

SENATE COMMITTEE OF REFERENCE REPORT

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Chairman of Committee

April 13, 2011  
Date

Committee on Business, Labor and Technology.

After consideration on the merits, the Committee recommends the following:

SB11-182 be amended as follows, and as so amended, be referred to the Committee of the Whole with favorable recommendation:

1 Amend printed bill, page 2, after line 12 insert:

2           "(2) "LEGITIMATE VIATICAL SETTLEMENT CONTRACT" MEANS A  
3 VIATICAL SETTLEMENT CONTRACT THAT COMPLIES WITH COLORADO LAW  
4 GOVERNING VIATICAL SETTLEMENT CONTRACTS AND IS NOT OTHERWISE  
5 PART OF OR IN FURTHERANCE OF AN ACT, PRACTICE, OR ARRANGEMENT  
6 THAT IS PROHIBITED BY THIS ARTICLE."

7 Renumber succeeding subsections accordingly.

8 Page 2, after line 22 insert:

9           "(6) "STRANGER ORIGINATED LIFE INSURANCE" MEANS A PRACTICE  
10 OR PLAN TO INITIATE A LIFE INSURANCE POLICY FOR THE BENEFIT OF A  
11 THIRD-PARTY INVESTOR WHO, AT THE TIME OF POLICY ORIGINATION, HAS  
12 NO INSURABLE INTEREST IN THE INSURED. STRANGER ORIGINATED LIFE  
13 INSURANCE PRACTICES INCLUDE CASES IN WHICH LIFE INSURANCE IS  
14 PURCHASED WITH RESOURCES OR GUARANTEES FROM OR THROUGH A  
15 PERSON OR ENTITY WHO, AT THE TIME OF INCEPTION, COULD NOT  
16 LAWFULLY INITIATE THE POLICY THEMSELVES AND WHERE, AT THE TIME  
17 OF INCEPTION, THERE IS AN ARRANGEMENT OR AGREEMENT, WHETHER  
18 VERBAL OR WRITTEN, TO DIRECTLY OR INDIRECTLY TRANSFER THE  
19 OWNERSHIP OF THE POLICY OR THE POLICY BENEFITS TO A THIRD PARTY.  
20 TRUSTS THAT ARE CREATED TO GIVE THE APPEARANCE OF INSURABLE

1 INTEREST AND ARE USED TO INITIATE POLICIES FOR INVESTORS VIOLATE  
2 INSURABLE INTEREST LAWS AND THE PROHIBITION ON WAGERING ON  
3 LIFE."

4 Page 3, strike lines 6 through 9 and substitute:

5 "(a) AN INDIVIDUAL HAS AN INSURABLE INTEREST IN THE LIFE OF  
6 ANOTHER PERSON IN WHOM THE INDIVIDUAL HAS A SUBSTANTIAL  
7 INTEREST ENGENDERED BY LOVE AND AFFECTION IN THE CONTINUATION  
8 OF THE LIFE OF THE INSURED AND WHO ARE:

9 (I) RELATED WITHIN THE FIFTH DEGREE OR CLOSER, AS MEASURED  
10 BY THE CIVIL LAW SYSTEM OF DETERMINING DEGREES OF RELATION,  
11 EITHER BY BLOOD OR MARRIAGE TO THE INSURED;

12 (II) STEPCHILDREN OF THE INSURED OR THEIR DESCENDANTS; OR

13 (III) INDIVIDUALS WHO ARE DESIGNATED AS BENEFICIARIES OF  
14 INSURANCE POLICIES FOR LIFE INSURANCE COVERAGE ON THE LIFE OF THE  
15 INSURED UNDER A DESIGNATED BENEFICIARY AGREEMENT EXECUTED  
16 PURSUANT TO ARTICLE 22 OF TITLE 15, C.R.S.;"

17 Page 3, line 24, strike "AND THE TRUST OR".

18 Page 3, strike lines 25 through 27.

19 Page 4, line 1, strike "HAVE AN INSURABLE INTEREST IN THE INSURED,".

20 Page 4, line 14, strike "THIRD" and substitute "FIFTH".

21 Page 4, line 24, strike "INSURED AND THE GUARDIANSHIP OR" and  
22 substitute "INSURED;".

23 Page 4, strike lines 25 through 27.

24 Page 5, strike line 1.

25 Page 6, line 5, strike "BORROWER;" and substitute "BORROWER OR ANY OF  
26 THE OWNERS, DIRECTORS, OFFICERS, PARTNERS, OR MANAGERS OF THE  
27 BORROWER; KEY EMPLOYEES, GUARANTORS, OR KEY PERSONS OF THE  
28 BORROWER; OR OF AN AFFILIATE OF THE BORROWER, BUT ONLY IF CONSENT  
29 IS NOT OBTAINED IN WRITING FROM SUCH PERSONS BEFORE THE INSURANCE  
30 IS PURCHASED;".

- 1 Page 6, line 6, strike "THE INSTITUTION'S" and substitute "SUCH".
- 2 Page 6, strike lines 13 through 17 and substitute "BENEFICIARY AT THE  
3 TIME OF ORIGIN OR MAY, UNLESS THE BENEFICIARY DESIGNATION IS  
4 IRREVOCABLE, CHANGE THE BENEFICIARY AT ANY TIME THEREAFTER."
- 5 Page 7, after line 4 insert:
- 6 "(a) A SPOUSE MAY CONSENT TO INSURANCE ON THE OTHER  
7 SPOUSE;"
- 8 Reletter succeeding paragraphs accordingly.
- 9 Page 7, line 23, after "**practices.**" insert "(1)".
- 10 Page 7, after line 26 insert:
- 11 "(2) IT IS UNLAWFUL FOR ANY PERSON TO ENGAGE IN STRANGER  
12 ORIGINATED LIFE INSURANCE OR OTHERWISE WAGER ON LIFE. SUCH  
13 CONDUCT IS AN UNFAIR OR DECEPTIVE PRACTICE PURSUANT TO SECTION  
14 10-3-1104."
- 15 Page 8, line 3, strike "SECTION 10-7-703," and substitute "THIS ARTICLE,".
- 16 Page 8, after line 5 insert:
- 17 "**10-7-710. Legitimate insurance transactions.** (1) NOTHING IN  
18 THIS ARTICLE PREVENTS:
- 19 (a) A POLICY OWNER, WHETHER OR NOT THE POLICY OWNER IS  
20 ALSO THE SUBJECT OF THE INSURANCE, FROM ENTERING INTO A  
21 LEGITIMATE VIATICAL SETTLEMENT CONTRACT;
- 22 (b) ANY PERSON FROM SOLICITING A PERSON TO ENTER INTO A  
23 LEGITIMATE VIATICAL SETTLEMENT CONTRACT;
- 24 (c) A PERSON FROM ENFORCING THE PAYMENT OF PROCEEDS FROM  
25 THE INTEREST OBTAINED UNDER A LEGITIMATE LIFE SETTLEMENT  
26 CONTRACT; OR
- 27 (d) THE ASSIGNMENT, SALE, TRANSFER, DEVISE, OR BEQUEST, WITH  
28 RESPECT TO THE DEATH BENEFIT OR OWNERSHIP OF ANY PORTION OF THE  
29 POLICY, PROVIDED THE ASSIGNMENT, SALE, TRANSFER, DEVISE, OR  
30 BEQUEST IS CONNECTED TO A LEGITIMATE VIATICAL SETTLEMENT  
31 CONTRACT AND NOT PART OF OR IN FURTHERANCE OF STRANGER

1 ORIGINATED LIFE INSURANCE."

2 Page 8, line 7, strike "A NEW PARAGRAPH" and substitute "THE  
3 FOLLOWING NEW PARAGRAPHS".

4 Page 8, line 13, strike "TITLE." and substitute "TITLE;".

5 Page 8, after line 13 insert:

6 "(II) ENGAGING IN STRANGER ORIGINATED LIFE INSURANCE."

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