

July 16, 2010  
Number: 0338



## Aviva Life and Annuity Company Reiterates its Prohibition on the Sale of Stranger Owned or Investor Originated Insurance

Aviva Life and Annuity Company would like to remind its producers of its prohibition of any producer being affiliated with or selling an Aviva policy in connection with any transaction designed to avoid or violate insurable interest laws generally referred to as stranger owned or investor originated life insurance (STOLI/IOLI). Similar transactions are increasingly being directed at annuities, therefore Aviva also includes stranger owned or investor originated annuity policies in its STOLI/IOLI prohibition.

### Characteristics

STOLI/IOLI transactions typically involve a planned sale or transfer of an annuity or life insurance policy's beneficial interest, before or at the same time as the policy is issued, to someone with no insurable interest in the insured/annuitant and who hopes to make a profit upon the death of the insured/annuitant. STOLI/IOLI frequently involves:

- Complex or fraudulent ownership structures to disguise the transaction from carriers
- Non-recourse premium financing programs where an insured borrows money to pay premiums on a life insurance policy but never intends to keep the policy beyond the first few years since it is predetermined that they will transfer ownership of the policy to satisfy the loan.
- Insureds/annuitants receiving an up-front fee for the use of their insurability or being offered no-cost insurance protection for a period of time.
- Dedicating a portion of the death benefit to a charity or other designated beneficiary

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## **Reasons for Prohibition**

It is Aviva's position that STOLI/IOLI arrangements, first and foremost, are contrary to public policy since speculation in human life violates the very essence of insurable interest laws.

- If insurance is not being used for the public policy goals of protection against a loss or liquidity in retirement, then the tax advantages afforded to annuities and life insurance could be revoked.
- Many states have recently passed new or updated laws directed at curbing STOLI/IOLI with an emphasis on protecting seniors since STOLI/IOLI often requires insureds/annuitants to commit fraud by giving false information to the carrier to disguise the true nature of the transaction.
- STOLI/IOLI sales are not in the best interest of the insured/annuitant based on the risks of the reduced ability to obtain additional coverage, tax consequences, collateral risk, illegal rebating and undisclosed privacy concerns.

## **Aviva Reminds All Producers**

Aviva prohibits any STOLI/IOLI transaction where, before an annuity or life insurance policy is issued, there is a planned sale or transfer of beneficial interest to someone with no insurable interest in the insured/annuitant.

In addition:

- Producers have a duty to disclose information they uncover, at any time, indicating that a customer is involved with any form of STOLI/IOLI.
- If Aviva uncovers evidence of a STOLI/IOLI transaction, at the time of application or after issuance of a policy, Aviva will take appropriate action which may include the cancellation or rescission of the policy.
- Any attempt to engage in a STOLI/IOLI transaction by withholding or disguising information will lead to termination of the producer's appointment/contract, may result in the chargeback of commissions earned and will be reported as appropriate to Departments of Insurance and/or other regulatory bodies.

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# Compliance Update



## **Aviva Reminds All Producers (continued)**

- Additional information and/or forms may be required in some situations to assist Aviva in identifying and preventing applications connected with STOLI/IOLI from being issued.
- All premium financing cases and concepts need to be presented to our Advanced Markets team for pre-approval.

This bulletin is to provide our producers with guidelines and information regarding potential STOLI/IOLI transactions but it does not address all types of current or future STOLI/IOLI transactions nor is it intended to address all company rules. It is the obligation of producers to stay informed and in compliance with the state laws, including those related to STOLI/IOLI transactions.

