

# Speculator-Initiated Life Insurance

Center for Economic Justice

Consumer Liaison

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# What is SpinLife

- Speculator Initiated Life Insurance (SpinLife per Professor Belth)
- Stranger Owned Life Insurance (SOLI)
- Investor Owned Life Insurance (IOLI)

# Concerns About SpinLife

- No Insurable Interest
- Sales Abuses of Seniors
- Reduce Lapse Ratio, Profitability of Insurers

# How Can Spin Life Investors Make Money?

- Why would an investor engage in a SpinLife transaction?
- Belth:
  - Insured currently in poor health
  - Insurance company underpriced the policy when issued
  - Investor given false or incomplete information

# Secondary Market

- Importance of Secondary Market for Life Insurance to Consumers: Break Insurer Monopoly Over Surrenders and Lapses
- Started with Viaticals, Expanded to Other Sales
- Great Benefit to Consumers Unable or Unwilling to Continue a Policy

# Role of Lapses in Insurer Profitability

- Lapse-supported pricing: profitability despite underpricing of policy.
- Industry actuary: “Lapse supported pricing is not only unfair, but in the long run, it’s unworkable”
- SpinLife threatens lapse-supported pricing and insurer profitability

## Proposed Regulatory Solutions Threaten Second Market and Critical Consumer Protections

- Limitations on Sales of Policies
- Application Questions About Intent to Sell
- Excise Tax on Policy Sales Proceeds
- Weakening Incontestability Clause
- Allowing Insurers to Restrict Change of Ownership
- Limitations on Premium Financing

# Market Solution Available

Better Pricing By Insurers:

Eliminate Underpricing, Lapse-Supported Pricing and Poor Surrender Terms and the Arbitrage Possibility for SpinLife Disappears