

Life Insurers Say Life Settlements Help Consumers

NEW YORK, NY -- (MARKET WIRE) -- 05/05/2006 -- Concurrent with the start of the Life Insurance Settlement Association's (LISA) 12th bi-annual spring meeting, which concluded today in New York, the National Association of Insurance Commissioners (NAIC) on Wednesday held a public hearing, "Premium Financing of Life Insurance, Life Settlements, and the Relationship with State Insurable Interest Laws."

The purpose was to receive testimony regarding potential insurable interest issues in some premium finance programs, and to explore the connection, if any, between premium-financed policies and the mainstream life settlement industry.

A life settlement is the sale to a third party of an existing life insurance policy for more than its cash surrender value but less than its net death benefit. Such transactions are usually undertaken for the purposes of estate- or financial planning.

Concern was expressed by some in the life insurance and life settlement industries that life policies financed by certain poorly-structured "non-recourse" premium finance programs may violate traditional insurable interest requirements.

In his testimony before the NAIC Life Insurance and Annuities (A) Committee, LISA Board President M. Bryan Freeman, also president of Habersham Funding, a life settlement provider company, reiterated the association's, "unequivocal support for the long-standing concept of insurable interest and the requirement that a policyholder have an insurable interest in the insured's life at the time a policy is issued."

Insurable interest protects insureds, policy owners, beneficiaries, life insurance companies, life insurance settlement companies and provides integrity to life insurance products," Freeman says. "Questionable premium finance programs have no direct connection to the legitimate mainstream life settlement market."

The Life (A) Committee also received testimony from the heads of several of the largest insurance carriers in the United States, and by distinguished figures including former Governor Frank Keating, now the President and CEO of the American Council of Life Insurers (ACLI), an organization representing 377 members and over 90 percent of the life insurance currently in force in the United States.

Explaining ACLI's concerns about premium finance programs that do not respect the traditional concept of insurable interest, Governor Keating says, "We have no quarrel with traditional, legitimate viatical settlements or life settlements. We understand that policyholders who face extraordinary medical expenses or whose financial protection needs have changed may, after considering the ramifications, decide to sell their policies in the secondary market."

"It is gratifying to hear the President and CEO of the ACLI, as well as the presidents and CEOs of some of the largest U.S. insurers express their support for life settlements as a

tool to assist consumers with their financial needs," says LISA Executive Director Doug Head, noting that comparable statements in support of life settlements as a legitimate planning tool were made by the heads of John Hancock, AXA Equitable and New York Life.

Adding to the wave of support for the life settlement industry, Greg Serio, former Superintendent of Insurance for the State of New York, spoke to the LISA membership on Thursday, noting that life settlements are the next proper evolutionary phase of the life insurance market, and that life settlements are good for the public.

Freeman concurred, saying, "Life settlements have been recognized by virtually every legislative and regulatory body in the United States, by the NAIC, by the National Council of Insurance Legislators and, recently, by the Financial Accounting Standards Board, as creating more value for life insurance consumers than is available from the insurance carriers themselves. It would be a serious mistake and harmful to consumers if regulators chose to limit a life insurance policyholders' financial options."

Founded in 1995, the Life Insurance Settlement Association is the oldest and largest trade organization in the industry. Its goal is to promote the development, integrity and reputation of the life settlement industry, and to promote a competitive market for the people it serves. LISA now represents 108 members with a wide variety of interests in the industry.