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COMMONWEALTH TRUSTEE FOR THE
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HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

March 2, 2011

TO: ALL MEMBERS OF THE HOUSE OF REPRESENTATIVES

FROM: REPRESENTATIVE SCOTT BOYD
REPRESENTATIVE DAN B. FRANKEL

SUBJECT: COSPONSORSHIP REQUEST – VIATICAL SETTLEMENTS

In the near future, Representative Boyd and I will introduce bipartisan comprehensive consumer protection legislation to update Pennsylvania's viatical settlement law and adopt amendments advocated by 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 originated 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. The Commonwealth enacted many consumer protections in 2002 with adoption of Act 107, the Viatical Settlement Model Act. This law regulates the viatical industry and protects consumers, particularly the terminally ill and the chronically ill, from unscrupulous individuals in the viatical settlement business.

Our legislation will strengthen the current law by the adding the consumer protections adopted by the national association. The bill expands existing definitions to ensure that more recent sham transactions are regulated; initiates a general 2 year ban on viatical settlements; adds transparency to the viatical industry; and expands Insurance Department regulatory jurisdiction to include STOLIs. In addition, the legislation incorporates the NCOIL Consumer Disclosure Model Act which details life insurer responsibilities when a consumer determines to dispose of their policy.

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