIO, BRADFORD, D. COSTA, GERGELY, HALUSKA, JOSEPHS, KORTZ, MATZIE, MUNDY, PASHINSKI, PAYTON, M. SMITH, STABACK and YOUNGBLOOD.