

NAIC Adopts Viatical Settlement Changes

BY JIM CONNOLLY

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Members of the National Association of Insurance Commissioners voted here today to approve amendments to the Viatical Settlements Model Act.

The Viatical Settlements model revision was the first measure to be adopted under new NAIC procedures for screening proposed models.

All of the 46 jurisdictions that voted on the model voted for it, but Nevada, New York, Montana, Washington, and Virginia abstained, at least in part because of concerns about the new model screening process.

New York noted in an explanation of its decision to abstain that, in addition to having concerns about process, it believes the amended Viatical Settlement model needs stronger privacy protection provisions.

Concerns about process focused on new standards that the NAIC has developed for deciding whether proposed models should go before the plenary, the body that represents all voting members of the NAIC.

The NAIC's executive committee must decide that a model involves matters that require uniformity and that many commissioners will commit significant resources to implementing the model in their home states.

Some commissioners asked during discussion what NAIC leaders mean by the new resource commitment requirement.

Sandy Praeger, NAIC president-elect and Kansas insurance commissioner, said commissioners do not have to promise to get a model enacted in their home states exactly as passed to comply with the new requirement that they commit to bringing a model back to their states.

Other commissioners said colleagues should avoid focusing too intently on process.

If NAIC commissioners get hung up on process rather than focusing on the public policy merits of the Viatical Settlements model draft and other proposed models, that will "absolutely cripple the organization," said Jim Poolman, North Dakota insurance commissioner, who helped develop the Viatical Settlements model.

Julie McPeak, Kentucky executive director and chair of the NAIC's Life Insurance and Annuities Committee, said the amended model will meet the new "uniformity" standard because 35 states have the Viatical Settlements model on their books.

In addition, "this model addresses lots of issues in the market today," McPeak said.

McPeak praised model provisions that would increase disclosure requirements for brokers and providers, set bonding requirements for settlement providers, and ensure that brokers would receive at least 15 hours of continuing education every 2 years.

Another provision, which would put restrictions on the sale of life policies for 5 years after they are purchased, would reduce the return on the sale of a contract, discourage use of stranger-owned life insurance contracts, and cut down on reliance on non-recourse premium financing, McPeak said.