

## Lone Star State Warns Against STOLI Solicitations

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Texas officials have sounded the alarm on what they say appears to be a sudden wave of invitations to agents to participate in “stranger-owned” life insurance deals.

In an “agent and company alert,” the Texas state Department of Insurance says agents in Texas “are being solicited to assist in the sale” of non-traditional products under a variety of names, including estate maximization plans, zero-premium life insurance arrangements or no-cost-to-the-insured policies.

Texas regulators are “investigating and gathering details regarding these offerings” and are advising agents in the state to “exercise caution” in dealing with such transactions, officials say in the alert.

Georgia insurance regulators reported seeing a similar wave of solicitations in May, and North Carolina regulators also have put out a zero-premium life alert.

A Google search for the term “zero premium life insurance” turns up more than 2,000 links, including a paid Google advertisement.

“Life insurance helps protect the people who depend on the insured for financial support,” Texas officials say in their alert. “It can help pay final expenses and other expenses that the insured would have paid for through earnings, including mortgage payments, bills, dependent or child care and college tuition. Insurance agents and companies must be licensed by the department to legally sell life insurance in the state.”

Texas laws give consumers the authority to consent to letting others take out coverage on their lives, officials say.

Texas laws also permit policyholders to sell policies to licensed life settlement providers, officials say.

However, agents should be wary of getting involved with any transaction involving soliciting or selling products to a client involving transactions in which one person purchases insurance on the client’s life and compensates the client with an immediate lump-sum payment or a partial payment of the policy’s face value to beneficiaries upon the insured’s death, officials say.

Agents also should be wary of selling a policy to a client who starts out with the intention of later selling the policy to a life settlement provider, officials say.

If agents have doubts about transactions, they should inspect all documentation closely, confirm that all the involved individuals are licensed as necessary, and be mindful of the state regulations for potential violations, officials say.

In Texas, the insurance code places an affirmative duty on licensed insurers and agents to report suspected instances of fraud, and it also provides some immunities from liability for those who report those actions, officials say.