



2009 ASSEMBLY BILL 758

February 19, 2010 - Introduced by Representatives BARCA, TOLES, RICHARDS, STEINBRINK, DEXTER, TURNER, FIELDS, SMITH, ZEPNICK and A. WILLIAMS, cosponsored by Senators WIRCH, GROTHMAN, LASSA and RISSER. Referred to Committee on Insurance.

1 **AN ACT** *to repeal* 632.68; *to renumber and amend* 551.102 (32); *to amend*
2 49.857 (1) (d) 20., 71.05 (1) (f), 71.26 (3) (ag), 71.45 (2) (a) 14., 73.0301 (1) (d) 12.,
3 321.60 (1) (a) 20., 551.102 (17) (d), 551.102 (17) (e), 551.102 (28) (intro.), 601.31
4 (1) (mm), 601.31 (1) (mp), 601.31 (1) (mr) and 601.31 (1) (ms); and *to create*
5 632.69 of the statutes; **relating to:** life settlements, granting rule-making
6 authority, and providing a penalty.

Analysis by the Legislative Reference Bureau

Under current law, the owner of a life insurance policy that insures a person who has a catastrophic or life-threatening illness or condition, including AIDS or HIV infection, may sell the policy for an amount that is less than the expected death benefit under the policy in a transaction known as a viatical settlement. The person that makes the payment under the viatical settlement is known as a viatical settlement provider (provider) and must be licensed by the commissioner of insurance (commissioner). A person who, for a fee, offers or attempts to negotiate a viatical settlement between the owner of a life insurance policy and one or more providers is known as a viatical settlement broker (broker) and must be licensed by the commissioner. The commissioner may revoke, suspend, or refuse to renew a provider's or broker's license if the licensee misrepresented information in the application; engaged in fraudulent or dishonest practices or is shown to be untrustworthy or incompetent to act as a provider or broker; has been convicted of

ASSEMBLY BILL 758

a misdemeanor or felony involving fraud, deceit, or misrepresentation; violated Wisconsin law regarding viatical settlements; or if licensed as a provider, failed to meet the minimum settlement payment requirements or demonstrated a pattern of making unreasonable payments to policy owners. Every provider or broker must maintain records for all viatical settlements and make those records available to the commissioner for inspection.

Currently, if a policy owner who is seeking a viatical settlement has a catastrophic or life-threatening illness or condition and is the insured under the policy, the provider must obtain from the policy owner's physician a statement that the owner is of sound mind before entering into a viatical settlement contract with the policy owner. The provider must also obtain a written statement in which the policy owner consents to the viatical settlement contract; acknowledges his or her catastrophic or life-threatening illness or condition; releases his or her medical records to the provider; represents that he or she understands the viatical settlement contract, the benefits under the life insurance policy, and the relationship between the viatical settlement contract and the life insurance policy; acknowledges that he or she is entering into the viatical settlement contract freely and voluntarily; and affirms that he or she has received a recommendation from a provider or broker to seek financial advice regarding the effect of the viatical settlement on creditor claims, income taxes, and government benefits. Before the execution of the viatical settlement contract, the provider or broker must make disclosures, including that there may be alternatives to viatical settlements; that the policy owner should obtain financial advice; that some or all of the viatical settlement proceeds may be taxable or subject to the claims of creditors; that a viatical settlement may adversely affect the recipient's eligibility for government benefits; that the policy owner may rescind the viatical settlement contract; the frequency of and procedure for contacts by the provider or broker to determine the health status of the policy owner; the requirements imposed on the bank and escrow agent for the payment of viatical settlement proceeds; and that no beneficiary named by the policy owner will receive any insurance proceeds under the policy except under certain circumstances.

Current law requires every viatical settlement to be reasonable and sets minimum payment requirements based on the insured's life expectancy. The policy owner may rescind the contract within 30 days after entering into the contract or 15 days after receiving the viatical settlement proceeds, whichever is sooner. Under current law, a provider or broker may not discriminate in making a viatical settlement contract, unless the factor on which the provider or broker is discriminating affects the insured's life expectancy. A provider or broker may not pay or offer to pay a finder's fee to a person providing medical, legal, or financial planning services to a policy owner whose policy may become the subject of a viatical settlement. Current law limits the number of times the provider or broker may contact the insured based on the insured's life expectancy. A provider or broker may not solicit or accept as investors in a policy that is the subject of a viatical settlement contract persons who are in a position to influence the treatment of the insured's catastrophic or life-threatening illness or condition.

ASSEMBLY BILL 758

Current law requires advertising related to viatical settlements to be truthful and not misleading by fact or implication, in addition to other requirements.

This bill changes the terminology for the sale of a life insurance policy for an amount less than the death benefit but greater than the cash surrender value or accelerated death benefit under the policy to “life settlement.” The bill allows any individual in addition to one with catastrophic or life threatening illnesses or conditions to obtain a life settlement. Under the bill, a policy may be the subject of a life settlement within a five-year period commencing with the date of issuance of the policy only under certain conditions; one of these conditions is the terminal or chronic illness of the insured. The bill modifies the definitions of provider, broker, owner, and other terms related to life settlements. The bill also regulates certain aspects of the purchase of a policy that is the subject of a life settlement from a provider. In addition, the bill makes various changes related to life settlement laws, including the following:

1. The bill directs the commissioner to investigate each applicant for a provider’s or broker’s license and issue a license to an applicant if the applicant meets certain qualifications, including completion of an initial training course. The bill specifies the requirements for training of license applicants and of brokers and providers, including certain topics the training must cover. The bill adds the following to the bases for which the commissioner may suspend, revoke, or refuse to renew a license: that the licensee no longer meets the requirements for licensure; that the licensee, if a provider, has entered into any life settlement contract using a form that was not approved by the commissioner; that the licensee, if a provider, has failed to honor obligations in a life settlement contract; that the licensee, if a provider, has assigned or transferred a settled policy to a person other than a person specified in the bill; and that any officer, partner, member, or key management personnel has violated any of the requirements for life settlements in the bill. The commissioner may examine the business and affairs of licensed providers and brokers and applicants for licenses.

2. Under the bill, the insurer that issued the life insurance policy that was the subject of a life settlement is not responsible for an act or omission of a broker or provider unless the insurer received compensation for the placement of the life settlement contract from the broker or provider or from a purchaser of the life settlement contract.

3. The bill prohibits any person from using a life settlement contract form that has not been approved by the commissioner. In addition, no insurer may require any owner, insured, provider, or broker to sign a form that has not been approved by the commission for use in connection with life settlement contracts.

4. Under the bill, every licensed provider and broker must annually file with the commissioner a statement containing certain information, including any information that the commissioner prescribes by rule about a policy settled within five years of policy issuance. Licensees must keep certain records regarding life settlements and make those records available to the commissioner for inspection.

5. The bill adds disclosures to those that a provider or broker must make to the owner of the policy that is the subject of a life settlement, including that the broker

ASSEMBLY BILL 758

represents the owner exclusively and owes a fiduciary duty to the owner; that the funds from the life settlement will be sent to the owner within three business days after the provider has received acknowledgment that ownership of the policy has been transferred; that entering into a life settlement contract may cause forfeiture of other rights and benefits under the policy; and that medical, financial, or personal information may be disclosed to others to effect the life settlement. The provider must make certain disclosures to the owner, including the affiliation between the provider and the issuer of the policy to be settled; any affiliation or contractual arrangement between the provider and the purchaser; that, if the policy to be subject to a life settlement is a joint policy or involves family riders, the life settlement may result in the loss of coverage to the other family members; the dollar amount of the current death benefit; and that the funds from the life settlement will be escrowed with a third party. The broker must disclose to the owner the name, business address, and telephone number of the broker; a complete and accurate description of all offers, counteroffers, acceptances, and rejections related to the life settlement; the amount of the broker's compensation; the amount of the life settlement offer; and the percentage of the life settlement, if any, comprised by the broker's compensation. If the provider transfers ownership or changes the beneficiary of the policy the provider must communicate that in writing to the insured within 20 days. The provider must disclose certain information to the purchaser of a policy that is the subject of a life settlement. A broker or provider must disclose to the insurer a plan or transaction to originate, renew, continue, or finance a policy for the purpose of engaging in the business of life settlements at any time before, or during the first five years after, issuance of the policy.

6. The bill eliminates the minimum payment requirement for life settlements.

7. The bill requires that, before entering into a life settlement contract, the provider must obtain from the owner's physician, if the owner is the insured under the policy to be settled, a statement that the owner is under no constraint or undue influence to enter into a life settlement contract. Within 20 days of an owner's agreement to settle a policy, the provider must give written notice to the insurer that issued the policy that the policy will be the subject of a life settlement. The provider must also deliver to the insurer that issued the policy a copy of the insured's medical release, the owner's application for the life settlement, and a request for verification of coverage. The insurer must respond to a request for verification of coverage within 30 days after receiving the request and must indicate whether the insurer intends to investigate the validity of the contract or fraud related to the contract.

8. The bill retains the owner's ability to rescind a life settlement contract within the same time as under current law and provides that, if the insured dies during the period in which the owner may rescind a contract, the contract is automatically rescinded subject to repayment by the owner or owner's estate of all proceeds and payments made by the provider or a purchaser.

9. Under the bill, the owner, at the direction of the provider, must send the documents required to change the ownership of the policy directly to the escrow agent. Within three business days of the escrow agent receiving the documents, the provider must pay the proceeds of the life settlement to the escrow agent. If the

ASSEMBLY BILL 758

escrow agent does not pay the proceeds to the owner within three days after receiving acknowledgement that the ownership of the policy was transferred, the owner may void the life settlement contract until the proceeds are tendered to and accepted by the owner.

10. Within 30 days of receiving a request for a change of ownership or beneficiary of a policy, the insurer that issued a policy that is the subject of a life settlement must either acknowledge that the requested change has been made or specify the reasons why the requested change cannot be made.

11. Under the bill, a broker represents only the owner of the policy that will be the subject of a life settlement and owes a fiduciary duty to the owner.

12. The bill prohibits fraudulent life settlement acts, including acts or omissions that are committed by any person for the purpose of pecuniary gain; any acts that a person does in the furtherance of a fraud or to prevent the detection of a fraud; embezzlement, theft, misappropriation, or conversion from a life settlement provider, insurer, insured, owner, or any person engaged in the business of life settlements or insurance; recklessly dealing in a life settlement the subject of which is a policy that was obtained with intent to defraud; attempting, assisting, or conspiring to commit a fraudulent life settlement act; and stranger-originated life insurance. Stranger-originated life insurance is the initiation of a life insurance policy for the benefit of a third-party investor who has no insurable interest in the insured. The bill prohibits various other activities in connection with life settlements, including engaging in a transaction if the person knows that the intent is to avoid notice requirements; issuing or promoting the purchase of a life insurance policy for the purpose of settling the policy under a life settlement; and making a representation to the policy owner in connection with the sale or financing of a policy that the insurance is free unless that is provided in the policy. The bill requires a statement in all life settlement contracts, purchase agreements, and applications for a life settlement that any person who knowingly presents false information in an application for insurance, a life settlement, or a purchase agreement may be subject to civil and criminal penalties. The bill requires a person who engages in the business of life settlements and has knowledge or a reasonable belief that certain violations related to life settlements have been or will be committed to report that to the commissioner. Providers and brokers must have in place antifraud initiatives described in the bill.

13. Relating to advertisement of life settlements, the bill requires providers and brokers to maintain a system of control over the advertising of life settlements; requires that disclosures not be minimized or obscured; prohibits the omission of information or using misleading information about a benefit, covered loss, premium payable, or tax consequences; prohibits the use of the name or title of a life insurance company or policy unless the insurer has approved the advertisement; prohibits use of testimonials, appraisals, or analyses unless they are genuine; prohibits the implication that a life settlement contract or purchase agreement has been endorsed by an organization unless that is the fact; prohibits inaccurate statistical information; prohibits the disparagement of insurers, providers, brokers, producers, policies, services, or methods of marketing; requires the name of the provider or

ASSEMBLY BILL 758

broker to be in all advertisements; prohibits the use of materials that mislead policy owners or prospective purchasers into believing that the advertisement is connected with a government program or agency; prohibits exaggeration of the fact that the provider or broker holds a license so as to suggest that competing licensees are not licensed; prohibits emphasizing the dollar amounts available to an owner except as an average purchase price as a percent of the face value obtained by other policy owners in life settlements with the licensee during the previous six months; and imposes other requirements. The commissioner may require a provider or broker to submit advertising materials.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 49.857 (1) (d) 20. of the statutes is amended to read:

2 49.857 (1) (d) 20. A license issued under s. 628.04, ~~632.68 (2) or (4)~~ 632.69 (2),
3 or 633.14 or a temporary license issued under s. 628.09.

4 **SECTION 2.** 71.05 (1) (f) of the statutes is amended to read:

5 71.05 (1) (f) *Income from the sales of certain insurance policies.* Income received
6 by the original policyholder or original certificate holder who has a catastrophic or
7 life-threatening illness or condition from the sale of a life insurance policy or
8 certificate, or the sale of the death benefit under a life insurance policy or certificate,
9 under a viatical life settlement contract, as defined in s. ~~632.68 (1) (d)~~ 632.69 (1) (k).
10 In this paragraph, “catastrophic or life-threatening illness or condition” includes
11 AIDS, as defined in s. 49.686 (1) (a), and HIV infection, as defined in s. 49.686 (1) (d).

12 **SECTION 3.** 71.26 (3) (ag) of the statutes is amended to read:

13 71.26 (3) (ag) Section 61 (relating to the definition of gross income) is modified
14 to exclude income received by the original policyholder or original certificate holder
15 who has a catastrophic or life-threatening illness or condition from the sale of a life
16 insurance policy or certificate, or the sale of the death benefit under a life insurance

ASSEMBLY BILL 758

1 policy or certificate, under a viatical life settlement contract, as defined in s. ~~632.68~~
2 ~~(1)(d)~~ 632.69 (1) (k). In this paragraph, “catastrophic or life-threatening illness or
3 condition” includes AIDS, as defined in s. 49.686 (1) (a), and HIV infection, as defined
4 in s. 49.686 (1) (d).

5 **SECTION 4.** 71.45 (2) (a) 14. of the statutes is amended to read:

6 71.45 **(2)** (a) 14. By subtracting from federal taxable income the amount that
7 is included in that income from the sale by the original policyholder or original
8 certificate holder who has a catastrophic or life-threatening illness or condition of
9 a life insurance policy or certificate, or the sale of the death benefit under a life
10 insurance policy or certificate, under a viatical life settlement contract, as defined
11 in s. ~~632.68 (1)(d)~~ 632.69 (1) (k). In this subdivision, “catastrophic or
12 life-threatening illness or condition” includes AIDS, as defined in s. 49.686 (1) (a),
13 and HIV infection, as defined in s. 49.686 (1) (d).

14 **SECTION 5.** 73.0301 (1) (d) 12. of the statutes is amended to read:

15 73.0301 **(1)** (d) 12. A license issued under s. 628.04, ~~632.68 (2) or (4)~~ 632.69 (2),
16 or 633.14 or a temporary license issued under s. 628.09.

17 **SECTION 6.** 321.60 (1) (a) 20. of the statutes is amended to read:

18 321.60 **(1)** (a) 20. A license issued under s. 628.04, ~~632.68 (2) or (4)~~ 632.69 (2),
19 or 633.14 or a temporary license issued under s. 628.09.

20 **SECTION 7.** 551.102 (17) (d) of the statutes is amended to read:

21 551.102 **(17)** (d) With respect to a fractional or pool interest in a viatical life
22 settlement investment, “issuer” means every person who creates the fractional or
23 pool interest for the purpose of offering or selling the interest.

24 **SECTION 8.** 551.102 (17) (e) of the statutes is amended to read:

ASSEMBLY BILL 758**SECTION 8**

1 551.102 (17) (e) With respect to a viatical life settlement investment that is not
2 a fractional or pool interest, “issuer” means the viatical–settlement provider, as
3 defined in s. ~~632.68 (1) (e)~~ 632.69 (1) (p), or the person who purchases or otherwise
4 acquires the viatical life settlement from a viatical–settlement provider and then
5 offers or sells viatical life settlement investments therein except that, under this
6 paragraph, “issuer” does not include a broker–dealer or agent registered under this
7 chapter and does not include the ~~viator~~ owner of the insurance policy, certificate of
8 insurance, or death benefit underlying the viatical life settlement investment.

9 **SECTION 9.** 551.102 (28) (intro.) of the statutes is amended to read:

10 551.102 (28) (intro.) “Security” means a note; stock; treasury stock; security
11 future; bond; debenture; evidence of indebtedness; limited partnership interest;
12 viatical life settlement investment or similar agreement; certificate of interest or
13 participation in a profit–sharing agreement; collateral trust certificate;
14 preorganization certificate or subscription; transferable share; investment contract;
15 voting trust certificate; certificate of deposit for a security; fractional undivided
16 interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on
17 a security, certificate of deposit, or group or index of securities, including an interest
18 therein or based on the value thereof; put, call, straddle, option, or privilege entered
19 into on a national securities exchange relating to foreign currency; or, in general, an
20 interest or instrument commonly known as a “security”; or a certificate of interest
21 or participation in, temporary or interim certificate for, receipt for, guarantee of, or
22 warrant or right to subscribe to or purchase, any of the foregoing. The term:

23 **SECTION 10.** 551.102 (32) of the statutes is renumbered 551.102 (17m), and
24 551.102 (17m) (intro.) and (a), as renumbered, are amended to read:

ASSEMBLY BILL 758

1 551.102 (17m) (intro.) “~~Viatical~~ Life settlement investment” means the entire
2 interest or any fractional or pool interest in a life insurance policy or certificate of
3 insurance or in the death benefit thereunder that is the subject of a ~~viatical~~ life
4 settlement, as defined in s. ~~632.68 (1) (b)~~ 632.69 (1) (j), but does not include any of
5 the following:

6 (a) The assignment, transfer, sale, devise or bequest of a death benefit, life
7 insurance policy, or certificate of insurance by the ~~viator~~ owner to a ~~viatical~~
8 ~~settlement~~ provider pursuant to s. ~~632.68~~ 632.69.

9 **SECTION 11.** 601.31 (1) (mm) of the statutes is amended to read:

10 601.31 (1) (mm) For initial issuance of a license as a ~~viatical settlement~~
11 provider under s. ~~632.68 (2)~~ 632.69 (2) (b), \$750.

12 **SECTION 12.** 601.31 (1) (mp) of the statutes is amended to read:

13 601.31 (1) (mp) For each annual renewal of a license as a ~~viatical settlement~~
14 provider under s. ~~632.68 (2)~~ 632.69 (2) (j), \$250.

15 **SECTION 13.** 601.31 (1) (mr) of the statutes is amended to read:

16 601.31 (1) (mr) For initial issuance of a license as a ~~viatical settlement~~ broker
17 under s. ~~632.68 (4)~~ 632.69 (2) (b), \$750.

18 **SECTION 14.** 601.31 (1) (ms) of the statutes is amended to read:

19 601.31 (1) (ms) For each annual renewal of a license as a ~~viatical settlement~~
20 broker under s. ~~632.68 (4)~~ 632.69 (2) (j), \$250.

21 **SECTION 15.** 632.68 of the statutes is repealed.

22 **SECTION 16.** 632.69 of the statutes is created to read:

23 **632.69 Life settlements. (1) DEFINITIONS.** In this section:

24 (a) “Advertisement” means any written, electronic, or printed communication
25 or any communication made by means of recorded telephone messages or

ASSEMBLY BILL 758**SECTION 16**

1 transmitted on radio, television, the Internet, or similar communications media,
2 including film strips, motion pictures, and videos, published, disseminated,
3 circulated, or placed, directly or indirectly, before the public in this state for the
4 purpose of creating an interest in or inducing a person to purchase or sell, assign,
5 devise, bequeath, or transfer the death benefit or ownership of a policy or an interest
6 in a policy pursuant to a life settlement contract.

7 (b) “Broker” means a person who, on behalf of an owner and for a fee,
8 commission, or other valuable consideration, offers or attempts to negotiate life
9 settlement contracts between an owner and one or more providers, or one or more
10 brokers. “Broker” does not include an attorney or certified public accountant who is
11 retained to represent the owner and whose compensation is not paid directly or
12 indirectly by the provider or purchaser.

13 (c) “Business of life settlements” means an activity involved in the offering
14 soliciting, negotiating, procuring, effectuating, purchasing, investing in, financing,
15 monitoring, tracking, underwriting, selling, transferring, assigning, pledging,
16 hypothecating, or in any other manner, acquiring an interest in a policy by means of
17 a life settlement contract.

18 (d) “Chronically ill” means any of the following:

19 1. Being unable to perform at least 2 activities of daily living, including eating,
20 toileting, transferring, bathing, dressing, or continence.

21 2. Requiring substantial supervision to monitor the health and safety of the
22 individual due to his or her severe cognitive impairment.

23 3. Having a level of disability similar to that described in subd. 1., as defined
24 by the U.S. department of health and human services.

ASSEMBLY BILL 758

1 (e) “Financing entity” means a person whose principal activity related to a life
2 settlement is providing funds to effect the life settlement contract or purchase of one
3 or more policies and who has an agreement in writing with one or more providers to
4 finance the acquisition of life settlement contracts, including an underwriter,
5 placement agent, lender, purchaser of securities, purchaser of a policy from a life
6 settlement provider, credit enhancer, or any entity that has a direct ownership in a
7 policy that is the subject of a life settlement contract. “Financing entity” does not
8 include an investor that is not an accredited investor, as defined in 17 CFR 230.501
9 (a), or a purchaser.

10 (f) “Financing transaction” means a transaction in which a licensed provider
11 obtains financing from a financing entity including any secured or unsecured
12 financing, any securitization transaction, or any securities offering which is either
13 registered or exempt from registration under federal and state securities law.

14 (g) “Fraudulent life settlement act” includes all of the following:

15 1. Acts or omissions that are committed by any person, or that a person permits
16 its employees or its agents to engage in, for the purpose of pecuniary gain, including
17 any of the following:

18 a. Presenting, causing to be presented, or preparing with the knowledge or
19 belief that it will be presented to or by a provider, broker, purchaser, financing entity,
20 insurer, insurance producer, or any other person, false material information, or
21 concealing material information, as part of, in support of, or concerning a fact
22 material to an application for the issuance of a life settlement contract or a policy;
23 the underwriting of a life settlement contract or a policy; a claim for payment or
24 benefit under a life settlement contract or a policy; premiums paid on an insurance
25 policy; payments and changes in ownership or beneficiary made in accordance with

ASSEMBLY BILL 758**SECTION 16**

1 the terms of a life settlement contract or a policy; the reinstatement or conversion of
2 a policy; the solicitation, offer, effectuation, or sale of a life settlement contract or a
3 policy; the issuance of written evidence of a life settlement contract or a policy; or a
4 financing transaction.

5 b. Employing any plan, device, scheme, or artifice to defraud in the business
6 of life settlements.

7 c. Failing to disclose to an insurer, if the request for such disclosure has been
8 made by the insurer, that the prospective owner has undergone a life expectancy
9 evaluation by any person or entity other than the insurer or its authorized
10 representatives in connection with the issuance of the policy.

11 2. Any of the following acts that any person does, or permits its employees or
12 agents to do, in the furtherance of a fraud or to prevent the detection of a fraud:

13 a. Removing, concealing, altering, destroying, or sequestering from the
14 commissioner the assets or records of a licensee or other person engaged in the
15 business of life settlements.

16 b. Misrepresenting or concealing the financial condition of a licensee, financing
17 entity, insurer, or other person.

18 c. Transacting the business of life settlements in violation of laws requiring a
19 license, certificate of authority, or other legal authority for the transaction of the
20 business of life settlements.

21 d. Filing with the commissioner or the chief insurance regulatory official of
22 another jurisdiction a document containing false information or otherwise
23 concealing information about a material fact from the commissioner or official.

ASSEMBLY BILL 758

1 3. Embezzlement, theft, misappropriation, or conversion of monies, funds,
2 premiums, credits, or other property of a life settlement provider, insurer, insured,
3 owner, or any other person engaged in the business of life settlements or insurance.

4 4. Recklessly entering into, negotiating, brokering, or otherwise dealing in a
5 life settlement contract, the subject of which is a life insurance policy that was
6 obtained by presenting false information concerning any fact material to the policy
7 or by concealing for the purpose of misleading another information concerning any
8 fact material to the policy, where the person or persons intended to defraud the
9 policy's issuer, the provider, or the owner.

10 5. Attempting to commit; assisting, aiding, or abetting in the commission of;
11 or conspiring to commit the acts or omissions specified in this paragraph.

12 6. Misrepresenting the state of residence of an owner to be a state that does not
13 have a law substantially similar to this section for the purpose of evading or avoiding
14 the provisions of this section.

15 7. STOLI.

16 (h) "Licensee" means a provider or broker that holds a license under sub. (2).

17 (i) "Life expectancy" means the arithmetic mean, considering medical records
18 and appropriate experiential data, of the number of months an insured under the
19 policy to be settled can be expected to live.

20 (j) 1. "Life settlement" means an agreement regarding the terms under which
21 compensation or any thing of value will be paid, which compensation or thing of value
22 is less than the expected death benefit of the policy but greater than the cash
23 surrender value or accelerated death benefit available under the policy at the time
24 of the application for the life settlement, in return for the owner's present or future

ASSEMBLY BILL 758**SECTION 16**

1 assignment, transfer, sale, devise, or bequest of the death benefit or any interest in
2 a policy. “Life settlement” includes all of the following:

3 a. The transfer for compensation or value of ownership or beneficial interest
4 in a trust or other entity that owns a policy that insures the life of a person residing
5 in this state, if the trust or other entity was formed or availed of for the principal
6 purpose of acquiring one or more policies or certificates of insurance.

7 b. A written agreement for a loan or other lending transaction, secured
8 primarily by an individual or group policy.

9 c. A premium finance loan made for a policy on, before, or after the date of
10 issuance of the policy but only if the loan proceeds are not used solely to pay
11 premiums for the policy and any costs or expenses incurred by the lender or the
12 borrower in connection with the financing, or if the owner receives on the date of the
13 premium finance loan a guarantee of the future life settlement value of the policy,
14 or if the owner agrees on the date of the premium finance loan to sell the policy or
15 any interest in its death benefit on any date following the issuance of the policy.

16 2. “Life settlement” does not include any of the following:

17 a. A policy loan by a life insurance company pursuant to the terms of the policy
18 or accelerated death provisions contained in the policy, whether issued with the
19 original policy or as a rider.

20 b. Except as provided in subd. 1. c., a premium finance loan or any loan made
21 by a bank or other licensed financial institution, provided that neither default on
22 such loan nor the transfer of the policy in connection with such default is pursuant
23 to an agreement or understanding with any other person for the purpose of evading
24 regulation under this section.

25 c. A collateral assignment of a policy by an owner.

ASSEMBLY BILL 758

1 d. A loan made by a lender that does not violate s. 138.12, if the loan is not
2 described in subd. 1. c. and is not otherwise a life settlement contract.

3 e. An agreement where all the parties are closely related to the insured by blood
4 or law, or have a lawful substantial economic interest in the continued life, health,
5 and bodily safety of the person insured, or are trusts or other entities established
6 primarily for the benefit of such parties.

7 f. Any designation, consent, or agreement by an insured who is an employee
8 of an employer in connection with the purchase by the employer, or trust established
9 by the employer, of life insurance on the life of the employee.

10 g. A bona fide business succession planning arrangement between one or more
11 shareholders in a corporation or between a corporation and one or more of its
12 shareholders or one or more trusts established by or for the benefit of its
13 shareholders; between one or more partners in a partnership or between a
14 partnership and one or more of its partners or one or more trusts established by or
15 for the benefit of its partners; or between one or more members in a limited liability
16 company or between a limited liability company and one or more of its members or
17 one or more trusts established by or for the benefit of its members.

18 h. An agreement, contract, or transaction that the commissioner excludes by
19 rule under sub. (20) (a) after determining that the agreement, contract, or
20 transaction is not intended to be regulated by this section.

21 (k) "Life settlement contract" means a written document providing for and
22 establishing the terms of a life settlement.

23 (L) "Owner" means the owner of a policy or a certificate holder under a group
24 policy who resides in this state, unless the context requires otherwise, and enters or

ASSEMBLY BILL 758**SECTION 16**

1 seeks to enter into a life settlement contract. “Owner” does not include any of the
2 following:

3 1. A licensee under this section, including a producer acting as a broker under
4 this section.

5 2. A qualified institutional buyer, as defined in 17 CFR 230.144A (a) (1).

6 3. A financing entity.

7 4. A special purpose entity.

8 5. A related provider trust.

9 (m) “Policy” means an individual or group policy, certificate, contract, or
10 arrangement of life insurance owned by a resident of this state, regardless of whether
11 delivered or issued for delivery in this state.

12 (n) “Premium finance loan” means a loan made primarily for the purpose of
13 making premium payments on a policy that is secured by an interest in the policy.

14 (o) “Producer” means any person licensed in this state as a resident or
15 nonresident insurance intermediary or agent who has received qualification or
16 authority for life insurance coverage or a life line of coverage pursuant to s. 628.04.

17 (p) “Provider” means a person, other than an owner, that enters into or
18 effectuates a life settlement contract with an owner. “Provider” does not include:

19 1. A bank, savings bank, savings and loan association, credit union, or other
20 licensed lending institution that takes an assignment of a policy solely as collateral
21 for a loan.

22 2. A premium finance company making premium finance loans and exempted
23 by the commissioner from the licensing requirement under the premium finance law
24 under s. 138.12 that takes an assignment of a policy solely as collateral for a loan.

25 3. The issuer of a policy.

ASSEMBLY BILL 758

1 4. An authorized or eligible insurer that provides stop loss coverage or financial
2 guaranty insurance to a provider, purchaser, financing entity, special purpose entity,
3 or related provider trust.

4 5. Any natural person who enters into or effectuates no more than one
5 agreement in a calendar year for the transfer of a policy for any value less than the
6 expected death benefit.

7 6. A special purpose entity.

8 7. A related provider trust.

9 8. A purchaser.

10 9. A person that the commissioner excludes by rule under sub. (20) (a) after
11 determining that the definition is not intended to cover the person.

12 (q) "Purchase agreement" means a contract or agreement entered into by a
13 purchaser, to which the owner is not a party, to purchase a settled policy or an interest
14 in a settled policy for the purpose of deriving an economic benefit.

15 (r) "Purchaser" means a person who provides a sum of money as consideration
16 for a policy or an interest in the death benefits of a policy, or a person who owns or
17 acquires or is entitled to a beneficial interest in a trust that owns a life settlement
18 contract or is the beneficiary of a policy that has been or will be the subject of a life
19 settlement contract, for the purpose of deriving an economic benefit. "Purchaser"
20 does not include any of the following:

21 1. A licensee.

22 2. An accredited investor, as defined in 17 CFR 230.501 (a), or qualified
23 institutional buyer, as defined in 17 CFR 230.114A (a) (1).

24 3. A financing entity.

25 4. A special purpose entity.

ASSEMBLY BILL 758**SECTION 16**

1 5. A related provider trust.

2 (s) “Recklessly” means in conscious and clearly unjustifiable disregard of a
3 substantial likelihood of the existence of the relevant facts or risks, the disregard
4 involving a gross deviation from acceptable standards of conduct.

5 (t) “Related provider trust” means a trust that is established by a licensed
6 provider or a financing entity for the sole purpose of holding the ownership or
7 beneficial interest in purchased policies in connection with a financing transaction
8 and that has a written agreement with the licensed provider under which the
9 licensed provider is responsible for ensuring compliance with all statutory and
10 regulatory requirements and under which the trust agrees to make all records and
11 files relating to life settlement transactions available to the commissioner as if those
12 records were maintained directly by the licensed provider.

13 (u) “Settled” means, with respect to a policy, acquired by a provider under a life
14 settlement contract.

15 (v) “Special purpose entity” means a corporation, partnership, trust, limited
16 liability company, or other similar entity formed solely to provide either direct or
17 indirect access to institutional capital markets either for a financing entity or
18 provider or in connection with a transaction in which the securities in the special
19 purpose entity are either acquired by the owner or by a qualified institutional buyer,
20 as defined in 17 CFR 230.114A (a) (1) or pay a fixed rate of return commensurate with
21 established asset-backed institutional capital markets.

22 (w) “Stranger-originated life insurance” or “STOLI” means an act, practice,
23 plan, or arrangement, individually or in concert with others, to initiate a life
24 insurance policy for the benefit of a 3rd-party investor who, at the time of policy
25 origination, has no insurable interest in the insured. STOLI includes cases in which

ASSEMBLY BILL 758

1 life insurance is purchased with resources or guarantees from or through a person
2 or entity who, at the time of policy inception, could not lawfully initiate the policy by
3 the person or entity, and in which, at the time of inception, there is an arrangement
4 or agreement, whether verbal or written, to directly or indirectly transfer the
5 ownership of the policy or the policy benefits to a 3rd party. Trusts that are created
6 to give the appearance of insurable interest, and are used to initiate policies for
7 investors, violate insurable interest laws under s. 631.07 and the common law
8 prohibition against wagering on life. STOLI does not include a loan, agreement,
9 assignment, arrangement, or transaction set forth in sub. (1) (j) 2.

10 (x) "Terminally ill" means having an illness or sickness that can reasonably be
11 expected to result in death in 24 months or less.

12 **(2) LICENSING REQUIREMENTS.** (a) 1. No person may act as a provider or broker
13 for an owner, without holding a license from the commissioner.

14 2. A licensed attorney or a certified public accountant who is retained to
15 represent the owner and whose compensation is not paid directly or indirectly by the
16 provider or purchaser may negotiate life settlement contracts on behalf of the owner
17 without having to obtain a license as a broker.

18 (b) An applicant shall make an application for a license to the commissioner on
19 a form prescribed by the commissioner. For a broker's license, the applicant shall
20 submit the fee specified in s. 601.31 (1) (mr). For a provider's license, the applicant
21 shall submit the fee specified in s. 601.31 (1) (mm).

22 (c) The commissioner may not issue a license under this subsection unless the
23 applicant provides his or her social security number or its federal employer
24 identification number or, if the applicant does not have a social security number, a
25 statement made or subscribed under oath or affirmation that the applicant does not

ASSEMBLY BILL 758**SECTION 16**

1 have a social security number. An applicant who is providing a statement that he or
2 she does not have a social security number, shall provide that statement along with
3 the application for a license on a form prescribed by the department of children and
4 families. A licensee shall provide to the commissioner the licensee's social security
5 number, statement the licensee does not have the social security number, or federal
6 employment identification number of the licensee at the time that the annual license
7 renewal fee is paid, if not previously provided. The commissioner shall disclose a
8 social security number obtained from an applicant or licensee to the department of
9 children and families in the administration of s. 49.22, as provided in a memorandum
10 of understanding entered into under s. 49.857. The commissioner may disclose the
11 social security number or federal employment identification number of an applicant
12 or licensee to the department of revenue for the purpose of requesting certifications
13 under s. 73.0301.

14 (d) 1. The commissioner shall refuse to issue or renew a license under this
15 subsection if the person is delinquent in court-ordered payments of child or family
16 support, maintenance, birth expenses, medical expenses, or other expenses related
17 to the support of a child or former spouse, or if the person fails to comply, after
18 appropriate notice, with a subpoena or warrant issued by the department of children
19 and families or a county child support agency under s. 59.53 (5) and related to
20 paternity or child support proceedings, as provided in a memorandum of
21 understanding entered into under s. 49.857.

22 2. The commissioner shall refuse to issue or renew a license under this
23 subsection if the department of revenue certifies under s. 73.0301 that the applicant
24 for the license or renewal of the license is liable for delinquent taxes.

ASSEMBLY BILL 758

1 (e) The applicant shall provide information that the commissioner may require
2 on forms prepared by the commissioner. The commissioner may require the
3 applicant, at any time, to fully disclose the identity of its partners, officers,
4 employees, and stockholders, except stockholders owning fewer than 10 percent of
5 the shares of an applicant whose shares are publicly traded. The commissioner may
6 refuse to issue a license if not satisfied that any officer, employee, stockholder, or
7 partner who may materially influence the applicant's conduct meets the standards
8 of this section.

9 (f) A license issued to a partnership, corporation, or other entity authorizes all
10 members, officers, and designated employees to act as a licensee under the license,
11 if those persons are named in the application or any supplements to the application.

12 (g) Upon the filing of an application and the payment of the license fee, the
13 commissioner shall make an investigation of each applicant and shall issue a license
14 if the commissioner finds that the applicant satisfies all of the following:

- 15 1. If applying for a provider license, has provided a detailed plan of operation.
- 16 2. Is competent and trustworthy and intends to transact its business in good
17 faith.
- 18 3. Has a good business reputation and has either the experience, training, or
19 education so as to be qualified in the business for which the license is applicable.
- 20 4. a. If applying for a provider license, has demonstrated evidence of financial
21 responsibility in a format prescribed by the commissioner through either a surety
22 bond executed and issued by an insurer authorized to issue surety bonds in this state
23 or a deposit of cash, certificates of deposit, or securities or any combination of those
24 in the amount of \$250,000. Any surety bond issued under this subd. 4. a. shall be in
25 the favor of this state and shall specifically authorize recovery by the commissioner

ASSEMBLY BILL 758**SECTION 16**

1 on behalf of any person in this state who sustains damages as the result of erroneous
2 acts, failure to act, conviction of fraud, or conviction of unfair practices by the
3 provider. The commissioner shall accept as evidence of financial responsibility proof
4 that financial instruments in accordance with the requirements in this subd. 4. a.
5 have been filed in one state where the applicant is licensed as a provider.

6 b. If applying for a broker license, has provided proof of the acquisition of a
7 policy of professional liability insurance in an amount that is satisfactory to the
8 commissioner.

9 5. If the applicant is a legal entity, is formed or organized under the laws of this
10 state or is a foreign legal entity authorized to transact business in this state, or
11 provides a certificate of good standing from the state of its domicile.

12 6. Has provided to the commissioner an antifraud plan that meets the
13 requirements of sub. (15) (i).

14 7. Has completed the initial training course under sub. (3) (e).

15 (h) The commissioner may request evidence of financial responsibility under
16 par. (g) 4. from an applicant at any time the commissioner deems necessary.

17 (i) The commissioner shall not issue any license to any nonresident applicant,
18 unless a written designation of an agent for service of process is filed and maintained
19 with the commissioner or unless the applicant has filed with the commissioner the
20 applicant's irrevocable consent that any action against the applicant may be
21 commenced against the applicant by service of process on the commissioner in
22 accordance with the procedures set forth in ss. 601.72 and 601.73.

23 (j) Licenses may be renewed annually on July 1 upon payment of the fee
24 specified in s. 601.31 (1) (ms) by a broker, or the fee specified in s. 601.31 (1) (mp) by

ASSEMBLY BILL 758

1 a provider. Failure to pay the fee by the renewal date shall result in the automatic
2 revocation of the license.

3 (k) Each licensee shall file with the commissioner on or before the first day of
4 March of each year an annual statement containing the information required under
5 sub. (6) (a) and any information the commissioner requires by rule.

6 (L) A provider may not use any person to perform the functions of a broker
7 unless the person holds a current, valid license as a broker.

8 (m) A broker may not use any person to perform the functions of a provider
9 unless the person holds a current, valid license as a provider.

10 (n) A provider or broker shall provide to the commissioner new or revised
11 information about officers, partners, directors, members, designated employees, or
12 stockholders, except stockholders owning fewer than 10 percent of the shares of a
13 provider or broker whose shares are publicly traded, within 30 days of the change.

14 (o) The insurer that issued the policy that is the subject of a life settlement
15 contract may not be held responsible for any act or omission of a broker or provider
16 arising out of or in connection with the life settlement, unless the insurer receives
17 compensation for the placement of a life settlement contract from the broker or
18 provider or from a purchaser in connection with the life settlement contract.

19 **(3) TRAINING.** (a) An individual applicant for a license under sub. (2) or a
20 licensee who engages in the business of life settlements in this state shall receive
21 training to ensure all of the following:

22 1. The individual understands the relation of life settlement transactions to the
23 integrity of a comprehensive financial plan of an owner.

24 2. The individual has adequate knowledge to competently discuss the material
25 aspects of life settlements with an owner.

ASSEMBLY BILL 758**SECTION 16**

1 3. The individual complies with the laws of this state relating to life
2 settlements.

3 (b) Training required under this subsection must be approved by the
4 commissioner and provided by an education provider that is approved by the
5 commissioner. The commissioner may approve the training required under this
6 subsection for continuing education under s. 628.04 (3). Training required under this
7 subsection shall not increase the credit hours of continuing education required by
8 statute or rule. Certification and reporting of completion of the required training
9 shall comply with the requirements of s. Ins 28.07, Wis. Adm. Code. Any person
10 failing to meet the requirements of this subsection shall be subject to the penalties
11 imposed by the commissioner.

12 (c) The satisfaction of the training requirements of another state that are
13 substantially similar to the requirements set forth in this subsection, and are
14 approved by the commissioner, satisfy the requirements of this subsection.

15 (d) Training provided under this subsection shall include all of the following
16 topics, at a minimum:

- 17 1. Legal structuring of life settlements.
- 18 2. Legal relationships among the parties to a life settlement.
- 19 3. Required disclosures and privacy requirements.
- 20 4. Ethical considerations in selling, soliciting, and negotiating life settlements.
- 21 5. Contract requirements.
- 22 6. Advertising.
- 23 7. Remedies.
- 24 8. Licensing requirements.
- 25 9. Additional matters as determined by the commissioner.

ASSEMBLY BILL 758

1 (e) An individual applicant for a license under sub. (2) shall complete an initial
2 training course of not less than 8 hours. An electronic confirmation of completion of
3 initial training shall accompany the application for initial licensure. A licensee shall
4 complete training of not less than 4 hours every 24 months after the initial training
5 course. A person who holds a license under s. 632.68, 2007 stats., on the effective date
6 of this paragraph [LRB inserts date] shall complete initial training within 6
7 months after the effective date of this paragraph [LRB inserts date].

8 (4) LICENSE SUSPENSION, REVOCATION, OR REFUSAL TO RENEW. (a) The
9 commissioner may suspend, revoke, or refuse to renew the license of any licensee if,
10 after a hearing, the commissioner finds any of the following:

11 1. Any material misrepresentation in the application for the license.

12 2. That the licensee or any officer, partner, member, or director of the licensee
13 is guilty of fraudulent or dishonest practices, is subject to a final administrative
14 action, or is otherwise shown to be untrustworthy or incompetent to act as a licensee.

15 3. If the licensee is a provider, that the licensee demonstrates a pattern of
16 unreasonably withholding payments to owners.

17 4. That the licensee no longer meets the requirements for licensure.

18 5. That the licensee or any officer, partner, member, or director of the licensee
19 has been convicted of a felony or of any misdemeanor of which criminal fraud is an
20 element or has pleaded other than not guilty with respect to any felony or any
21 misdemeanor of which criminal fraud or moral turpitude is an element, regardless
22 whether a judgment of conviction has been entered by the court.

23 6. If the licensee is a provider, that the licensee has entered into any life
24 settlement contract the form of which has not been approved by the commissioner
25 under this section.

ASSEMBLY BILL 758**SECTION 16**

1 7. If the licensee is a provider, that the licensee has failed to honor obligations
2 set out in a life settlement contract.

3 8. If the licensee is a provider, that the licensee has assigned, transferred, or
4 pledged a settled policy to a person other than a provider licensed in this state, a
5 purchaser, an accredited investor as defined in 17 CFR 230.501 (a) or a qualified
6 institutional buyer as defined in 17 CFR 230.144A (a) (1), a financing entity, a special
7 purpose entity, or a related provider trust.

8 9. That the licensee or any officer, partner, member, or key management
9 personnel has violated any of the provisions of this section.

10 (b) Nothing in this subsection limits the authority of the commissioner to
11 summarily suspend a license under s. 227.51 (3).

12 (c) The commissioner shall suspend a license if the licensee is delinquent in
13 court-ordered payments of child or family support, maintenance, birth expenses,
14 medical expenses, or other expenses related to the support of a child or former spouse
15 or if the licensee fails to comply, after appropriate notice, with a subpoena or warrant
16 issued by the department of children and families or a county child support agency
17 under s. 59.53 (5) that is related to paternity or child support proceedings, as
18 provided in a memorandum of understanding entered into under s. 49.857.

19 (d) The commissioner shall revoke the license of a licensee if the department
20 of revenue certifies under s. 73.0301 that the licensee is liable for delinquent taxes.

21 **(5) CONTRACT REQUIREMENTS.** (a) No person may use a life settlement contract
22 form or provide to an owner a disclosure statement form in this state unless first filed
23 with and approved by the commissioner. The form is approved if the commissioner
24 does not disapprove of the form within 30 days after filing or within a 30-day
25 extension of that period ordered by the commissioner before the expiration of the first

ASSEMBLY BILL 758

1 30 days. To disapprove a form, the commissioner shall state in writing the reasons
2 for disapproval sufficiently explicitly that the licensee is provided reasonable
3 guidance in reformulating its forms. The commissioner shall disapprove a life
4 settlement contract form or disclosure statement form if the commissioner
5 determines the form or provisions contained in the form fail to meet the
6 requirements of this section, are unreasonable, are contrary to the interests of the
7 public, or are otherwise misleading or unfair to the owner.

8 (b) No insurer may, as a condition of responding to a request for verification of
9 coverage or in connection with the transfer of a policy under a life settlement
10 contract, require that the owner, insured, provider, or broker sign any form,
11 disclosure, consent, waiver, or acknowledgment that has not been expressly
12 approved by the commissioner for use in connection with life settlement contracts in
13 this state.

14 **(6) REPORTING REQUIREMENTS AND PRIVACY.** (a) 1. In addition to any other
15 requirements, the annual statement that is filed with the commissioner shall specify
16 the total number, aggregate face amount, and life settlement proceeds of policies
17 settled during the immediately preceding calendar year, together with a breakdown
18 of the information by policy issue year. The annual statement shall also include the
19 names of the insurance companies whose policies have been settled and the brokers
20 that were involved in settling the policies. Each provider shall provide in the annual
21 statement any information about any policy settled within 5 years of policy issuance
22 that the commissioner may prescribe by rule.

23 2. Information provided in the annual statement shall be limited to those
24 transactions in which the owner is a resident of this state and shall not include
25 individual transaction data regarding the business of life settlements or information

ASSEMBLY BILL 758**SECTION 16**

1 that there is a reasonable basis to believe could be used to identify the owner or the
2 insured.

3 3. Every provider that willfully fails to file an annual statement as required in
4 this section, or willfully fails to reply within 30 days to a written inquiry by the
5 commissioner regarding the annual statement, shall be subject to a forfeiture under
6 s. 601.64 (3) (c) and to license suspension, revocation, or nonrenewal.

7 (b) A provider, broker, insurance company, producer, information bureau,
8 rating agency or company, or any other person with actual knowledge of an insured's
9 identity, shall not disclose the identity of an insured or information that there is a
10 reasonable basis to believe could be used to identify the insured or the insured's
11 financial or medical information to any other person unless one of the following
12 applies:

13 1. The disclosure is necessary to effect a life settlement contract between the
14 owner and a provider, and the owner and insured have provided prior written
15 consent to the disclosure.

16 2. The disclosure is necessary to effectuate a sale of life settlement contracts,
17 or interests in life settlement contracts, as investments, if the sale is conducted in
18 accordance with applicable state and federal securities law and if the owner and the
19 insured have both provided prior written consent to the disclosure.

20 3. The disclosure is provided in response to an investigation or examination by
21 the commissioner or any other governmental officer or agency or pursuant to the
22 requirements of sub. (15).

23 4. The disclosure is a term or condition of the transfer of a policy by one provider
24 to another provider. In such cases, the receiving provider shall be required to comply
25 with the confidentiality requirements of this subsection.

ASSEMBLY BILL 758

1 5. The disclosure is necessary to allow the provider or broker or their
2 authorized representatives to make contacts for the purpose of determining health
3 status. For the purposes of this subdivision, “authorized representative” does not
4 include any person who has or may have any financial interest in the life settlement
5 contract other than a provider, broker, financing entity, related provider trust, or
6 special purpose entity. A provider or broker shall require its authorized
7 representative to agree in writing to adhere to the privacy provisions of this
8 subsection.

9 6. The disclosure is required to purchase stop loss coverage.

10 (c) Nonpublic personal information solicited or obtained in connection with a
11 proposed or actual life settlement contract shall be subject to all applicable laws of
12 this state relating to confidentiality of nonpublic personal information.

13 **(7) EXAMINATIONS AND ALTERNATIVES.** (a) The commissioner may, whenever the
14 commissioner determines it is necessary in order to be informed about any matter
15 related to the enforcement of this section, examine the business and affairs of any
16 licensee or applicant for a license, under the provisions of ss. 601.43 to 601.45.

17 (b) The commissioner shall consider names and individual identification data
18 for all owners, purchasers, and insureds private and confidential information and
19 shall not disclose names or identification data unless the disclosure is to another
20 regulator or is required by law.

21 (c) 1. A person required to be licensed by this section shall for 5 years retain,
22 and make available to the commissioner for inspection at all reasonable times in
23 accordance with s. 601.42, copies of all of the following:

24 a. Proposed, offered, or executed life settlement contracts, purchase
25 agreements, underwriting documents, policy forms, and applications from the date

ASSEMBLY BILL 758**SECTION 16**

1 of the proposal, offer, or execution of a life settlement contract or purchase
2 agreement, whichever is later.

3 b. All checks, drafts, or other evidence and documentation related to the
4 payment, transfer, deposit, or release of funds from the date of the financing
5 transaction, life settlement, or purchase agreement.

6 c. All other records and documents related to the requirements of this section.

7 2. Records required to be retained under subd. 1. must be legible and complete
8 and may be retained in paper, photograph, microprocess, magnetic, mechanical or
9 electronic media, or by any process that accurately reproduces or forms a durable
10 medium for reproduction of a record.

11 **(8) DISCLOSURES TO OWNER; DISCLOSURE TO INSURED.** (a) 1. With each application
12 for a life settlement, a provider or broker shall disclose to the owner, in a separate
13 document that is signed by the owner and the provider or broker, at least all of the
14 following information no later than the time the application for the life settlement
15 is signed by all parties:

16 a. That there are possible alternatives to life settlement contracts, including
17 any accelerated death benefits or policy loans offered under the owner's policy.

18 b. That the broker represents exclusively the owner, and not the insurer or the
19 provider, and owes a fiduciary duty to the owner, including the duty to act according
20 to the owner's instructions and in the best interest of the owner.

21 c. That some or all of the proceeds of the life settlement may be taxable under
22 federal income tax and state franchise and income tax laws, and the owner should
23 seek assistance from a professional tax advisor.

24 d. That proceeds from a life settlement may be subject to the claims of creditors.

ASSEMBLY BILL 758

1 e. That receipt of proceeds from a life settlement may adversely affect the
2 owner's eligibility for Medical Assistance or other government benefits or
3 entitlements, and the owner should seek advice from the appropriate government
4 agencies.

5 f. That the owner has a right to rescind a life settlement contract before the
6 earlier of 30 calendar days after the date upon which the life settlement contract is
7 executed by all parties or 15 calendar days after the life settlement proceeds have
8 been paid to the owner, as provided in sub. (11) (d). Rescission, if exercised by the
9 owner, is effective only if both notice of the rescission is given and the owner repays
10 all proceeds and any premiums, loans, and loan interest paid on account of the life
11 settlement within the rescission period. If the insured dies during the rescission
12 period, the life settlement contract is rescinded, subject to repayment by the owner
13 or the owner's estate to the provider or purchaser of all life settlement proceeds, and
14 any premiums, loans, and loan interest that have been paid by the provider or
15 purchaser, which shall be repaid within 60 calendar days of the death of the insured.

16 g. That funds will be sent to the owner within 3 business days after the provider
17 has received the insurer's or group administrator's written acknowledgement that
18 ownership of the policy or interest in the certificate has been transferred and the
19 beneficiary has been designated.

20 h. That entering into a life settlement contract may cause other rights or
21 benefits, including conversion rights and waiver of premium benefits that may exist
22 under the policy, to be forfeited by the owner, and the owner should seek assistance
23 from a professional financial advisor.

24 i. The language: "All medical, financial, or personal information solicited or
25 obtained by a provider or broker about an insured, including the insured's identity

ASSEMBLY BILL 758**SECTION 16**

1 or the identity of family members, a spouse, or a significant other, may be disclosed
2 as necessary to effect the life settlement between the owner and provider. If you are
3 asked to provide this information, you will be asked to consent to the disclosure. The
4 information may be provided to someone who buys the policy or provides funds for
5 the purchase. You may be asked to renew your permission to share information every
6 2 years.”

7 j. That, following execution of a life settlement contract, the insured may be
8 contacted for the purpose of determining the insured’s health status and to confirm
9 the insured’s residential or business street address and telephone number, or as
10 otherwise allowed in this section. This contact shall be limited to once every 3
11 months if the insured has a life expectancy of more than one year and no more than
12 once per month if the insured has a life expectancy of one year or less. All such
13 contacts with the insured shall be made only by a provider licensed in the state in
14 which the owner resided at the time of the life settlement, or by an authorized
15 representative of the provider.

16 2. At the time the disclosures in subd. 1. are provided, the broker or provider
17 shall provide to the owner a brochure describing the process of life settlements that
18 is approved by the commissioner.

19 (b) A provider shall disclose to the owner, either conspicuously displayed in the
20 life settlement contract or in a separate document signed by the owner, at least all
21 of the following information no later than the date the life settlement contract is
22 signed by all parties:

23 1. The affiliation, if any, between the provider and the issuer of the policy to be
24 settled.

25 2. The name, business address, and telephone number of the provider.

ASSEMBLY BILL 758

1 3. Any affiliation or contractual arrangements between the provider and the
2 purchaser.

3 4. If a policy to be settled has been issued as a joint policy or involves family
4 riders or any coverage of a life other than that of the insured under the policy to be
5 settled, the possible loss of coverage on the other lives under the policy, together with
6 a statement advising the owner to consult with the insurer issuing the policy for
7 advice concerning the proposed life settlement.

8 5. The dollar amount of the current death benefit that will be payable to the
9 provider under the policy. If known, the provider shall also disclose the availability
10 of any additional guaranteed insurance benefits, the dollar amount of any accidental
11 death and dismemberment benefits under the policy, and the extent to which the
12 owner's interest in those benefits will be transferred as a result of the life settlement
13 contract.

14 6. That the funds will be escrowed with an independent 3rd party during the
15 transfer process; the name, business address, and telephone number of the
16 independent 3rd party escrow agent; and that the owner may inspect or receive
17 copies of the relevant escrow or trust agreements or documents.

18 (c) A broker shall disclose to the owner, either conspicuously displayed in the
19 life settlement contract or in a separate document signed by the owner, at least all
20 of the following information no later than the date the life settlement contract is
21 signed by all parties:

22 1. The name, business address, and telephone number of the broker.

23 2. A full, complete, and accurate description of all offers, counteroffers,
24 acceptances, and rejections related to the proposed life settlement contract.

ASSEMBLY BILL 758**SECTION 16**

1 3. A written statement of any affiliation or contractual arrangement between
2 the broker and any person making an offer in connection with the proposed life
3 settlement contract.

4 4. The amount of the broker's compensation, including anything of value paid
5 or given to the broker for the placement of the policy.

6 5. If any portion of the broker's compensation is taken from a proposed life
7 settlement, the total amount of the life settlement offer and the percentage of the life
8 settlement comprised by the broker's compensation.

9 (d) If the provider transfers ownership or changes the beneficiary of the policy,
10 the provider shall communicate in writing the change in ownership or beneficiary to
11 the insured within 20 days after the change.

12 **(9) DISCLOSURES TO PURCHASER.** (a) 1. A provider shall disclose to a purchaser,
13 conspicuously displayed in the purchase agreement or in a separate document signed
14 by the purchaser and provider, at least all of the following information prior to the
15 date the purchase agreement is signed by all parties:

16 a. That the purchaser will receive no returns, including dividends and interest,
17 until the insured dies and a death claim payment is made.

18 b. That the actual rate of return on a life settlement contract is dependent upon
19 an accurate projection of the insured's life expectancy and the actual date of the
20 insured's death and that an annual guaranteed rate of return is not determinable.

21 c. That the settled policy should not be considered a liquid purchase since it is
22 impossible to predict the exact timing of its maturity and the funds are not available
23 until the death of the insured and that there is no established secondary market for
24 resale of a settled policy by the purchaser.

ASSEMBLY BILL 758

1 d. That the purchaser may lose all benefits or may receive substantially
2 reduced benefits if the insurer goes out of business during the contract term of the
3 life settlement investment.

4 e. That the purchaser is responsible for payment of the insurance premiums
5 or other costs related to the policy, if required by the terms of the purchase
6 agreement, even if the insured returns to health, and that the payments may reduce
7 the purchaser's return. If a party other than the purchaser is responsible for the
8 payment, the name and address of the party responsible for payment shall be
9 disclosed.

10 f. The amount of the premiums, if applicable.

11 g. The name, business address, and telephone number of the independent 3rd
12 party providing escrow services and any relationship to the broker.

13 h. The amount of any trust fees or expenses to be charged the purchaser.

14 i. Whether the purchaser is entitled to a refund of all or part of the purchaser's
15 investment under the purchase agreement if the policy is later determined to be null
16 and void.

17 j. That group policies may contain limitations or caps in the conversion rights,
18 that additional premiums may have to be paid if the policy is converted, the name
19 of the party responsible for payment of any additional premiums, and that if a group
20 policy is terminated and replaced by another group policy, there may be no right to
21 convert the original coverage.

22 k. The risks associated with policy contestability, including the risk that the
23 purchaser will have no claim or only a partial claim to death benefits should the
24 insurer rescind the policy within the contestability period.

ASSEMBLY BILL 758**SECTION 16**

1 L. Whether the purchaser will be the owner of the policy in addition to being
2 the beneficiary, and if the purchaser is the beneficiary only and not also the owner,
3 the special risks associated with that status, including the risk that the beneficiary
4 may be changed or the premium may not be paid.

5 m. The experience and qualifications of the person who determines the life
6 expectancy of the insured, including in-house staff, independent physicians, and
7 specialty firms that weigh medical and actuarial data, the information the projection
8 is based on, and the relationship of the projection maker to the provider, if any.

9 2. At the time the disclosures in subd. 1. are provided, the provider shall provide
10 to the purchaser a brochure approved by the commissioner describing the process of
11 the purchase of a settled policy.

12 (b) A provider shall disclose to a purchaser, in a document signed by the
13 purchaser and provider, at least all of the following no later than at the time of the
14 assignment, transfer, or sale of all of or an interest in a policy:

15 1. All the life expectancy certifications obtained by the provider in the process
16 of determining the price to be paid to the owner.

17 2. Whether the premium payments or other costs related to the policy have
18 been escrowed and, if so, the date upon which the escrowed funds will be depleted,
19 whether the purchaser will be responsible for payment of premiums after the
20 depletion of escrowed funds, and the amount of the premium if the purchaser is
21 responsible for payment.

22 3. Whether the premiums or other costs related to the policy have been waived
23 and, if so, whether the purchaser will be responsible for payment of the premiums
24 if the insurer that issued the policy terminates the waiver after purchase and, if so,
25 the amount of the premiums.

ASSEMBLY BILL 758

1 4. Whether the type of policy offered or sold is whole life, term life, universal
2 life, a group policy, or another type of policy, any additional benefits contained in the
3 policy, and the current status of the policy.

4 5. If the policy is term insurance, the special risks associated with term
5 insurance including the purchaser's responsibility for additional premiums if the
6 owner continues the term policy at the end of the current term.

7 6. Whether the policy is contestable.

8 7. Whether the insurer that issued the policy has any additional rights that
9 could negatively affect or extinguish the purchaser's rights under the purchase
10 agreement and, if so, what those rights are and under what conditions those rights
11 are activated.

12 8. The name and address of the person responsible for monitoring the insured's
13 condition, how often the monitoring is done, how the date of death is determined, and
14 how and when the information will be transmitted to the purchaser.

15 **(10) DISCLOSURE TO INSURER.** Before initiating a plan, transaction, or series of
16 transactions, a broker or provider shall fully disclose to the insurer a plan,
17 transaction, or series of transactions to which the broker or provider is a party to
18 originate, renew, continue, or finance a policy with the insurer for the purpose of
19 engaging in the business of life settlements at any time prior to, or during the first
20 5 years after, issuance of the policy.

21 **(11) GENERAL REQUIREMENTS.** (a) 1. Before entering into a life settlement
22 contract, a provider shall obtain all of the following:

23 a. If the owner is the insured, a written statement from a licensed attending
24 physician that the owner is of sound mind and under no constraint or undue
25 influence to enter into a life settlement contract.

ASSEMBLY BILL 758**SECTION 16**

1 b. A document in which the insured consents to the release of his or her medical
2 records to a licensed provider, licensed broker, and the insurer that issued the policy
3 covering the life of the insured.

4 2. Within 20 days after an owner executes documents necessary to transfer any
5 rights under a policy or within 20 days after the owner enters any agreement, option,
6 promise, or any other form of understanding, express or implied, to settle the policy,
7 the provider shall give written notice to the insurer that issued the policy that the
8 policy has or will become a settled policy.

9 3. The provider shall deliver a copy of the medical release required under subd.
10 1. b., a copy of the owner's application for the life settlement contract, the notice
11 required under subd 2., and a request for verification of coverage to the insurer that
12 issued the policy that is the subject of the life settlement. The provider shall use a
13 form created by the National Association of Insurance Commissioners for
14 verification of coverage unless the commissioner develops and approves another
15 form.

16 4. The insurer shall respond to a request for verification of coverage that is
17 submitted on an approved form by a provider or broker within 30 calendar days after
18 the date the request is received and shall indicate whether, based on the medical
19 evidence and documents provided, the insurer intends to pursue an investigation
20 regarding the validity of the insurance contract or possible fraud. The insurer shall
21 accept a request for verification of coverage made on a form created by the National
22 Association of Insurance Commissioners or any other form approved by the
23 commissioner, and shall accept an original, facsimile, or electronic copy of the
24 request and any accompanying signed authorization.

ASSEMBLY BILL 758

1 5. Before or at the time of execution of the life settlement contract, the provider
2 shall obtain a witnessed document in which the owner does all of the following:

3 a. Consents to the life settlement contract.

4 b. Represents that he or she has a complete understanding of the life settlement
5 contract.

6 c. Represents that he or she has a complete understanding of the benefits of the
7 policy.

8 d. Acknowledges that he or she is entering into the life settlement contract
9 freely and voluntarily.

10 e. If applicable, acknowledges that the insured has a terminal or chronic illness
11 and that the terminal or chronic illness or condition was diagnosed after the policy
12 was issued.

13 6. If a broker performs any of the activities required in subd. 1., 2., 3., or 5., the
14 provider shall be considered to have performed that activity.

15 (b) All medical information solicited or obtained by any licensee shall be subject
16 to the applicable provisions of state law relating to confidentiality of medical
17 information, including s. 610.70.

18 (c) All life settlement contracts entered into in this state shall provide the
19 owner with an absolute right to rescind the contract before the earlier of 30 calendar
20 days after the date on which the life settlement contract is executed by all parties or
21 15 calendar days after the life settlement proceeds have been sent to the owner as
22 provided in par. (d). Rescission by the owner may be conditioned upon the owner both
23 giving notice and repaying to the provider, within the rescission period, all proceeds
24 of the settlement and any premiums, loans, and loan interest paid by or on behalf of
25 the provider in connection with or as a consequence of the life settlement. If the

ASSEMBLY BILL 758**SECTION 16**

1 insured dies during the rescission period, the life settlement contract is rescinded,
2 subject to repayment, within 60 calendar days after the death of the insured, by the
3 owner or the owner's estate to the provider or purchaser of all life settlement
4 proceeds and any premiums, loans, and loan interest that have been paid by the
5 provider or purchaser. If a life settlement contract is rescinded under this
6 paragraph, ownership of the policy shall revert to the owner or the owner's estate if
7 the owner is deceased, irrespective of any transfer of ownership of the policy by the
8 owner, provider, or any other person. In the event of any rescission, if the provider
9 has paid commissions or other compensation to a broker in connection with the
10 rescinded life settlement contract, the broker shall refund the commissions and
11 compensation to the provider within 5 business days following receipt of written
12 demand from the provider, which demand shall be accompanied by the applicable
13 document initiating the rescission within the rescission period, either the owner's
14 notice of rescission or the notice of death of the insured.

15 (d) The provider shall instruct the owner to send the executed documents
16 required to effect the change in ownership, assignment, or change in beneficiary
17 directly to the independent escrow agent. Within 3 business days after the date the
18 independent escrow agent receives the documents, or after the date the provider
19 receives the documents if the owner erroneously provides the documents directly to
20 the provider, the provider shall pay or transfer the proceeds of the life settlement into
21 an escrow or trust account that is maintained in a state or federally chartered
22 financial institution whose deposits are insured by the Federal Deposit Insurance
23 Corporation and managed by an independent trustee or escrow agent. Upon
24 payment of the life settlement proceeds into the escrow account, the independent
25 escrow agent shall deliver the original change in ownership, assignment, or change

ASSEMBLY BILL 758

1 in beneficiary form to the provider or related provider trust or other designated
2 representative of the provider. Upon the escrow agent's receipt of acknowledgement
3 of the properly completed transfer of ownership, assignment, or designation of
4 beneficiary from the insurer, the independent escrow agent shall pay the life
5 settlement proceeds to the owner.

6 (e) Failure to tender the life settlement proceeds to the owner within the time
7 set forth in the disclosure under sub. (8) (a) 1. g., renders the life settlement contract
8 voidable by the owner for lack of consideration until the time the proceeds are
9 tendered to and accepted by the owner. Funds are sent by a provider to an owner as
10 of the date that the escrow agent either releases funds for wire transfer to the owner
11 or places a check for delivery to the owner via the U.S. postal service or other
12 nationally recognized delivery service.

13 (f) For the purpose of determining the health status of the insured after the life
14 settlement has occurred, only the provider or broker licensed in this state or a person
15 it authorizes may contact the insured. Contact with the insured shall be limited to
16 once every 3 months for an insured with a life expectancy of more than one year, and
17 to no more than once per month for an insured with a life expectancy or one year or
18 less. The provider or broker shall explain the procedure for the contacts to the owner
19 at the time the life settlement contract is entered into. The limitations in this
20 paragraph do not apply to any contacts with an insured for reasons other than
21 determining the insured's health status. Providers and brokers shall be responsible
22 for the actions of a person they authorize to make the contact.

23 **(12) PROHIBITED CONTRACTS; REQUIRED FORM; ACKNOWLEDGEMENT; FIDUCIARY DUTY.**

24 (a) No person may enter into a life settlement contract at any time before the
25 application or issuance of a policy that is the subject of a life settlement contract or

ASSEMBLY BILL 758**SECTION 16**

1 within a 5-year period commencing with the date of issuance of the policy unless any
2 of the following conditions have been met:

3 1. The owner certifies to the provider that, within the 5-year period, the policy
4 was issued upon the owner's exercise of conversion rights arising out of a group or
5 individual policy, provided the total of the time covered under the conversion policy
6 plus the time covered under the prior policy is at least 60 months. The time covered
7 under the group policy shall be calculated without regard to any change in insurance
8 carriers, if the coverage has been continuous and under the same group sponsorship.

9 2. The owner submits independent evidence to the provider that any of the
10 following conditions have been met within the 5-year period:

11 a. The owner or insured is terminally or chronically ill.

12 b. The owner's spouse or child dies.

13 c. The owner divorces his or her spouse.

14 d. The owner retires from full-time employment.

15 e. The owner becomes physically or mentally disabled and a physician
16 determines that the disability prevents the owner from maintaining full-time
17 employment.

18 f. A final order, judgment, or decree is entered by a court of competent
19 jurisdiction, on the application of a creditor of the owner, adjudicating the owner
20 bankrupt or insolvent, approving a petition seeking reorganization of the owner, or
21 appointing a receiver, trustee, or liquidator to all or a substantial part of the owner's
22 assets.

23 g. The sole beneficiary of the policy is a family member of the owner and the
24 beneficiary dies.

ASSEMBLY BILL 758

1 h. The owner is a charitable organization with an insurable interest that has
2 received from the federal Internal Revenue Service a determination letter that is
3 currently in effect stating that the charitable organization is described in section 501
4 (c) (3) of the Internal Revenue Code and is exempt from federal income taxation
5 under section 501 (a) of the Internal Revenue Code.

6 i. The owner or insured disposes of ownership interests in a closely held
7 corporation pursuant to the terms of a buyout or other similar agreement in effect
8 at the time the policy was initially issued.

9 j. Other circumstances exist that are established as eligible exemptions by the
10 commissioner by rule, including substantial adverse financial circumstances or
11 other factors substantially affecting the owner.

12 3. The owner certifies to the provider that the owner is entering into a life
13 settlement contract more than 2 years after the date of issuance of a policy and, with
14 respect to the policy, at all times before the date that is 2 years after policy issuance
15 all of the following conditions are met:

16 a. Policy premiums are funded exclusively with unencumbered assets,
17 including an interest in the policy being financed only to the extent of its net cash
18 surrender value, provided by, or full recourse liability incurred by, the owner or a
19 person described in sub. (1) (j) 2. e.

20 b. There is no agreement or understanding with any other person to guarantee
21 any liability or to purchase, or stand ready to purchase, the policy, including through
22 an assumption or forgiveness of a loan.

23 c. Neither the insured nor the policy has been evaluated for settlement.

24 (b) Copies of the independent evidence described in par. (a) 2. and documents
25 required by sub. (11) (a) shall be submitted to the insurer when the provider entering

ASSEMBLY BILL 758**SECTION 16**

1 into a life settlement contract with an owner submits a request to the insurer for
2 verification of coverage. The provider shall submit, along with the copies, a letter of
3 attestation from the provider that the copies are true and correct copies of the
4 documents received by the provider.

5 (c) If the provider submits to the insurer a copy of the owner's certification
6 under par. (a) 1. or 3. or independent evidence under par. (a) 2. when the provider
7 submits a request to the insurer to effect the transfer of the policy to the provider,
8 the copy conclusively establishes that the life settlement contract satisfies the
9 requirements of this subsection and the insurer shall timely respond to the request.

10 (d) No insurer may, as a condition of responding to a request for verification of
11 coverage or effecting the transfer of a policy pursuant to a life settlement contract,
12 require that the owner, insured, provider, or broker sign any form, disclosure,
13 consent, or waiver that has not been expressly approved by the commissioner for use
14 in connection with life settlement contracts in this state.

15 (e) Upon receipt of a properly completed request for change of ownership or
16 beneficiary of a policy, the insurer shall respond in writing within 30 calendar days
17 with acknowledgement confirming that the change has been effected or specifying
18 the reasons why the requested change cannot be processed.

19 (f) A broker represents only the owner and owes a fiduciary duty to the owner
20 to act according to the owner's instructions and in the best interest of the owner,
21 notwithstanding the manner in which the broker is compensated.

22 **(13) PROHIBITED PRACTICES AND CONFLICTS OF INTEREST.** (a) No person may enter
23 into a life settlement contract if the person knows or reasonably should have known
24 that the policy that is the subject of the life settlement contract was obtained by
25 means of a false, deceptive, or misleading application for the policy.

ASSEMBLY BILL 758

1 (b) No person may engage in any transaction, practice, or course of business if
2 the person knows or reasonably should know that the intent is to avoid the notice
3 requirements of this section.

4 (c) No person may engage in any fraudulent act or practice in connection with
5 any transaction relating to any life settlement involving an owner.

6 (d) No person may issue, solicit, market, or otherwise promote the purchase of
7 a policy for the primary purpose of or with a primary emphasis on settling the policy.

8 (e) No person may enter into a premium finance agreement with any person
9 or agency, or any person affiliated with such person or agency, pursuant to which the
10 person who is providing premium financing receives any proceeds, fees, or other
11 consideration, directly or indirectly, from the policy or owner of the policy or any other
12 person with respect to the premium finance agreement or any life settlement
13 contract or other transaction related to the policy that is in addition to the amounts
14 required to pay the principal, interest, and service charges related to policy
15 premiums pursuant to the premium finance agreement or subsequent sale of the
16 agreement. Any payments, charges, fees, or other amounts in addition to the
17 amounts required to pay the principal, interest, and service charges related to policy
18 premiums paid under the premium finance agreement shall be remitted to the
19 original owner of the policy or to the owner's estate if the owner is not living at the
20 time of the determination of the overpayment.

21 (f) With respect to any life settlement contract or policy, no broker may
22 knowingly solicit an offer from, effectuate a life settlement with, or make a sale to
23 any provider, purchaser, financing entity, or related provider trust that is controlling,
24 controlled by, or under common control with the broker unless the relationship is
25 disclosed to the owner.

ASSEMBLY BILL 758**SECTION 16**

1 (g) With respect to any life settlement contract or policy, no provider may
2 knowingly enter into a life settlement contract with an owner, if, in connection with
3 the life settlement contract, anything of value will be paid to a broker that is
4 controlling, controlled by, or under common control with the provider or the
5 purchaser, financing entity, or related provider trust that is involved in the life
6 settlement contract unless the relationship is disclosed to the owner.

7 (h) No life settlement promotional, advertising, or marketing materials may
8 represent that the insurance is “free” for any period of time, or include any reference
9 that would cause an owner to reasonably believe that the insurance is free for any
10 period of time.

11 (i) No producer, insurer, broker, or provider may make any statement or
12 representation to an applicant or policyholder in connection with the sale or
13 financing of a policy to the effect that the insurance is free or without cost to the
14 policyholder for any period of time unless provided in the policy.

15 **(14) ADVERTISEMENTS OF LIFE SETTLEMENT CONTRACTS AND PURCHASE AGREEMENTS.**

16 (a) This subsection applies to any advertising of life settlement contracts, purchase
17 agreements, or related products or services intended for dissemination in this state,
18 including Internet advertising viewed by persons located in this state.

19 (b) If disclosure requirements are established by federal regulation, this
20 subsection shall be interpreted so as to minimize or eliminate conflict with federal
21 regulation.

22 (c) The commissioner may require a broker or provider to submit advertising
23 material at any time.

24 (d) Every licensee shall establish and maintain a system of control over the
25 content, form, and method of dissemination of all advertisements of its life

ASSEMBLY BILL 758

1 settlement contracts, products, and services. All advertisements, regardless who
2 wrote, created, designed, or presented the advertisement, shall be the responsibility
3 of the licensee and the person who created or presented the advertisement. The
4 system of control shall include regular routine notification of the requirements and
5 procedures for approval prior to use of any advertisements not furnished by the
6 licensee, at least once a year, to producers, brokers, and others authorized by the
7 licensee who disseminate advertisements.

8 (e) Advertisements shall be truthful and not misleading in fact or by
9 implication. The form and content of an advertisement of a life settlement contract
10 or purchase agreement, product, or service shall be sufficiently complete and clear
11 so as to avoid deception. The advertisement may not have the capacity or tendency
12 to mislead or deceive. The commissioner shall determine whether an advertisement
13 has the capacity or tendency to mislead or deceive from the overall impression that
14 the advertisement may be reasonably expected to create upon a person of average
15 education or intelligence within the segment of the public to which it is directed.

16 (f) Disclosures that are required under this subsection may not be minimized,
17 rendered obscure, presented in an ambiguous fashion, or intermingled with the text
18 of the advertisement so as to be confusing or misleading.

19 (g) An advertisement may not do any of the following:

20 1. Omit material information or use words, phrases, statements, references, or
21 illustrations if the omission or use has the capacity, tendency, or effect of misleading
22 or deceiving an owner, purchaser, or prospective purchaser as to the nature or extent
23 of any benefit, covered loss, premium payable, or state or federal tax consequences.

24 A misleading statement is not remedied by any of the following:

ASSEMBLY BILL 758**SECTION 16**

1 a. Making the life settlement contract or purchase agreement available for
2 inspection prior to consummation of the sale.

3 b. Offering to refund payment if the owner is not satisfied.

4 c. Including in the life settlement contract or purchase agreement a “free look”
5 period that satisfies or exceeds the requirements of law.

6 2. Use the name or title of a life insurance company or a policy unless the
7 advertisement has been approved by the insurer.

8 3. Represent that premium payments will not be required on the policy that is
9 the subject of a life settlement contract or purchase agreement in order to maintain
10 the policy unless that is the fact.

11 4. State or imply that interest charged on an accelerated death benefit or loan
12 is unfair, inequitable, or, in any manner, an incorrect or improper practice.

13 5. Use the words “free,” “no cost,” “without cost,” “no additional cost,” “at no
14 extra cost,” or similar words or phrases with respect to any benefit or services, unless
15 true. An advertisement may specify the charge for a benefit or service or may state
16 that a charge is included in the payment or use other appropriate language.

17 6. Use testimonials, appraisals, analyses, or endorsements in advertisements
18 unless they are genuine; represent the current opinion of the author; are applicable
19 to the life settlement contract or purchase agreement, product, or service advertised;
20 and are reproduced with sufficient completeness to avoid misleading or deceiving
21 prospective owners or purchasers as to the nature or scope of the testimonial,
22 appraisal, analysis, or endorsement. Any financial interest in or benefit received
23 from the licensee by the person making a testimonial, appraisal, or analysis, directly
24 or indirectly, shall be prominently disclosed in the advertisement. If an endorsement
25 refers to benefits received under a life settlement contract or purchase agreement,

ASSEMBLY BILL 758

1 the licensee shall retain all pertinent information forming a basis of the endorsement
2 for a period of 5 years following its use.

3 7. State or imply that a life settlement contract or purchase agreement, benefit,
4 or service has been approved or endorsed by a group, society, association, or other
5 organization unless that is the fact and unless any relationship between the
6 organization and the licensee is disclosed. If the entity making the endorsement is
7 owned, controlled, or managed by the licensee, or receives any payment or other
8 consideration from the licensee for making an endorsement or testimonial, that fact
9 must be disclosed in the advertisement.

10 8. Contain statistical information unless the information accurately reflects
11 recent and relevant facts. An advertisement shall identify the source of all statistics
12 used in the advertisement.

13 9. Disparage insurers, providers, brokers, producers, policies, services, or
14 methods of marketing.

15 10. Omit the name of the actual licensee from any advertisement. No
16 advertisement may use a trade name, group designation, name of the parent
17 company of a licensee, name of a division of a life settlement licensee, service mark,
18 slogan, symbol, or other device or reference if the advertisement would have the
19 capacity or tendency to mislead or deceive as to the true identity of the licensee or
20 to create the impression that any entity other than the licensee would have any
21 responsibility for the financial obligation under a life settlement contract or
22 purchase agreement.

23 11. Use any combination of words, symbols, or physical materials that by the
24 their content, phraseology, shape, color, or other characteristics are so similar to a
25 combination of words, symbols, or physical materials used by a government program

ASSEMBLY BILL 758**SECTION 16**

1 or agency that they tend to mislead or deceive prospective owners or purchasers into
2 believing the advertisement is in some manner connected with a government
3 program or agency.

4 12. Exaggerate the fact that a licensee under this section is licensed in the state
5 where the advertisement appears or suggest or imply that competing licensees may
6 not be so licensed. An advertisement may ask the audience to consult the licensee's
7 Web site or contact the office of the commissioner for licensing requirements and the
8 status of a license.

9 13. Create the impression, directly or indirectly, that a licensee; its business
10 practices or methods of operation; the merits desirability or advisability of any life
11 settlement contract or purchase agreement; or any life insurance company are
12 recommended, approved, or endorsed by any government entity.

13 14. Emphasize the speed with which the settlement will occur, except that the
14 advertisement may disclose the average time from the completion of the application
15 to the date of offer and from the acceptance of the offer to receipt of the settlement
16 funds by the owner.

17 15. Emphasize the dollar amounts available to an owner, except that the
18 advertisement may disclose the average purchase price as a percent of the face value
19 obtained by owners contracting with the licensee during the prior 6 months.

20 (h) The name of the licensee shall be clearly identified in all advertisements
21 about the licensee or its life settlement contracts, purchase agreements, products, or
22 services. If any specific life settlement contract or purchase agreement of a licensee
23 is advertised, the contract or agreement shall be identified either by form number
24 or other appropriate description. If an application is part of the advertisement, the
25 name of the provider shall be shown on the application.

ASSEMBLY BILL 758

1 **(15)** FRAUD PREVENTION AND CONTROL; FRAUDULENT LIFE SETTLEMENT ACTS.

2 (a) No person may commit a fraudulent life settlement act.

3 (b) No person may knowingly or intentionally interfere with the enforcement
4 of this subsection or sub. (13) or investigations of suspected or actual violations of this
5 subsection or sub. (13).

6 (c) No person in the business of life settlements may knowingly or intentionally
7 permit any person convicted of a felony involving dishonesty or breach of trust to
8 participate in the business of life settlements.

9 (d) 1. Life settlement contracts, purchase agreements, and applications for life
10 settlements, regardless of the form of transmission, shall contain the following
11 statement or a substantially similar statement: "Any person who knowingly
12 presents false information in an application for insurance, a life settlement, or a
13 purchase agreement may be subject to civil and criminal penalties."

14 2. A person may not use the lack of the statement required under subd. 1. as
15 a defense to any prosecution for a violation of this subsection or sub. (13).

16 (e) 1. Any person engaged in the business of life settlements having knowledge
17 or a reasonable belief that a violation of this subsection or sub. (13) is being, will be,
18 or has been committed shall provide to the commissioner the information required
19 by, and in a manner prescribed by, the commissioner.

20 2. Any other person having knowledge or a reasonable belief that a violation
21 of this subsection or sub. (13) is being, will be, or has been committed may provide
22 to the commissioner the information required by, and in a manner prescribed by, the
23 commissioner.

24 (f) 1. In the absence of actual malice, no civil liability shall be imposed on and
25 no cause of action shall arise from a person's furnishing information concerning

ASSEMBLY BILL 758**SECTION 16**

1 suspected, anticipated, or completed violations of this subsection or sub. (13) or
2 suspected, anticipated, or completed fraudulent insurance acts, if the information is
3 provided to or received from any of the following:

4 a. The commissioner or the commissioner's employees, agents, or
5 representatives.

6 b. Federal, state, or local law enforcement or regulatory officials or their
7 employees, agents, or representatives.

8 c. A person involved in the prevention and detection of fraud or that person's
9 agents, employees, or representatives.

10 d. The National Association of Insurance Commissioners, the Financial
11 Industry Regulatory Authority, the North American Securities Administrators
12 Association, or their employees, agents, or representatives or other regulatory body
13 overseeing life insurance, life settlements, securities, or investment fraud.

14 e. The life insurer that issued the policy covering the life of the insured.

15 2. This paragraph does not abrogate or modify common law or statutory
16 privileges or immunities enjoyed by a person who supplies information concerning
17 suspected, anticipated, or completed fraudulent acts related to life settlements or
18 insurance.

19 (g) Information, documents, and evidence provided under par. (e) or obtained
20 by the commissioner in an investigation of suspected or actual violations of this
21 subsection or sub. (13) shall be privileged and confidential, shall not be a public
22 record, and shall not be subject to discovery or subpoena in a civil or criminal action.
23 The commissioner may release information, documents, and evidence provided
24 under par. (e) or obtained in an investigation of suspected or actual violations of this
25 subsection or sub. (13) in administrative or judicial proceedings to enforce laws

ASSEMBLY BILL 758

1 administered by the commissioner, to federal, state, or local law enforcement or
2 regulatory agencies, to an organization established for the purpose of detecting and
3 preventing fraud related to life settlements, to the National Association of Insurance
4 Commissioners, or, at the discretion of the commissioner, to a person in the business
5 of life settlements that is aggrieved by a violation of this subsection or sub. (13).
6 Release by the commissioner of information, documents, and evidence as set forth in
7 this paragraph does not abrogate, modify, or waive the privilege established in this
8 paragraph.

9 (h) This section does not do any of the following:

10 1. Preempt the authority or relieve the duty of law enforcement or regulatory
11 agencies other than the commissioner to investigate, examine, and prosecute
12 suspected violations of law.

13 2. Prevent or prohibit a person from disclosing voluntarily information
14 concerning life settlement fraud to a law enforcement or regulatory agency other
15 than the commissioner.

16 3. Limit the powers granted elsewhere by the laws of this state to the
17 commissioner to investigate and examine possible violations of law and to take
18 appropriate action.

19 (i) 1. Providers and brokers shall have in place antifraud initiatives reasonably
20 calculated to detect, prosecute, and prevent violations of this subsection and sub.
21 (13). The commissioner may modify the antifraud initiatives from time to time as
22 necessary to ensure an effective antifraud program and to accomplish the purpose
23 of this paragraph.

24 2. Antifraud initiatives shall include having fraud investigators, who may be
25 employees of the provider or broker or who may be independent contractors, and an

ASSEMBLY BILL 758**SECTION 16**

1 antifraud plan, which the provider or broker shall submit to the commissioner and
2 which shall include all of the following:

3 a. A description of the procedures that the provider or broker will use for
4 detecting and investigating possible fraud and violations of this subsection and sub.
5 (13) and for resolving material inconsistencies between medical records and
6 insurance applications.

7 b. A description of the procedures that the provider or broker will use for
8 reporting possible violations of this subsection and sub. (13) to the commissioner.

9 c. A description of the plan that the provider or broker will follow for antifraud
10 education and training of underwriters and other personnel.

11 d. A description or chart outlining the organizational arrangement of the
12 antifraud personnel who are responsible for investigating and reporting possible
13 violations of this subsection and sub. (13) and investigating unresolved material
14 inconsistencies between medical records and insurance applications.

15 3. Antifraud plans submitted to the commissioner are privileged and
16 confidential, are not a public record, and are not subject to discovery or subpoena in
17 a civil or criminal action.

18 **(16) CONFLICTS OF LAW.** If there is more than one owner on a single policy and
19 the owners are residents of different states, a life settlement shall be governed by the
20 law of the state in which the owner having the largest percentage ownership resides
21 or, if the owners hold equal ownership, the state of residence of one owner agreed
22 upon in writing by all owners.

23 **(17) FRATERNAL BENEFIT SOCIETIES.** Nothing in this section shall prohibit a
24 fraternal benefit society under ch. 614 from enforcing the terms of its bylaws or rules
25 regarding permitted beneficiaries and owners.

ASSEMBLY BILL 758

1 **(18) CIVIL ACTION.** Any person damaged by a violation of this section may bring
2 a civil action against the person committing the violation in a court of competent
3 jurisdiction.

4 **(19) PENALTIES.** Any person who violates this section is subject to the penalties
5 provided under s. 601.64, suspension or revocation of a license or certificate of
6 authority, and an order under s. 601.41.

7 **(20) POWERS OF COMMISSIONER.** The commissioner may do any of the following:

8 (a) Adopt rules implementing and administering this section.

9 (b) Establish standards for evaluating the reasonableness of payments under
10 life settlement contracts for persons who are terminally or chronically ill, including
11 regulation of discount rates used to determine the amount paid in exchange for
12 assignment, transfer, sale, devise, or bequest of a benefit under a policy insuring the
13 life of a person who is terminally or chronically ill.

14 (c) Establish appropriate licensing requirements and standards for continued
15 licensure for providers and brokers.

16 (d) Require a bond or other mechanism for financial accountability for
17 providers and brokers.

18 (e) Adopt rules governing the relationship and responsibilities of insurers,
19 providers, and brokers during settlement of a policy.

20 **SECTION 17. Initial applicability.**

21 (1) This act first applies to life settlement contracts and purchase agreements
22 entered into on the effective date of this subsection

23 **SECTION 18. Effective date.**

