

IOWA INSURANCE BULLETINS AND RELATED MATERIALS**BULLETINS**

Bulletin 2008-10

June 27, 2008

TO: Persons Or Entities Interested In Acting As Viatical Settlement Providers Or Viatical Settlement Brokers In Iowa

FROM: Susan E. Voss

Insurance Commissioner

DATE: June 27, 2008

RE: TEMPORARY GUIDELINES FOR VIATICAL AND LIFE SETTLEMENT ACTIVITY IN IOWA

Significant changes to Iowa Code Chapter 508E, affecting viatical and life settlement contracts, were made by the 2008 Iowa legislature (Senate File 2392). The new law takes effect on July 1, 2008. This Bulletin highlights some of the major changes and outlines temporary guidelines the Iowa Insurance Division intends to follow for implementation of the amendments.

The Division is conducting a review of the existing rules. The process of making any necessary additions and revisions to chapter 48 will begin in the near future. Meanwhile, Iowa's existing administrative rules related to viatical and life settlements (191 Iowa Administrative Code Chapter 48) remain in effect, unless in direct conflict with Senate File 2392.

New Iowa Code section 508E.3 (SF 2392 sec. 3) allows an Iowa-licensed life insurance producer, under certain conditions, to operate as a viatical settlement broker without obtaining a viatical settlement broker license. These producers are required to notify the Division that they are operating as viatical settlement brokers. Until more specific administrative rules are adopted, producers shall send a notice and \$100 fee to the Division using the form and instructions posted on the Division's web site (www.iid.state.ia.us).

As required by new Iowa Code section 508E.14(7)(SF 2392 sec. 14), a viatical settlement provider or a viatical settlement broker shall have anti-fraud initiatives in place to detect, prosecute, and prevent fraud. These initiatives include appointing a fraud investigator and filing an anti-fraud plan with the Iowa Insurance Division.

The new law bans transactions to initiate a life insurance policy for the benefit of a third-party investor who has no insurable interest in the insured ('stranger-originated life insurance'). These transactions are defined in new Iowa Codes section 508E.2(12) (SF 2392 sec. 2) and prohibited in new Iowa Code sections 508E.2(6)(a)(3)(SF 2392 sec. 2) and 508E.15(SF 2392 sec. 15).

The new law contains specific authority for the Iowa Insurance Division to conduct investigations and on-site examinations of viatical settlement brokers and providers. SEE new Iowa Code section 508E.7(SF 2392 sec. 7).

New Iowa Code section 508E.6 requires all viatical settlement providers to file an annual report of viatical

sales activity. The first annual report will be due on March 1, 2009.

Persons engaged in viatical or life settlement activity in Iowa should carefully review new Iowa Code Chapter 508E, because it requires specific disclosures and lists prohibited practices.

Senate File 2392 can be found through [http:// www.legis.state.ia.us/Legislation.html](http://www.legis.state.ia.us/Legislation.html).

Insurance Product Line: Life

A-to-Z Index Terms:

VIATICAL SETTLEMENTS

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