

## [Department of Insurance Issues Emergency STOLI Regulations](#)

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Effective July 29, 2010, less than a month after California's first Stranger Originated Life Insurance ("STOLI") legislation, [Senate Bill 98](#), took effect, the [California Department of Insurance](#) ("DOI") issued emergency regulations designed to implement the legislation.

As [previously reported](#), Senate Bill 98 proscribes STOLI transactions (defined as "act[s], practice[s], or arrangement[s] to initiate the issuance of a life insurance policy in this state for the benefit of a third-party investor who, at the time of policy origination, has no insurable interest, under the laws of this state, in the life of the insured") and restricts the transfer of life insurance policies during the first two years after their issuance.

The DOI's proposed regulations delineate procedures for the licensing of life settlement providers and brokers, specify forms for provider and broker applications and set forth procedures for the filing of life settlement forms with the Insurance Commissioner prior to use.

The proposed regulations also mandate certain disclosures to consumers, including the availability of alternatives to life settlement, the possible tax consequences of a life settlement and the potential limitations on the insured's ability to obtain additional life insurance following a life settlement.

Other states continue to join California in enacting STOLI legislation; Wisconsin and New Hampshire passed similar STOLI legislation in May and June 2010, respectively.