

# ACLI: Landmark West Virginia Law Protects Seniors; Leads Way For Rest Of Nation

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**Washington, D.C. (March 13, 2008)** — West Virginia Governor Joe Manchin III (D) today signed landmark legislation that protects senior citizens from an abusive practice called stranger-originated life insurance (STOLI), said Frank Keating, president and CEO of the American Council of Life Insurers (ACLI).

“Senior citizens in West Virginia can thank their government officials for being in the forefront of the effort to deter STOLI. These contrived transactions aim to turn a product intended for the financial protection of families and businesses into a windfall for hedge funds. The legislation passed by the West Virginia legislature and signed by Governor Manchin, S. 704, provides seniors with the highest level of protection in the nation and we urge other states to follow West Virginia’s lead,” Keating said.

In STOLI transactions, investors such as hedge funds or their representatives profit from the deaths of insured individuals by inducing seniors to purchase life insurance for the sole purpose of selling the death benefits to the investors. The investors, who pay the premiums, expect to profit when the seniors die and the sooner the seniors die, the higher the profit. In most cases, the seniors who sign the policy applications must mislead the insurance company about their intention to sell the policy to the investors.

In addition, the seniors may be asked to turn over their medical records to the investors and respond to regular questions about the state of their health. Moreover, seniors may face unexpected taxes, fees and legal concerns.

S. 704 combines key features of model laws developed by the National Association of Insurance Commissioners (NAIC) and National Conference of Insurance Legislators (NCOIL) to combat STOLI.

First, S. 704 establishes a five-year moratorium on the settlement of STOLI policies, the centerpiece of NAIC’s model. Second, S. 704 establishes a legal definition of STOLI and identifies it as a fraudulent act, the major elements of NCOIL’s model. West Virginia is the first state in the nation to enact legislation which combines the best features of the NAIC and NCOIL models.

“These tombstone contracts offend our deepest-held notions of the value of human life. We hope other states will see the wisdom in the approach taken by West Virginia to protect senior citizens and reaffirm the social purpose of life insurance,” Keating said.

“In addition to Governor Manchin, we particularly want to thank Insurance Commissioner Jane Cline, Sen. Joseph M. Minard (D-Harrison), Sen. Jeffrey V. Kessler (D-Marshall), Sen. Evan H. Jenkins (D-Cabell), Delegate K. Steven Kominar (D-Mingo), Delegate Harry Keith White (D-Mingo) and Delegate Sharon Spencer (D-Kanawha) for their leadership on S. 704,” Keating added.

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association whose 353 member companies account for 93 percent of the life insurance industry’s total assets in the United States, 93 percent of life insurance premiums and 94 percent of annuity considerations. In addition to life insurance and annuities, ACLI member companies offer pensions, including 401(k)s, long-term care insurance, disability income insurance and other retirement and financial protection products, as well as reinsurance. ACLI’s public Web site can be accessed at [www.acli.com](http://www.acli.com).

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