



# RULE-MAKING ORDER

**CR-103E (May 2009)**  
**(Implements RCW 34.05.360)**

**Agency:** Insurance Commissioner

**Emergency Rule Only**

**Effective date of rule:**

**Emergency Rules**

- Immediately upon filing.
- Later (specify) July 26, 2009

**Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?**

- Yes
- No
- If Yes, explain:

**Purpose:** This rule amends the use of “viatical” to “life” and “viator” to “owner” throughout the rule. It also sets forth: licensing requirements for life settlement providers and brokers, annual statement filing requirements for life settlement providers, a required disclosure form, contract filing requirements, and the standards for evaluating reasonableness of compensation for the purchase of life insurance policies by life settlement providers.

Insurance Commissioner Matter No. R 2009-07

**Citation of existing rules affected by this order:**

- Repealed:
- Amended: WAC 284-97-010 through WAC 284-97-050
- Suspended:

**Statutory authority for adoption:** RCW 48.02.060 and Chapter 104, Laws of 2009 Sections 3(7)(d)(i), 7(1), 10(1), and 20

**Other authority :**

**EMERGENCY RULE**

Under RCW 34.05.350 the agency for good cause finds:

- That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.
- That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.
- That in order to implement the requirements or reductions in appropriations enacted in any budget for fiscal years 2009, 2010, or 2011, which necessitates the need for the immediate adoption, amendment, or repeal of a rule, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the fiscal needs or requirements of the agency.

Reasons for this finding: The Life Settlement Act chapter 104, Laws of 2009, was enacted by the 2009 Legislature. The Act repeals the existing sections in the chapter on viatical settlements and replaces them with new sections on life settlements. This Act also changed the licensing requirements of what were viatical settlement providers and brokers into life settlement providers and brokers, as well as changing some of the requirements for licensing. The Act also made further changes to contract filing, disclosures, and other matters. Because the Act’s effective date is July 26, 2009, there is insufficient time to complete permanent rule making to make the necessary changes to the existing viatical rules before the effective date of the Act. Regular rule making will follow this emergency rule making to ensure that permanent rules are adopted prior to the expiration of the emergency rules.

**Date adopted:** July 20, 2009

**NAME (TYPE OR PRINT)**

Mike Kreidler

**SIGNATURE**

**TITLE**

Insurance Commissioner

**CODE REVISER USE ONLY**

OFFICE OF THE CODE REVISER  
STATE OF WASHINGTON  
FILED

DATE: July 20, 2009

TIME: 3:48 PM

**WSR 09-15-132**

(COMPLETE REVERSE SIDE)

**Note: If any category is left blank, it will be calculated as zero.  
No descriptive text.**

**Count by whole WAC sections only, from the WAC number through the history note.  
A section may be counted in more than one category.**

**The number of sections adopted in order to comply with:**

<b>Federal statute:</b>	New	_____	Amended	_____	Repealed	_____
<b>Federal rules or standards:</b>	New	_____	Amended	_____	Repealed	_____
<b>Recently enacted state statutes:</b>	New	<u>4</u>	Amended	<u>6</u>	Repealed	_____

**The number of sections adopted at the request of a nongovernmental entity:**

New	_____	Amended	_____	Repealed	_____
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**The number of sections adopted in the agency's own initiative:**

New	_____	Amended	_____	Repealed	_____
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**The number of sections adopted in order to clarify, streamline, or reform agency procedures:**

New	_____	Amended	_____	Repealed	_____
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**The number of sections adopted using:**

<b>Negotiated rule making:</b>	New	_____	Amended	_____	Repealed	_____
<b>Pilot rule making:</b>	New	_____	Amended	_____	Repealed	_____
<b>Other alternative rule making:</b>	New	_____	Amended	_____	Repealed	_____

Chapter 284-97 WAC

~~((VIATICAL))~~ LIFE SETTLEMENT REGULATION

AMENDATORY SECTION (Amending Order R 95-2, filed 10/20/95, effective 11/20/95)

**WAC 284-97-010 Purpose ~~((,))~~ and scope ~~((, and effective date))~~.** (1) The purpose of this chapter is to effectuate chapter 48.102 RCW, by establishing minimum standards and disclosure requirements to be met by ~~((viatical))~~ life settlement providers and ~~((viatical))~~ life settlement brokers with respect to ~~((viatical))~~ life settlement contracts advertised, solicited, or issued for delivery in this state, and licensing requirements for ~~((viatical))~~ life settlement providers and ~~((viatical))~~ life settlement brokers.

(2) ~~((Except as otherwise specifically provided, this chapter applies to every viatical settlement provider or viatical settlement broker as defined in RCW 48.102.005, that transacts viatical settlement business in this state on or after July 23, 1995. This chapter also applies to every viatical settlement contract executed between a viator and a viatical settlement provider in this state on or after July 23, 1995.~~

~~((3))~~) This regulation is not exclusive, and acts or omissions, whether or not specific in this chapter, may also be violations of other sections of the insurance code or other regulations promulgated thereunder.

AMENDATORY SECTION (Amending Order R 95-2, filed 10/20/95, effective 11/20/95)

**WAC 284-97-015 Definitions.** For purposes of this chapter:

(1) "Domestic life settlement provider" means a business entity incorporated in or otherwise formed under the laws of the state of Washington.

(2) "NAIC" means the National Association of Insurance Commissioners.

(3) "Nonresident or foreign life settlement provider" means a business entity incorporated in or otherwise formed in a state

other than Washington.

(4) "SERFF" means the System for Electronic Rate and Form Filing. SERFF is a proprietary NAIC computer-based application that allows filers to create and submit rate, rule, and form filings electronically to the commissioner.

(5) "Solicitation" means, for example; proposing, negotiating, signing, or doing any act in furtherance of making or proposing to make a ((viatical)) life settlement contract. Solicitation specifically includes advertising by mail, use of the print or electronic media, telephone, or any other method of presenting, distributing, issuing, circulating, or permitting to be issued or circulated any information or material in connection with a ((viatical)) life settlement contract.

~~((2) "Viatical settlement contract" has the meaning set forth at RCW 48.102.005(3). The commissioner finds that the purchase of a life insurance policy or certificate is outside the scope of this chapter if the viatical settlement contract is entered into between the viator and a close friend or relative.))~~

AMENDATORY SECTION (Amending Order R 95-2, filed 10/20/95, effective 11/20/95)

**WAC 284-97-020 Licensing requirements for ((viatical)) life settlement providers.** (1) ~~((Beginning July 23, 1995, no individual, partnership, corporation, or other entity may act as a viatical settlement provider, or enter into or solicit a viatical settlement contract in this state unless it has first obtained a license from the commissioner.~~

~~(2) An initial application for licensing as a viatical settlement provider, or a subsequent application for reinstatement of a viatical settlement provider's license if the license has lapsed for more than three months, shall be accompanied by a licensing fee in the amount of two hundred fifty dollars. The annual renewal fee shall be twenty five dollars, due and payable on or before July 1 of each year.~~

~~(3)) The application form and instructions for obtaining a license as a life settlement provider are on the commissioner's web site at [www.insurance.wa.gov](http://www.insurance.wa.gov).~~

(2) The application for a license as a ((viatical)) life settlement provider shall furnish all of the applicable following information(, on a form prescribed by the commissioner)):

(a) The name of the applicant, its address, and organizational structure.

(b) Copies of its organizational documents, including but not limited to its: Articles of incorporation and any amendments thereto, certificate of incorporation and any amendments thereto, bylaws and any amendments thereto, partnership agreement and any amendments thereto, ((and)) articles of association and any

amendments thereto, certificate of formation of a limited liability company and any amendments thereto, and limited liability company agreement and any amendments thereto.

(c) The identity of all: Stockholders holding ten percent or more of the voting securities; investors holding a ten percent or greater interest; partners; corporate officers; trustees; if an association, all of the members; all of the members of a limited liability company; and parent and affiliate entities, together with a chart showing the relationship of the applicant to any parent, affiliated or subsidiary entities.

(d) A list of all stockholders holding ten percent or more of the voting securities, investors holding a ten percent or greater interest, partners, and officers of any parent or affiliate entities.

(e) Biographical affidavits of all its officers, directors, investors holding a ten percent or greater interest, partners, members of a limited liability company, and members (if an association).

(f) For domestic (~~(viatical)~~) life settlement providers, fingerprint cards of all its officers, directors, trustees, investors holding a ten percent or greater interest, partners, members of a limited liability company, and members (if an association).

(g) A list of states in which the (~~(viatical)~~) life settlement provider is licensed on the date of application, a copy of each effective license, and a list of the states in which it is or was doing business.

(h) A list of all business licenses from any level of government, for which the applicant, its officers, partners, trustees, members of a limited liability company, and members (if an association), have applied, together with a certificate of incorporation from the Washington secretary of state, and a statement showing the current status of any such licenses, such as whether it has been revoked or suspended.

(i) A report stating whether any formal or informal regulatory action, by any level of state or federal government, is pending or has been taken against the applicant or its officers, directors, trustees, investors holding a ten percent or greater interest, partners, members of a limited liability company, or members (if an association).

(j) A report stating whether any criminal action or civil action has been taken, or is pending, against the applicant or its officers, directors, trustees, investors holding a ten percent or greater interest, partners, members of a limited liability company, or members (if an association).

(k) A copy of its most recent financial and operating reports, audited and unaudited.

(l) Copies of documents filed with the federal Securities and Exchange Commission and any applicable state securities regulator.

(m) A detailed plan of operations for the applicant's business, including but not limited to information regarding or identification of the following items:

(i) Escrow accounts and banks;  
(ii) Advertising, brokerage, or distribution system to be used;

(iii) Marketing techniques to be used;  
(iv) Marketing training program; and  
(v) Contract offering and servicing facilities.

(n) For a nonresident provider, an appointment of the commissioner to receive service of process and a designation of the person to whom the commissioner shall forward legal process.

(o) A copy of the applicant's antifraud plan that meets the requirements of section 17, chapter 104, Laws of 2009.

(p) Such other information as the commissioner may reasonably require.

~~((+4))~~ (3) To qualify for authority to transact business as a ~~((viatical))~~ life settlement provider~~((7))~~ the applicant must:

(a) Possess unimpaired capital, and thereafter maintain unimpaired capital, in the amount of not less than one hundred fifty thousand dollars~~((=~~

~~(5) Each viatical settlement provider holding a license in this state shall annually, on or before March 1 of each year, file with the commissioner an annual statement for the preceding calendar year. The annual statement shall be on a form prescribed by the commissioner.~~

~~(6) The commissioner may issue a temporary viatical settlement provider's license, that will expire no later than December 31, 1995, upon receipt and review of the application required in subsection (3) of this section. After reviewing the application, the commissioner may issue the viatical settlement provider's license, refuse to issue such license, or revoke the temporary viatical settlement provider's license.); and~~

(b) Comply with WAC 284-07-100 through 284-07-230, except WAC 284-07-100 (5), (6), and (7) and the applicant shall not be required to file any report, letter, or other document required by WAC 284-07-100 through 284-07-230 with the National Association of Insurance Commissioners (NAIC).

#### NEW SECTION

**WAC 284-97-025 Annual reporting requirements for life settlement providers.** (1) Every licensed life settlement provider must file with the commissioner an annual statement on or before March 1st for the immediately preceding calendar year ending December 31st. For good cause shown, the commissioner may grant an extension of time to file if the request for extension is received by the commissioner more than five business days prior to March 1st.

(2) The annual statement forms and instructions are on the commissioner's web site at [www.insurance.wa.gov](http://www.insurance.wa.gov).

(3) In addition to any other requirements, for any policy settled within five years of policy issuance, the annual statement shall specify the total number, aggregate face amount, and life settlement proceeds of policies settled during the immediately preceding calendar year, together with a breakdown of the information by policy issue year.

(4) Annual statements filed by a life settlement provider with the commissioner must be filed in electronic form. Electronic form shall mean in pdf format and according to the instructions on the commissioner's web site.

AMENDATORY SECTION (Amending Order R 95-2, filed 10/20/95, effective 11/20/95)

**WAC 284-97-030 Licensing (~~requirements for viatical~~) life settlement brokers.** (~~On and after July 23, 1995, no person may act as a viatical settlement broker, or solicit, negotiate, or enter into viatical settlement contracts in this state, unless licensed as a viatical settlement broker by the commissioner. A viatical settlement broker shall be qualified as a life insurance agent and appointed as a viatical settlement broker by each viatical settlement provider represented.~~

~~(1) Each applicant for a viatical settlement broker's license shall:~~

~~(a) Complete an application form furnished by the commissioner. The form shall be accompanied by a license fee in the amount of one hundred dollars. Applicants shall answer inquiries concerning their identity, provide fingerprint cards, and supply information about personal and business history and experience.~~

~~(b) A viatical settlement broker shall be appointed by each viatical settlement provider he or she represents. An appointment request form and the appointment fee in the amount of twenty dollars shall be submitted with the application for licensing.~~

~~(c) Applicants for a firm or corporate license shall provide copies of articles of incorporation, partnership agreements, or other indicia of current legal status, as appropriate.~~

~~(d) Every individual who acts as a viatical settlement broker on behalf of a firm or corporation shall be licensed and affiliated with the entity represented prior to solicitation or negotiation of a viatical settlement contract. Each request by a firm or corporation for an affiliation certificate shall be accompanied by a twenty-dollar filing fee.~~

~~(e) Applicants for a viatical settlement broker's license shall provide satisfactory evidence that no disciplinary action has resulted in the suspension or revocation of any federal or state license.~~

~~(f) Prior to application for a resident viatical settlement~~

~~broker's license, an applicant shall pass the life insurance agent's examination in this state, but need not be licensed as a life insurance agent.~~

~~(g) Nonresident applicants may be licensed as viatical settlement brokers. Each nonresident applicant shall provide satisfactory proof that he or she has successfully passed a life insurance agent's examination in a state within the two-year period immediately preceding the date of the application, or that he or she holds a valid license as a life insurance agent or viatical settlement broker in his or her state of residence. In addition, the nonresident applicant shall certify that no disciplinary action has resulted in suspension or revocation of any federal or state license. Applicants for a nonresident viatical settlement broker's license shall designate and authorize the commissioner as his or her agent for service of process and shall specify the person to whom the commissioner shall forward legal process.~~

~~(2) A person applying for a viatical settlement broker's license who is transacting viatical settlement business on the effective date of this chapter, may apply to the commissioner for a temporary resident or nonresident viatical settlement broker's license. A temporary license may be issued by the commissioner if the person is otherwise eligible for such license but has not taken and passed a life insurance agent's examination in a state. The temporary license issued by the commissioner shall expire no later than December 31, 1995. After review of the application, the commissioner may issue the viatical settlement broker's license, refuse to issue such license, or revoke the temporary viatical settlement broker's license.~~

~~(3) A viatical settlement broker's license is renewable every two years, upon payment of a renewal fee in the amount of one hundred dollars. A viatical settlement broker's license expires on the licensee's month and day of birth plus one year from the date the license is first issued, if an individual, or two years from the issue date in the case of a firm or corporation. Failure to pay the renewal fee by the renewal date will automatically terminate the authority conferred by the license.~~

~~(4) Appointments of a viatical settlement broker expire on July 1 following their issue dates and every two years thereafter, unless previously cancelled or revoked.~~

~~(5) Affiliations expire on the renewal date for the licensed firm or corporation to which they apply, and expire every two years thereafter, unless previously cancelled or revoked.)~~ The application form and instructions for obtaining a license as a life settlement broker are on the commissioner's web site at [www.insurance.wa.gov](http://www.insurance.wa.gov).

AMENDATORY SECTION (Amending Order R 95-2, filed 10/20/95, effective 11/20/95)

**WAC 284-97-040 Contract and rate filing requirements for ~~((viatical))~~ life settlement providers and ~~((viatical))~~ life settlement brokers.** ~~((Beginning September 1, 1995,))~~ All ~~((viatical))~~ life settlement contracts ~~((shall))~~ must be filed with and be approved by the commissioner prior to use in this state.

(1) The life settlement provider may submit the life settlement contract forms and pricing memorandum required by WAC 284-97-050(4) filing either by SERFF or in paper form.

(a) The SERFF filing instructions are in the *SERFF Industry Manual* on the SERFF web site at [www.serff.com](http://www.serff.com) and the Washington state SERFF Life and Disability Rate and Form Filing General Instructions on the commissioner's web site at: [www.insurance.wa.gov](http://www.insurance.wa.gov).

(b) If the filing is made in paper form, an NAIC Uniform Transmittal form must accompany the filing.

~~((1))~~ (2)(a) Every ~~((viatical))~~ life settlement contract shall be in writing, in a type size of no less than ten points, shall be identified by a form number in the lower left-hand corner of the first page, and include the terms under which the ~~((viatical))~~ life settlement provider will pay compensation (called by whatever name) to the ~~((viator))~~ owner in exchange for the assignment, transfer, sole devise, or bequest of the death benefit or assignment of ownership of the life insurance policy or certificate to the ~~((viatical))~~ life settlement provider ~~((or viatical settlement broker))~~.

(b) Every ~~((viatical))~~ life settlement contract shall provide for payment to the ~~((viator))~~ owner in a lump sum and shall be voidable at the option of the ~~((viator))~~ owner if the agreed value is not paid in full within ~~((thirty))~~ fifteen days of the date the ~~((viatical))~~ life settlement contract is executed by ~~((both the viator and the viatical settlement provider))~~ all parties thereto.

(c) Every ~~((viatical))~~ life settlement contract shall provide for transfer of the entire life insurance policy: Provided, however, That if agreed to in writing by both the insurer and the ~~((viator))~~ owner, a stated dollar value which is less than the full face amount of the life insurance policy (less any outstanding loans) may be transferred if:

(i) The ~~((viatical))~~ life settlement provider obtains a bond in favor of all beneficiaries of the policy other than the ~~((viatical))~~ life settlement provider in an amount sufficient to guarantee the payment of all premium for the balance of the premium-paying period as calculated on the effective date of the life insurance policy; or

(ii) Another arrangement acceptable to the commissioner is made which guarantees that the insurance policy will remain in full force and effect for the protection of beneficiaries designated by the ~~((viator))~~ owner (other than the ~~((viatical))~~ life settlement provider) until the death of the insured.

~~((2))~~ (3) The ~~((viatical))~~ life settlement contract shall

provide for rescision no less favorable to the ~~((viator))~~ owner than as set forth in ~~((RCW 48.102.040 (3) and (4)))~~ section 14(9), chapter 104, Laws of 2009. The rescision provision shall appear on the first page of the contract. It shall provide that if the insured dies during the period of time allowed for rescision, the contract ~~((will be terminated effective the date of application and the parties are returned to their original positions))~~ is considered rescinded subject to repayment by the owner or the owner's estate of all proceeds and any premiums, loans, and loan interest to the life settlement provider. The contract shall provide a method for giving notice of rescision. If notice of rescision is given by mail, it shall be deemed given when deposited in the United States mail, first class postage prepaid.

~~((3)(a))~~ (4) Each form of ~~((viatical))~~ life settlement contract filed with the commissioner shall include all of the following:

~~((i))~~ (a) A ~~((viatical))~~ life settlement contract, completed in John Doe fashion;

~~((ii))~~ (b) A copy of ~~((a viator's))~~ an owner's application, completed in John Doe fashion;

~~((iii))~~ (c) A copy of an "Insurance Commissioner's Worksheet" as described in WAC 284-97-050(3), completed in John Doe fashion;

~~((iv))~~ (d) A copy of any written disclosure material that will be provided to a ~~((viator))~~ owner as required by ~~((RCW 48.102.035))~~ section 11, chapter 104, Laws of 2009; this written disclosure shall set forth the name, address, and telephone number of the ~~((viatical))~~ life settlement provider; and

~~((v))~~ (e) A copy of the pricing memorandum.

~~((b) That portion of the disclosure notice warning of possible tax consequences and possible effects on eligibility for public funds shall be prominently displayed.~~

~~((c) The disclosure notice shall state that before entering into a viatical settlement contract, the viator should consult with his or her life insurance agent or life insurer to determine whether accelerated benefits are available.~~

~~((d) The disclosure notice shall contain the definition of accelerated benefits set forth in WAC 284-23-620(1) in its entirety.~~

~~((4))~~ (5) The ~~((viatical))~~ life settlement contract shall specify any effect entering into the contract will have upon the continued availability of supplemental benefits or riders that are or may be attached to the life insurance policy that is the subject of the ~~((viatical))~~ life settlement contract, including assigning the responsibility for the continued payment of premiums. The benefits and riders considered shall include, but need not be limited to, the following:

(a) Guaranteed insurability options;

(b) Accidental death benefits, or accidental death and dismemberment benefits;

(c) Disability income or loss of income protection;

(d) Waiver of premium or monthly deduction waiver; and

(e) Family, spousal, or children's riders or benefits.

~~((5))~~ (6) No ~~((viatical))~~ life settlement contract may contain any limitation or restriction on the use of the proceeds by the ~~((viator))~~ owner.

AMENDATORY SECTION (Amending Order R 95-2, filed 10/20/95, effective 11/20/95)

**WAC 284-97-050 Standards for evaluating reasonability of compensation.** In order to assure that benefits offered to ~~((a viator))~~ an owner are reasonable in relation to the rate, fee, or other compensation that is charged, any payout shall be no less than the greater of the amounts defined in subsections (1) and (2) of this section.

(1) Payouts shall be no less than the following percentage of the expected death benefit under the insurance policy, net of loans. The following are minimum standards and shall not be presumed to be proof of fairness as to any specific transaction.

(a) If the insured's life expectancy is less than twelve months, then the percentage of the expected death benefit under the insurance policy, net of loans, to be received by the ~~((viator))~~ owner shall be no less than seventy-five percent.

(b) If the insured's life expectancy is at least twelve months, but less than twenty-four months, then the percentage of the expected death benefit under the insurance policy, net of loans, to be received by the ~~((viator))~~ owner shall be no less than sixty-five percent.

(c) If the insured's life expectancy is at least twenty-four months, but less than thirty-six months, then the percentage of the expected death benefit under the insurance policy, net of loans, to be received by the ~~((viator))~~ owner shall be no less than fifty percent.

(d) If the insured's life expectancy is at least thirty-six months, then the percentage of the expected death benefit under the insurance policy, net of loans, to be received by the ~~((viator))~~ owner, shall be no less than thirty percent.

(2) Payouts shall be no less than the expected death benefit under the insurance policy, net of loans, reduced by the sum of the amounts described in (a), (b), and (c) of this subsection.

(a) The ~~((viatical))~~ life settlement provider may retain the amounts it would be required to pay to the insurer to keep the policy in force during the period of time ending concurrently with the insured's life expectancy.

(b) The ~~((viatical))~~ life settlement provider may retain an allowance of fifteen percent of the expected death benefit, net of loans, to provide for a risk charge and for its expenses and profit.

(c) The ~~((viatical))~~ life settlement provider may retain an

allowance for the time value of money. The interest rate to be used is fifteen percent per annum, compounded monthly. The calculation shall be performed on the basis that the ((~~viatical~~)) life settlement provider pays the present value of the expected death benefit under the insurance policy, net of loans, reduced by the amounts defined in (a) and (b) of this subsection. The payment to the ((~~viator~~)) owner shall reflect an interest adjustment for the period of time beginning when the ((~~viator~~)) owner is paid and ending concurrently with the insured's life expectancy.

(3) The ((~~viatical~~)) life settlement provider shall maintain for each ((~~viator~~)) owner, a document bearing the title, "Insurance Commissioner's Worksheet" for ten years after the death of the insured, or rescision of the contract. The ((~~viatical~~)) life settlement contract shall provide that the ((~~viator~~)) owner may at any time obtain upon request, without charge, a copy of the "Insurance Commissioner's Worksheet," the purpose of which is to assure that benefits comply with this section. This provision shall appear on the same page or page following the first occurrence of the statement of the amount to be paid to the ((~~viator~~)) owner. In addition to identifying the insured, the "Insurance Commissioner's Worksheet" shall be dated and shall include the text shown in items (a) through (j) of this subsection.

(a) Line one shall state, "(1) Life expectancy (measured from the date the ((~~viator~~)) owner is paid) is n = \_\_\_ months."

(b) Line two shall state, "(2) Death benefit proceeds expected from insurer is \$\_\_\_."

(c) Line three shall state, "(3) Amount expected to be paid by company to insurer is \$\_\_\_\_\_" The ((~~viatical~~)) life settlement provider may substitute its name for the word "company."

(d) Line four shall state, "(4) Allowance for risk, expenses and profit, 15% of (2), is \$\_\_\_\_\_"

(e) Line five shall state, "(5) Interest rate is 15%."

(f) Line six shall state, "(6) Line (2), net of allowance for interest, is  $(2)/1.0125^n = \$\_\_\_\_\_\_$ ."

(g) Line seven shall state, "(7) Line (6), less (3) and less (4), is \$\_\_\_."

(h) Line eight shall state, "(8) Minimum percentage, 75%, 65%, 50%, or 30%, of (2) is \$\_\_\_."

(i) Line nine shall state, "(9) Minimum amount required by the commissioner, the greater of (7) or (8), is \$\_\_\_\_\_"

(j) Line ten shall state, "(10) Amount to be paid by company, no less than (9), is \$\_\_\_." The ((~~viatical~~)) life settlement provider may substitute its name for the word "company."

(4) The ((~~viatical~~)) life settlement provider shall enclose with the submission of a ((~~viatical~~)) life settlement contract form, and with the submission of a rate revision, for approval prior to use in this state, a pricing memorandum providing a description of the method and assumptions used in determining the value to be paid ((~~viators~~)) owners. At the time of submission of a pricing memorandum or at the time of submission of any subsequent supporting documentation, the ((~~viatical~~)) life settlement provider

may request the commissioner to withhold that material from public inspection in order to preserve trade secrets or prevent unfair competition, in accordance with RCW 48.02.120(3). Each page covered by such request shall be clearly marked "confidentiality requested." If the filing is made by SERFF, please see the SERFF filing instructions for confidentiality requirements. The memorandum shall include a description, which may use reasonable ranges, of the following:

(a) The procedure used to determine the insured's life expectancy including medical evaluation and use of health care professionals in such evaluation;

(b) The portion of the discount (difference between the death benefit of the life insurance policy or certificate and ((~~viatical~~)) life settlement provider payment) due to market value interest rate (current worth of money) and how this interest rate is determined;

(c) The portion of the discount due to agent or broker compensation paid by the ((~~viatical~~)) life settlement provider;

(d) The portion of the discount that is the ((~~viatical~~)) life settlement provider's operation costs in connection with ((~~viatical~~)) life settlements, including acquisition and maintenance cost and risk charge;

(e) The portion of the discount due to other overhead costs and profit margin;

(f) The effect, if any, that policy loans, surrender charges, and the net cash surrender value in the insurance plan have on the pricing determination;

(g) How provision is made in the settlement determination for future insurance plan premiums, dividends or excess amounts, if any; and

(h) What provision, if any, is made in the settlement determination for supplemental insurance benefits or riders.

#### NEW SECTION

**WAC 284-97-900 Savings clause.** Amendments to WAC 284-97-010 through 284-97-050 effective on or after July 26, 2009, do not affect any rights acquired or liabilities or obligations incurred under WAC 284-97-010 through 284-97-050 that existed prior to July 26, 2009, nor affects any proceedings instituted under those sections.

NEW SECTION

**WAC 284-97-910 Lapse disclosure form.**

Important information about your life insurance policy  
from the State of Washington Office of the Insurance Commissioner

**Life insurance is a critical part of a broader financial plan. There are many options available, and you have the right to shop around and seek advice from different financial advisers in order to find the options best suited to your needs.**

You are encouraged to consider the following possible alternatives to letting your life policy lapse. These alternatives include, but are not limited to:

- **Accelerated Death Benefit:** Your policy may provide an early or accelerated discounted benefit payment if you have a terminal or chronic illness.
- **Cash Surrender:** Your policy may have a cash surrender value your life insurer would pay you if you cancel it.
- **Gift:** You may be able to gift your policy to your beneficiary, who would then assume responsibility for paying premiums.
- **Life Settlement:** You may be able to sell your life insurance policy to a third party. You pay no further premium. The third party becomes the policyholder and receives the benefit upon the insured's death.
- **Maintain Your Policy:** You may be able to maintain your life insurance policy in force by paying the premiums directly or using your current policy values to pay the premiums.
- **Policy Changes:** You may be able to reduce or eliminate future premium payments by obtaining a paid-up policy, by reducing optional coverages, or through other options available from your life insurer.
- **Policy Loan:** You may be able to take out a loan from your life insurance company using the cash value of your policy as collateral. Loan proceeds can be used to pay the premiums or for other purposes.
- **Third-Party Loan:** You may be able to get a loan from another party to pay your policy's premiums. In return, the lender may require an assignment of a portion or all of the policy's death benefits.

These options may or may not be available depending on your circumstances and the terms of your life insurance policy. Please see your policy or contact your life insurance company, financial advisor, agent or broker to determine your particular options.

If you're a Washington state resident and have questions about life insurance and your rights, contact the Office of the Insurance Commissioner at 1-800-562-6900, or go to [www.insurance.wa.gov](http://www.insurance.wa.gov). Ask questions if you don't understand your policy. Here's a list of commonly used terms:

**Accelerated death benefit:** A benefit allowing terminally ill or chronically ill life insurance policyholders to receive cash advances of all or part of the expected death benefit. The accelerated death benefit can be used for health care treatments or any other purpose.

**Cash surrender value:** This term is also called "cash value," "surrender value," and "policyholder's equity." The amount of cash due to a policyholder who requests the insurance company cancel their life insurance policy before it matures or death occurs.

**Expected death benefit:** The face amount of the policy, less any policy loan amounts, that the insurance company is expected to pay the beneficiaries named in the life insurance policy upon the death of the insured.

**Lapse:** Refers to a life insurance policy ending or expiring when a policyholder stops making premium payments.

**Life settlement:** Refers to a contract in which the policyholder sells his or her life insurance policy to a third party for a one-time cash payment which is greater than the cash surrender value, but less than the death benefit of the policy. A life settlement includes a viatical settlement, defined below.

**Policy loan:** A loan issued by an insurance company using the cash value of a person's life insurance policy as collateral.

**Viatical settlement:** An arrangement in which someone with a terminal illness sells his or her life insurance policy at an amount less than the death benefit. The ill person receives cash, and the buyer receives the full amount of the death benefit. This death benefit is payable once the former policyholder dies.

*This brochure is for informational purposes only and does not constitute an endorsement of any of the options described above.*

NEW SECTION

**WAC 284-97-920 Verification of coverage for life insurance policies form.**

**VERIFICATION OF COVERAGE FOR LIFE INSURANCE POLICIES**

**SUBMITTED TO:** \_\_\_\_\_ **NAIC#** \_\_\_\_\_  
 Name of Insurance Company

**POLICY NUMBER:** \_\_\_\_\_

**SUBMITTED FROM:** \_\_\_\_\_  
 Name of Life Settlement Broker/Provider

**ADDRESS:** \_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**CONTACT:** \_\_\_\_\_ **TITLE:** \_\_\_\_\_

IF INFORMATION IS CORRECT, INSURER REPRESENTATIVE MAY PLACE A CHECKMARK IN THE BOX. OTHERWISE PROVIDE CORRECTED INFORMATION THROUGHOUT THIS FORM. AN ASTERISK INDICATES INFORMATION THE LIFE SETTLEMENT PROVIDER/BROKER MUST PROVIDE.

**POLICY OWNER'S AND INSURED'S INFORMATION**

	This column to be completed by Life Settlement Broker/Provider	This column to be used by Insurance Company
<b>Owner's Name</b>	*	
<b>Address</b>	*	
<b>City, state, ZIP code</b>	*	
<b>Tax ID or Social Security number</b>	*	
<b>Insured's name</b>	*	
<b>Insured's date of birth</b>	*	
<b>Second insured's name (if applicable)</b>	*	
<b>Second insured's date of birth (if applicable)</b>	*	
<b>I hereby consent by my signature below to release information requested by this form by the insurance company to the life settlement broker/provider.</b>		
<b>Signature of owner</b>	<b>Date signed</b>	

**IS THE POLICY IN FORCE?**

**YES**

**NO**

*IF NO, SIGN, AND DATE ON PAGE 4 AND RETURN TO THE LIFE SETTLEMENT BROKER OR PROVIDER THAT SUBMITTED THE VERIFICATION OF COVERAGE.*

**POLICY TYPE, RIDERS AND OPTIONS:**

**\*TERM**

**WHOLE LIFE**

**UNIVERSAL LIFE**

**VARIABLE LIFE**

If a question is not applicable to the type of policy, write N/A in the column.

	This column to be completed by Life Settlement Broker/Provider	This column to be used by Insurance Company
<b>Original issue date</b>	*	
<b>Maturity date of policy</b>		
<b>State of issue</b>	*	
<b>Does the policy have an irrevocable beneficiary?</b>	*	
<b>Is the policy currently assigned?</b>	*	
<b>Was the policy ever converted or reinstated?</b>		
<b>Is the policy in the contestability period?</b>	*	
<b>Is the policy in the suicide period?</b>	*	
<b>Please list all riders and indicate if any are in the contestable or suicide period.</b>	*	

Page 2 of 4

**POLICY VALUES**

	This column to be completed by Life Settlement Broker/Provider	This column to be used by Insurance Company
<b>Policy values as of (insert date)</b>		
<b>Current face amount of policy</b>	*	
<b>Amount of accumulated dividends</b>		
<b>Current face amount of riders</b>		
<b>Amount of any outstanding loans</b>	*	
<b>Amount of outstanding interest on policy loans</b>		
<b>Current net death benefit</b>	*	
<b>Current account value</b>	*	
<b>Current cash surrender value</b>	*	
<b>Is policy participating?</b>	*	
<b>If yes, what is the current dividend option?</b>		

**PREMIUM INFORMATION**

	This column to be completed by Life Settlement Broker/Provider	This column to be used by Insurance Company
<b>Current payment mode</b>	*	
<b>Current modal premium</b>	*	
<b>Date last premium paid</b>	*	
<b>Date next premium due</b>	*	

	This column to be completed by Life Settlement Broker/Provider	This column to be used by Insurance Company
<b>Current monthly cost of insurance as of (insert date)</b>		
<b>Date of last cost of insurance deduction</b>		
<b>TO BE COMPLETED BY LIFE SETTLEMENT BROKER/PROVIDER</b>		
The information submitted for verification by the life settlement broker/provider is correct and accurate to the best of my knowledge and has been obtained through the policy owner and/or insured.		
Signature		Printed name

Page 3 of 4

<b>TO BE COMPLETED BY INSURANCE COMPANY</b>	
The information provided by verification by the insurance company is correct and accurate to the best of my knowledge as of _____ (date).	
Insurance company: _____	NAIC # _____
Printed name: _____	Title: _____
Telephone number: _____	Fax number: _____
Signature: _____	
<i>Please provide information about where the forms listed below should be submitted for processing.</i>	
Name: _____	Title: _____
Company Name: _____	
Mailing Address: _____	
City, State, ZIP: _____	
Overnight Address: _____	
City, State, ZIP: _____	
Telephone number: _____	Fax number: _____

**FORMS REQUEST**

Please provide the forms checked below:

- Absolute Assignment/Change of Ownership/Life Assignment
- Change of Beneficiary
- Release of Irrevocable Beneficiary (if applicable)
- Waiver of Premium Claim Form
- Disability Waiver of Premium Approval Letter
- Release of Assignment
- Change of Death Benefit Option Form (if UL)
- Allocation Change Form (if Variable)
- Annual Report
- Current In Force Illustration

Page 4 of 4