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Director

REGULATORY BULLETIN 2013-03¹

TO: Life Settlement Providers and Brokers

FROM: Germaine L. Marks *GLM*
Director

DATE: September 17, 2013

RE: **Pre-Approved Life Settlement Disclosure Forms**

Arizona Revised Statutes ("ARS") § 20-3204 specifies information that must be included in life settlement disclosure statements. ARS § 20-3203(C) does not allow a life settlement provider or life settlement broker to provide the owner of a life insurance policy ("owner") a disclosure statement form in this state unless the form is first filed with and approved by the director of insurance.

To streamline the disclosure form approval process, the Arizona Department of Insurance developed the two pre-approved disclosure forms that are attached to this bulletin. These documents are also accessible from the Department's "Life Settlements" Internet web page, at <http://www.azinsurance.gov/lifeselements>.

Form P-LSDO, "Life Settlement Provider/Broker Disclosures to Owner," fulfills the requirements of ARS §§ 20-3204(A) and (B), which require a provider or broker to give the owner a separate written document that contains specified information and that is signed by the owner and provider no later than the date of application for the life settlement contract.

Form P-LSBD, "Life Settlement Broker Disclosures to Owner and Provider," fulfills the requirements of ARS § 20-3204(C), which specify additional minimum disclosures the broker must provide in writing to the owner and provider before all parties sign the life settlement contract.

Life settlement providers and life settlement brokers are not required to use either pre-approved form and may choose to use a different form. However, **before** using a different form, the form must be filed with and approved by the Department's Life and Health Division.

¹This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.

A broker may elect to meet the requirements of ARS § 20-3204(C) by including the disclosures within the life settlement contract; however, doing so increases the material that the Life and Health Division must review, which may delay approval.

Please direct any questions related to this Regulatory Bulletin to Margaret McClelland, Insurance Analyst Supervisor, at mmcclelland@azinsurance.gov, or (602) 364-2393.

FORM P-LSDO: LIFE SETTLEMENT PROVIDER/BROKER DISCLOSURES TO OWNER

PROVIDER/BROKER INFORMATION			
Provider/Broker Name:			
Business Address:			
City		State	ZIP Code
Phone:	Provider/Broker Representative (if provider/broker is not an individual):		
LIFE INSURANCE POLICY OWNER/SELLER INFORMATION			
First Name	Middle Name	Last Name	Jr/Sr/III/etc.

Arizona law allows you to sell your life insurance policy to a third party for an amount that is less than the full death benefit. The buyer becomes the new owner and the beneficiary of the life insurance policy, pays all future premiums and collects the entire death benefit when you die. This is called a life settlement contract.

Arizona Revised Statutes (“ARS”) § 20-3204, subsections A and B, require that a life settlement provider or life settlement broker provide you with the following information in writing before you apply for or enter into a life settlement contract:

IMPORTANT: READ THIS DISCLOSURE FORM BEFORE SIGNING ANY LIFE SETTLEMENT CONTRACT

Before you submit an application for a life settlement, you should know:

1. There are possible alternatives to life settlements, including accelerated benefits options that your life insurer may offer or policy loans.
2. Some or all of the proceeds of a life settlement may be taxable. You should seek assistance from a professional tax adviser.
3. The proceeds from a life settlement could be subject to the claims of creditors.
4. Receiving proceeds from a life settlement contract may adversely affect your eligibility for public assistance or other government benefits or entitlements. You should obtain advice from the appropriate agencies.
5. Entering into a life settlement contract may cause you to forfeit other rights or benefits including conversion rights and waiver of premium benefits that you may have under the policy or certificate of a group policy. You should seek assistance from a professional financial adviser.
6. You can rescind the life settlement contract within **fifteen (15) days** after the date that all parties execute the life settlement contract and you have received all required disclosures (the “rescission period”). To rescind the life settlement contract, you must notify the provider in writing, and you must repay all proceeds and any premiums, loans and loan interest paid on account of the provider during the rescission period. If the insured dies during the rescission period, the life settlement contract shall be deemed rescinded once you or your estate repay all proceeds and any premiums, loans and loan interest to the provider.

7. Before the provider can pay you the proceeds from the life settlement contract, the provider needs to be notified by the life insurer or group administrator that the ownership of the policy or the interest in the certificate of insurance has been transferred, and that the beneficiary has been designated according to the terms of the life settlement contract. The provider is required to pay you the proceeds from the life settlement contract within three business days after the provider has received the insurer or group administrator's notification.
8. The provider should tell you the date by which the monies will be available to you and the transmitter of the monies.
9. The provider or the broker or its authorized representative may periodically contact the insured to determine the insured's health status or to verify the insured's address. **This contact is limited to once every three months if the insured has a life expectancy of more than one year, and is limited to once per month if the insured has a life expectancy of one year or less.**
10. Attached to this disclosure document is Form P-LSA: Life Settlement Affiliations, which provides information about the broker, and notifies you of affiliations or contractual relations between the provider and the broker, and any affiliation between the provider and the issuer of the policy to be settled.
11. A broker represents you exclusively and not the insurer or the provider or any other person. The broker owes a fiduciary duty to you, including a duty to act according to your instructions and in your best interest.

All medical, financial or personal information solicited or obtained by a provider or broker about an insured, including the insured's identity or the identity of family members, a spouse or a significant other, may be disclosed as necessary to effect the life settlement contract between you and the provider. If you are asked to provide this information, you will be asked to consent to the disclosure. The information may be provided to someone who buys the policy or provides monies for the purchase. You may be asked to renew your permission to share information every two years.

Any person who knowingly presents false information in an application for insurance or life settlement contract is guilty of a class 1 misdemeanor and may be subject to fines and confinement in jail.

Signature required by ARS § 20-3204(A). By signing this form, you acknowledge that you read and understand the information contained on this disclosure document. If you need legal advice, you should consult an attorney.

► Owner/Seller Signature: _____ Date _____

► Provider/Broker Signature: _____ Date _____

**Life Settlement Provider/Broker Disclosures to Owner
FORM P-LSA: LIFE SETTLEMENT AFFILIATIONS**

BROKER INFORMATION			
Name of Life Settlement Broker ("Broker")		AZ Insurance License No.	
Business Address	City	State	ZIP Code
PROVIDER INFORMATION			
Name of Life Settlement Provider ("Provider")		AZ Insurance License No.	
Provider's Representative <i>(if the Provider is not an individual)</i>			
BROKER AND PROVIDER AFFILIATIONS OR CONTRACTUAL RELATIONS			
Description of affiliations or contractual relations between Broker and Provider			

PROVIDER AND ISSUER AFFILIATION	
Name of Life Insurer ("Issuer")	NAIC Number
Description of affiliation, if any, between Provider and Issuer	

► Provider/Broker Signature: _____ Date _____

**FORM P-LSBD: LIFE SETTLEMENT BROKER
DISCLOSURES TO OWNER AND PROVIDER**

BROKER INFORMATION			
Name of Life Settlement Broker			Telephone Number
Business Address	City	State	ZIP code
LIFE INSURANCE POLICY OWNER/SELLER INFORMATION			
First Name	Middle Name	Last Name	Jr/Sr/III/etc.
PROVIDER INFORMATION			
Name of Life Settlement Provider			
Provider Representative <i>(if provider is not an individual)</i>			

Pursuant to Arizona law, the broker of a Life Settlement Contract must provide to both the owner and provider certain disclosures in writing before all parties sign the life settlement contract. I, as the broker of the proposed life settlement contract, have attached the following required disclosures:

1. A full, complete and accurate description of all of the offers, counteroffers, acceptances and rejections relating to the proposed life settlement contract.
2. Any affiliations or contractual arrangements between me, as broker, and any person making an offer in connection with the proposed life settlement contract.
3. The name of each broker who will receive compensation and the amount of compensation received by that broker including anything of value paid or given to the broker in connection with the life settlement contract.
4. A complete reconciliation of the life settlement provider's gross offer or bid to the net amount of proceeds or value that you, the owner, will receive. For the purposes of this paragraph, "gross offer or bid" means the total amount or value offered by the provider for the purchase of one or more life insurance policies including commissions and fees.

SIGNATURES: By signing this form, you acknowledge that you have been provided all of the above-listed required disclosures.

► Owner Signature _____ Date _____

► Provider Signature _____ Date _____