

1.1 A bill for an act

1.2 relating to insurance; regulating viatical settlements; enacting and modifying
1.3 the Viatical Settlements Model Act of the National Association of Insurance
1.4 Commissions; providing criminal penalties; amending Minnesota Statutes 2008,
1.5 sections 13.716, subdivision 7; 60A.964, subdivision 1; proposing coding for
1.6 new law in Minnesota Statutes, chapter 60A; repealing Minnesota Statutes 2008,
1.7 sections 60A.961; 60A.962; 60A.963; 60A.965; 60A.966; 60A.967; 60A.968;
1.8 60A.969; 60A.970; 60A.971; 60A.972; 60A.973; 60A.974.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2008, section 13.716, subdivision 7, is amended to read:

1.11 Subd. 7. **Viatical settlements data.** Viatical settlements data provided to the
1.12 commissioner of commerce are classified under section ~~60A.968, subdivision 2~~ 60A.9575.

1.13 Sec. 2. **[60A.957] DEFINITIONS.**

1.14 Subdivision 1. **Terms.** For purposes of sections 60A.957 to 60A.9585, the terms
1.15 defined in this section have the meanings given them.

1.16 Subd. 2. **Advertising.** "Advertising" means any written, electronic, or printed
1.17 communication or any communication by means of recorded telephone messages or
1.18 transmitted on radio, television, the Internet, or similar communications media, including
1.19 film strips, motion pictures, and videos, published, disseminated, circulated, or placed
1.20 directly before the public in this state, for the purpose of creating an interest in or inducing
1.21 a person to purchase or sell, assign, devise, bequeath, or transfer the death benefit or
1.22 ownership of a life insurance policy pursuant to a viatical settlement contract.

1.23 Subd. 3. **Business of viatical settlements.** "Business of viatical settlements" means
1.24 an activity involved in, but not limited to, the offering, soliciting, negotiating, procuring,
1.25 effectuating, purchasing, investing, financing, monitoring, tracking, underwriting, selling,

2.1 transferring, assigning, pledging, hypothecating, or in any other manner acquiring an
2.2 interest in a life insurance policy by means of a viatical settlement contract.

2.3 Subd. 4. **Chronically ill.** "Chronically ill" means:

2.4 (1) being unable to perform at least two activities of daily living (for example,
2.5 eating, toileting, transferring, bathing, dressing, or continence);

2.6 (2) requiring substantial supervision to protect the individual from threats to health
2.7 and safety due to severe cognitive impairment; or

2.8 (3) having a level of disability similar to that described in clause (1) as determined
2.9 by the United States Secretary of Health and Human Services.

2.10 Subd. 5. **Commissioner.** "Commissioner" means the commissioner of commerce.

2.11 Subd. 6. **Financing entity.** "Financing entity" means an underwriter, placement
2.12 agent, lender, purchaser of securities, purchaser of a policy or certificate from a viatical
2.13 settlement provider, credit enhancer, or any entity that has a direct ownership in a policy
2.14 or certificate that is the subject of a viatical settlement contract, but:

2.15 (1) whose principal activity related to the transaction is providing funds to effect the
2.16 viatical settlement or purchase of one or more viaticated policies; and

2.17 (2) who has an agreement in writing with one or more licensed viatical settlement
2.18 providers to finance the acquisition of viatical settlement contracts.

2.19 Financing entity does not include a nonaccredited investor or a viatical settlement
2.20 purchaser.

2.21 Subd. 7. **Fraudulent viatical settlement act.** "Fraudulent viatical settlement act"
2.22 includes:

2.23 (a) acts or omissions committed by any person who, knowingly or with intent to
2.24 defraud, for the purpose of depriving another of property or for pecuniary gain, commits,
2.25 or permits its employees or its agents to engage in acts including:

2.26 (1) presenting, causing to be presented or preparing with knowledge or belief that
2.27 it will be presented to or by a viatical settlement provider, viatical settlement broker,
2.28 viatical settlement purchaser, viatical settlement investment agent, financing entity,
2.29 insurer, insurance producer, or any other person, false material information, or concealing
2.30 material information, as part of, in support of, or concerning a fact material to one or
2.31 more of the following:

2.32 (i) an application for the issuance of a viatical settlement contract or insurance policy;

2.33 (ii) the underwriting of a viatical settlement contract or insurance policy;

2.34 (iii) a claim for payment or benefit pursuant to a viatical settlement contract or
2.35 insurance policy;

3.1 (iv) premiums paid on an insurance policy or as a result of a viatical settlement
3.2 purchase agreement;

3.3 (v) payments and changes in ownership or beneficiary made in accordance with
3.4 the terms of a viatical settlement contract, viatical settlement purchase agreement, or
3.5 insurance policy;

3.6 (vi) the reinstatement or conversion of an insurance policy;

3.7 (vii) the solicitation, offer, effectuation, or sale of a viatical settlement contract,
3.8 insurance policy, or viatical settlement purchase agreement;

3.9 (viii) the issuance of written evidence of viatical settlement contract, viatical
3.10 settlement purchase agreement, or insurance; or

3.11 (ix) a financing transaction; and

3.12 (2) employing any plan, financial structure, device, scheme, or artifice to defraud
3.13 related to viaticated policies;

3.14 (b) acts or omissions in the furtherance of a fraud or to prevent the detection of a
3.15 fraud committed by any person, its employees, or its agents, to:

3.16 (1) remove, conceal, alter, destroy, or sequester from the commissioner the assets or
3.17 records of a licensee or other person engaged in the business of viatical settlements;

3.18 (2) misrepresent or conceal the financial condition of a licensee, financing entity,
3.19 insurer, or other person;

3.20 (3) transact the business of viatical settlements in violation of laws requiring a
3.21 license, certificate of authority, or other legal authority for the transaction of the business
3.22 of viatical settlements; or

3.23 (4) file with the commissioner or the equivalent chief insurance regulatory official
3.24 of another jurisdiction a document containing false information or otherwise conceal
3.25 information about a material fact from the commissioner;

3.26 (c) commit embezzlement, theft, misappropriation, or conversion of money, funds,
3.27 premiums, credits, or other property of a viatical settlement provider, insurer, viator,
3.28 insurance policyowner, or any other person engaged in the business of viatical settlements
3.29 or insurance; or

3.30 (d) attempt to commit, assist, aid, or abet in the commission of, or conspiracy to
3.31 commit, the acts or omissions specified in this subdivision.

3.32 Subd. 8. **Life insurance producer.** "Life insurance producer" means any person
3.33 licensed in this state as a resident or nonresident insurance producer who has received
3.34 qualification or authority for life insurance coverage pursuant to chapter 60K.

4.1 Subd. 9. **Person.** "Person" means a natural person or a legal entity, including,
4.2 without limitation, an individual, partnership, limited liability company, association,
4.3 trust, or corporation.

4.4 Subd. 10. **Policy.** "Policy" means an individual or group policy, group certificate,
4.5 contract, or arrangement of life insurance owned by a resident of this state, regardless of
4.6 whether delivered or issued for delivery in this state.

4.7 Subd. 11. **Related provider trust.** "Related provider trust" means a titling trust or
4.8 other trust established by a licensed viatical settlement provider or a financing entity for
4.9 the sole purpose of holding the ownership or beneficial interest in purchased policies in
4.10 connection with a financing transaction. The trust shall have a written agreement with the
4.11 licensed viatical settlement provider under which the licensed viatical settlement provider
4.12 is responsible for ensuring compliance with all statutory and regulatory requirements and
4.13 under which the trust agrees to make all records and files related to viatical settlement
4.14 transactions available to the commissioner as if those records and files were maintained
4.15 directly by the licensed viatical settlement provider.

4.16 Subd. 12. **Special purpose entity.** "Special purpose entity" means a corporation,
4.17 partnership, trust, limited liability company, or other similar entity formed solely to
4.18 provide either directly or indirectly access to institutional capital markets:

4.19 (1) for a financing entity or licensed viatical settlement provider; or

4.20 (2) in connection with a transaction in which:

4.21 (i) the securities in the special purpose entity are acquired by the viator or by
4.22 "qualified institutional buyers" as defined in Rule 144 promulgated under the Securities
4.23 Act of 1933, as amended; or

4.24 (ii) the securities pay a fixed rate of return commensurate with established
4.25 asset-backed institutional capital markets.

4.26 Subd. 13. **Terminally ill.** "Terminally ill" means having an illness or sickness that
4.27 can reasonably be expected to result in death in 24 months or less.

4.28 Subd. 14. **Viatical settlement broker.** "Viatical settlement broker" means a
4.29 person, including a life insurance producer as provided in section 60A.9572, who,
4.30 working exclusively on behalf of a viator and for a fee, commission, or other valuable
4.31 consideration, offers or attempts to negotiate viatical settlement contracts between a viator
4.32 and one or more viatical settlement providers or one or more viatical settlement brokers.
4.33 Notwithstanding the manner in which the viatical settlement broker is compensated, a
4.34 viatical settlement broker is deemed to represent only the viator, and not the insurer or the
4.35 viatical settlement provider, and owes a fiduciary duty to the viator to act according to the
4.36 viator's instructions and in the best interests of the viator. Viatical settlement broker does

5.1 not include an attorney, certified public accountant, or a financial planner accredited by a
5.2 nationally recognized accreditation agency, who is retained to represent the viator and
5.3 whose compensation is not paid directly or indirectly by the viatical settlement provider
5.4 or purchaser.

5.5 Subd. 15. **Viatical settlement contract.** (a) "Viatical settlement contract" means
5.6 a written agreement between a viator and a viatical settlement provider or any affiliate
5.7 of the viatical settlement provider establishing the terms under which compensation or
5.8 anything of value is or will be paid, which compensation or value is less than the expected
5.9 death benefits of the policy, in return for the viator's present or future assignment, transfer,
5.10 sale, devise, or bequest of the death benefit or ownership of any portion of the insurance
5.11 policy or certificate of insurance. Viatical settlement contract also includes the transfer for
5.12 compensation or value of ownership or beneficial interest in a trust or other entity that
5.13 owns such a policy if the trust or other entity was formed or availed of for the principal
5.14 purpose of acquiring one or more life insurance contracts, which life insurance contract
5.15 insures the life of a person residing in this state.

5.16 (b) Viatical settlement contract includes a premium finance loan made for a life
5.17 insurance policy by a lender to a viator on, before, or after the date of issuance of the
5.18 policy where:

5.19 (1) the viator or the insured receives on the date of the premium finance loan a
5.20 guarantee of a future viatical settlement value of the policy; or

5.21 (2) the viator or the insured agrees on the date of the premium finance loan to sell the
5.22 policy or any portion of its death benefit on any date following the issuance of the policy.

5.23 (c) Viatical settlement contract does not include:

5.24 (1) a policy loan or accelerated death benefit made by the insurer pursuant to the
5.25 policy's terms;

5.26 (2) loan proceeds that are used solely to pay:

5.27 (i) premiums for the policy; and

5.28 (ii) the costs of the loan, including, without limitation, interest, arrangement fees,
5.29 utilization fees and similar fees, closing costs, legal fees and expenses, trustee fees and
5.30 expenses, and third-party collateral provider fees and expenses, including fees payable
5.31 to letter of credit issuers;

5.32 (3) a loan made by a bank or other licensed financial institution in which the lender
5.33 takes an interest in a life insurance policy solely to secure repayment of a loan or, if there
5.34 is a default on the loan and the policy is transferred, the transfer of a policy by the lender,
5.35 provided that neither the default itself nor the transfer of the policy in connection with

6.1 the default is pursuant to an agreement or understanding with any other person for the
6.2 purposes of evading regulation under sections 60A.957 to 60A.9585;

6.3 (4) a loan made by a lender that does not violate chapter 59A, provided that the
6.4 premium finance loan is not described in clause (3);

6.5 (5) an agreement where all the parties (i) are closely related to the insured by blood
6.6 or law or (ii) have a lawful substantial economic interest in the continued life, health, and
6.7 bodily safety of the person insured, or are trusts established primarily for the benefit
6.8 of the parties;

6.9 (6) any designation, consent, or agreement by an insured who is an employee of an
6.10 employer in connection with the purchase by the employer, or trust established by the
6.11 employer, of life insurance on the life of the employee;

6.12 (7) a bona fide business succession planning arrangement:

6.13 (i) between one or more shareholders in a corporation or between a corporation and
6.14 one or more of its shareholders or one or more trusts established by its shareholders;

6.15 (ii) between one or more partners in a partnership or between a partnership and one
6.16 or more of its partners or one or more trusts established by its partners; or

6.17 (iii) between one or more members in a limited liability company or between a
6.18 limited liability company and one or more of its members or one or more trusts established
6.19 by its members;

6.20 (8) an agreement entered into by a service recipient, or a trust established by the
6.21 service recipient, and a service provider, or a trust established by the service provider, who
6.22 performs significant services for the service recipient's trade or business; or

6.23 (9) any other contract, transaction, or arrangement exempted from the definition
6.24 of viatical settlement contract by the commissioner based on a determination that the
6.25 contract, transaction, or arrangement is not of the type intended to be regulated by sections
6.26 60A.957 to 60A.9585.

6.27 Subd. 16. **Viatical settlement investment agent.** (a) "Viatical settlement
6.28 investment agent" means a person who is an appointed or contracted agent of a licensed
6.29 viatical settlement provider who solicits or arranges the funding for the purchase of a
6.30 viatical settlement by a viatical settlement purchaser and who is acting on behalf of a
6.31 viatical settlement provider.

6.32 (b) A viatical settlement investment agent shall not have any contact directly or
6.33 indirectly with the viator or insured or have knowledge of the identity of the viator
6.34 or insured.

7.1 (c) A viatical settlement investment agent is deemed to represent the viatical
7.2 settlement provider of whom the viatical settlement investment agent is an appointed
7.3 or contracted agent.

7.4 Subd. 17. **Viatical settlement provider.** (a) "Viatical settlement provider" means
7.5 a person, other than a viator, that enters into or effectuates a viatical settlement contract
7.6 with a viator resident in this state.

7.7 (b) Viatical settlement provider does not include:

7.8 (1) a bank, savings bank, savings and loan association, credit union, or other licensed
7.9 lending institution;

7.10 (2) a premium finance company making premium finance loans and exempted by the
7.11 commissioner from the licensing requirement under the premium finance laws that takes
7.12 an assignment of a life insurance policy solely as collateral for a loan;

7.13 (3) the issuer of the life insurance policy;

7.14 (4) an authorized or eligible insurer that provides stop-loss coverage or financial
7.15 guaranty insurance to a viatical settlement provider, purchaser, financing entity, special
7.16 purpose entity, or related provider trust;

7.17 (5) a natural person who enters into or effectuates no more than one agreement in a
7.18 calendar year for the transfer of life insurance policies for any value less than the expected
7.19 death benefit;

7.20 (6) a financing entity;

7.21 (7) a special purpose entity;

7.22 (8) a related provider trust;

7.23 (9) a viatical settlement purchaser; or

7.24 (10) any other person that the commissioner determines is not the type of person
7.25 intended to be covered by the definition of viatical settlement provider.

7.26 Subd. 18. **Viatical settlement purchase agreement.** "Viatical settlement purchase
7.27 agreement" means a contract or agreement, entered into by a viatical settlement purchaser,
7.28 to which the viator is not a party, to purchase a life insurance policy or an interest in a life
7.29 insurance policy, that is entered into for the purpose of deriving an economic benefit.

7.30 Subd. 19. **Viatical settlement purchaser.** (a) "Viatical settlement purchaser" means
7.31 a person who provides a sum of money as consideration for a life insurance policy or an
7.32 interest in the death benefits of a life insurance policy, or a person who owns or acquires or
7.33 is entitled to a beneficial interest in a trust that owns a viatical settlement contract or is
7.34 the beneficiary of a life insurance policy that has been or will be the subject of a viatical
7.35 settlement contract, for the purpose of deriving an economic benefit.

7.36 (b) Viatical settlement purchaser does not include:

8.1 (1) a licensee under sections 60A.957 to 60A.9585;

8.2 (2) an accredited investor or qualified institutional buyer as defined, respectively,
8.3 in Rule 501(a) or Rule 144A promulgated under the Federal Securities Act of 1933, as
8.4 amended;

8.5 (3) a financing entity;

8.6 (4) a special purpose entity; or

8.7 (5) a related provider trust.

8.8 Subd. 20. **Viaticated policy.** "Viaticated policy" means a life insurance policy or
8.9 certificate that has been acquired by a viatical settlement provider pursuant to a viatical
8.10 settlement contract.

8.11 Subd. 21. **Viator.** (a) "Viator" means the owner of a life insurance policy or a
8.12 certificate holder under a group policy that resides in this state and enters or seeks to
8.13 enter into a viatical settlement contract. For purposes of sections 60A.957 to 60A.9585,
8.14 a viator shall not be limited to an owner of a life insurance policy or a certificate holder
8.15 under a group policy insuring the life of an individual with a terminal or chronic illness or
8.16 condition except where specifically addressed. If there is more than one viator on a single
8.17 policy and the viators are residents of different states, the transaction is governed by the
8.18 law of the state in which the viator having the largest percentage ownership resides or,
8.19 if the viators hold equal ownership, the state of residence of one viator agreed upon in
8.20 writing by all the viators.

8.21 (b) Viator does not include:

8.22 (1) a licensee under sections 60A.957 to 60A.9585, including a life insurance
8.23 producer acting as a viatical settlement broker pursuant to sections 60A.957 to 60A.9585;

8.24 (2) a qualified institutional buyer as defined in Rule 144A promulgated under the
8.25 Federal Securities Act of 1933, as amended;

8.26 (3) a financing entity;

8.27 (4) a special purpose entity; or

8.28 (5) a related provider trust.

8.29 **Sec. 3. [60A.9572] LICENSE AND BOND REQUIREMENTS.**

8.30 Subdivision 1. **Provider or broker license required.** A person shall not operate
8.31 as a viatical settlement provider or viatical settlement broker in this state without first
8.32 obtaining a license from the commissioner of the state of residence of the viator.

8.33 Subd. 2. **Agent license required.** A person shall not operate as a viatical settlement
8.34 investment agent in this state without first obtaining a license from the commissioner of the
8.35 state of residence of the viatical settlement purchaser. If there is more than one purchaser

9.1 of a single policy and the purchasers are residents of different states, the viatical settlement
9.2 purchase agreement shall be governed by the law of the state in which the purchaser
9.3 having the largest percentage ownership resides or, if the purchasers hold equal ownership,
9.4 the state of residence of one purchaser agreed upon in writing by all purchasers.

9.5 Subd. 3. **Life insurance provider.** (a) An insurance producer who is currently
9.6 licensed with the life line of authority and has been licensed in good standing for at least
9.7 one year is deemed to meet the licensing requirements of this section and is permitted
9.8 to operate as a viatical settlement broker.

9.9 (b) Not later than 30 days from the first day of operating as a viatical settlement
9.10 broker, the life insurance producer shall notify the commissioner that the life
9.11 insurance producer is acting as a viatical settlement broker on a form prescribed by the
9.12 commissioner, and shall pay any applicable fee to be determined by the commissioner.
9.13 Notification includes an acknowledgment by the life insurance producer that the life
9.14 insurance producer will operate as a viatical settlement broker in accordance with sections
9.15 60A.957 to 60A.9585.

9.16 (c) The insurer that issued the policy being viaticated is not responsible for any act
9.17 or omission of a viatical settlement broker or viatical settlement provider arising out
9.18 of or in connection with the viatical settlement transaction, unless the insurer receives
9.19 compensation for the placement of a viatical settlement contract from the viatical
9.20 settlement provider or viatical settlement broker in connection with the viatical settlement
9.21 contract.

9.22 (d) A person licensed as an attorney, certified public accountant, or financial planner
9.23 accredited by a nationally recognized accreditation agency, who is retained to represent
9.24 the viator, whose compensation is not paid directly or indirectly by the viatical settlement
9.25 provider, may negotiate viatical settlement contracts on behalf of the viator without having
9.26 to obtain a license as a viatical settlement broker.

9.27 Subd. 4. **Application.** An application for a viatical settlement provider, viatical
9.28 settlement broker, or viatical settlement investment agent license shall be made to the
9.29 commissioner by the applicant on a form prescribed by the commissioner, and these
9.30 applications shall be accompanied by the fees specified in section 60A.964.

9.31 Subd. 5. **Renewals.** A license may be renewed from year to year on the anniversary
9.32 date upon payment of the annual renewal fees specified in section 60A.964. Failure to pay
9.33 the fees by the renewal date results in expiration of the license.

9.34 Subd. 6. **Disclosures.** The applicant shall provide information on forms required
9.35 by the commissioner. The commissioner shall have authority, at any time, to require the
9.36 applicant to fully disclose the identity of all stockholders, partners, officers, members, and

10.1 employees, and the commissioner may, in the exercise of the commissioner's discretion,
10.2 refuse to issue a license in the name of a legal entity if not satisfied that any officer,
10.3 employee, stockholder, partner, or member may materially influence the applicant's
10.4 conduct meets the standards of sections 60A.957 to 60A.9585.

10.5 Subd. 7. **Legal entity license.** A license issued to a legal entity authorizes all
10.6 partners, officers, members, and designated employees to act as viatical settlement
10.7 providers, viatical settlement brokers, or viatical settlement investment agents, as
10.8 applicable, under the license, and all those persons shall be named in the application
10.9 and any supplements to the application.

10.10 Subd. 8. **Investigation.** Upon the filing of an application and the payment of the
10.11 license fee, the commissioner shall make an investigation of each applicant and issue a
10.12 license if the commissioner finds that the applicant:

10.13 (1) if a viatical settlement provider, has provided a detailed plan of operation;

10.14 (2) is competent and trustworthy and intends to act in good faith in the capacity
10.15 involved by the license applied for;

10.16 (3) has a good business reputation and has had experience, training, or education so
10.17 as to be qualified in the business for which the license is applied for;

10.18 (4) if a viatical settlement provider or a viatical settlement broker, has demonstrated
10.19 evidence of financial responsibility in a format prescribed by the commissioner through
10.20 either a surety bond executed and issued by an insurer authorized to issue surety bonds
10.21 in this state or a deposit of cash, certificates of deposit, or securities or any combination
10.22 thereof in an amount to be determined by the commissioner. The commissioner shall
10.23 accept, as evidence of financial responsibility, proof that financial instruments in
10.24 accordance with the requirements in this clause have been filed with one or more states
10.25 where the applicant is licensed as a viatical settlement provider or a viatical settlement
10.26 broker. The commissioner may ask for evidence of financial responsibility at any time the
10.27 commissioner deems necessary. Any surety bond issued pursuant to this clause shall be in
10.28 favor of this state and shall specifically authorize recovery by the commissioner on behalf
10.29 of any person in this state who sustained damages as the result of erroneous acts, failure
10.30 to act, conviction of fraud, or conviction of unfair practices by the viatical settlement
10.31 provider or a viatical settlement broker;

10.32 (5) if a legal entity, provides a certificate of good standing from the state of its
10.33 domicile; and

10.34 (6) if a viatical settlement provider or viatical settlement broker, has provided an
10.35 antifraud plan that meets the requirements of section 60A.9583.

11.1 Subd. 9. **Consent to service of process.** The commissioner shall not issue a
11.2 license to a nonresident applicant, unless a written designation of an agent for service of
11.3 process is filed and maintained with the commissioner or the applicant has filed with
11.4 the commissioner the applicant's written irrevocable consent that any action against
11.5 the applicant may be commenced against the applicant by service of process on the
11.6 commissioner.

11.7 Subd. 10. **Duty to supplement information.** A viatical settlement provider,
11.8 viatical settlement broker, or viatical settlement investment agent shall provide to the
11.9 commissioner new or revised information about officers, ten percent or more stockholders,
11.10 partners, directors, members, or designated employees within 30 days of the change.

11.11 Subd. 11. **Training required.** An individual licensed as a viatical settlement broker
11.12 shall complete on an annual basis six hours of training related to viatical settlements and
11.13 viatical settlement transactions, as required by the commissioner; provided, however,
11.14 that a life insurance producer who is operating as a viatical settlement broker pursuant
11.15 to subdivision 3 shall not be subject to the requirements of this subdivision. Any person
11.16 failing to meet the requirements of this subdivision is subject to the penalties imposed by
11.17 the commissioner.

11.18 Sec. 4. **[60A.9573] LICENSE REVOCATION AND DENIAL.**

11.19 Subdivision 1. **Grounds.** The commissioner may suspend, revoke, or refuse to issue
11.20 or renew the license of a viatical settlement provider, viatical settlement broker, or viatical
11.21 settlement investment agent if the commissioner finds that:

11.22 (1) there was any material misrepresentation in the application for the license;

11.23 (2) the licensee or any officer, partner, member, or key management personnel has
11.24 been convicted of fraudulent or dishonest practices, is subject to a final administrative
11.25 action, or is otherwise shown to be untrustworthy or incompetent;

11.26 (3) the viatical settlement provider demonstrates a pattern of unreasonable payments
11.27 to viators;

11.28 (4) the licensee or any officer, partner, member, or key management personnel
11.29 has been found guilty of, or has pleaded guilty or nolo contendere to, any felony, or to
11.30 a misdemeanor involving fraud or moral turpitude, regardless of whether a judgment of
11.31 conviction has been entered by the court;

11.32 (5) the viatical settlement provider has entered into any viatical settlement contract
11.33 that has not been approved pursuant to sections 60A.957 to 60A.9585;

11.34 (6) the viatical settlement provider has failed to honor contractual obligations set out
11.35 in a viatical settlement contract or a viatical settlement purchase agreement;

12.1 (7) the licensee no longer meets the requirements for initial licensure;

12.2 (8) the viatical settlement provider has assigned, transferred, or pledged a viaticated
12.3 policy to a person other than a viatical settlement provider licensed in this state, a viatical
12.4 settlement purchaser, an accredited investor, or qualified institutional buyer as defined
12.5 respectively in Rule 501(a) or Rule 144A promulgated under the Federal Securities Act of
12.6 1933, as amended, a financing entity, a special purpose entity, or a related provider trust; or

12.7 (9) the licensee or any officer, partner, member, or key management personnel has
12.8 violated any provision of sections 60A.957 to 60A.9585.

12.9 Subd. 2. **Bad faith by broker or producer.** The commissioner may suspend,
12.10 revoke, or refuse to renew the license of a viatical settlement broker or a life insurance
12.11 producer operating as a viatical settlement broker pursuant to sections 60A.957 to
12.12 60A.9585 if the commissioner finds that the viatical settlement broker or life insurance
12.13 producer has violated the provisions of sections 60A.957 to 60A.9585 or has otherwise
12.14 engaged in bad faith conduct with one or more viators.

12.15 Subd. 3. **License enforcement actions.** Section 45.027 applies to any action
12.16 taken by the commissioner to deny a license application or suspend, revoke, or refuse to
12.17 renew the license of a viatical settlement provider, viatical settlement broker, or viatical
12.18 settlement investment agent, or suspend, revoke, or refuse to renew a license of a life
12.19 insurance producer operating as a viatical settlement broker pursuant to sections 60A.957
12.20 to 60A.9585.

12.21 Sec. 5. **[60A.9574] APPROVAL OF VIATICAL SETTLEMENT CONTRACTS**
12.22 **AND DISCLOSURE STATEMENTS.**

12.23 A person shall not use a viatical settlement contract form or provide to a viator
12.24 a disclosure statement form in this state unless first filed with and approved by the
12.25 commissioner. The commissioner shall disapprove a viatical settlement contract form or
12.26 disclosure statement form if, in the commissioner's opinion, the contract or provisions
12.27 fail to meet the requirements of sections 60A.6577, 60A.9579, 60A.9582, and 60A.9583,
12.28 subdivision 2, or are unreasonable, contrary to the interests of the public, or otherwise
12.29 misleading or unfair to the viator. At the commissioner's discretion, the commissioner
12.30 may require the submission of advertising material.

12.31 Sec. 6. **[60A.9575] REPORTING REQUIREMENTS AND PRIVACY.**

12.32 Subdivision 1. **Annual statement.** A viatical settlement provider shall file with
12.33 the commissioner on or before March 1 of each year an annual statement containing
12.34 the following information:

13.1 (1) for each policy viaticated, the date that the viatical settlement was entered into;
13.2 the life expectancy of the viator at the time of the contract; the face amount of the policy;
13.3 the amount paid by the viatical settlement provider to viaticate the policy; and if the viator
13.4 has died, the date of death and the total insurance premiums paid by the viatical settlement
13.5 provider to maintain the policy in force;

13.6 (2) a breakdown by disease category of applications received, accepted, and rejected;

13.7 (3) a breakdown of policies viaticated by issuer and policy type;

13.8 (4) the number of secondary market versus primary market transactions;

13.9 (5) the portfolio size; and

13.10 (6) the amount of outside borrowings.

13.11 The information shall be limited to only those transactions where the viator is
13.12 a resident of this state. Individual transaction data regarding the business of viatical
13.13 settlements or data that could compromise the privacy of personal, financial, and health
13.14 information of the viator or insured shall be filed with the commissioner on a confidential
13.15 basis.

13.16 Subd. 2. **Identity disclosure restrictions.** Except as otherwise allowed or required
13.17 by law, a viatical settlement provider, viatical settlement broker, or viatical settlement
13.18 investment agent, insurance company, insurance producer, information bureau, rating
13.19 agency or company, or any other person with actual knowledge of an insured's identity,
13.20 shall not disclose that identity as an insured, or the insured's financial or medical
13.21 information to any other person unless the disclosure:

13.22 (1) is necessary to effect a viatical settlement between the viator and a viatical
13.23 settlement provider and the viator and insured have provided prior written consent to
13.24 the disclosure;

13.25 (2) is necessary to effect a viatical settlement purchase agreement between the
13.26 viatical settlement purchaser and a viatical settlement provider and the viator and insured
13.27 have provided prior written consent to the disclosure;

13.28 (3) is provided in response to an investigation or examination by the commissioner
13.29 or any other governmental officer or agency or pursuant to section 45.027;

13.30 (4) is a term of or condition to the transfer of a policy by one viatical settlement
13.31 provider to another viatical settlement provider;

13.32 (5) is necessary to permit a financing entity, related provider trust, or special purpose
13.33 entity to finance the purchase of policies by a viatical settlement provider and the viator
13.34 and insured have provided prior written consent to the disclosure;

14.1 (6) is necessary to allow the viatical settlement provider or viatical settlement broker
14.2 or an authorized representative to make contacts for the purpose of determining health
14.3 status; or

14.4 (7) is required to purchase stop-loss coverage or financial guaranty insurance.

14.5 Sec. 7. **[60A.9577] DISCLOSURE TO VIATOR.**

14.6 Subdivision 1. **Application disclosures by provider and broker.** With an
14.7 application for a viatical settlement, a viatical settlement provider or viatical settlement
14.8 broker shall provide the viator with at least the following disclosures no later than the
14.9 time the application for the viatical settlement contract is signed by all parties. The
14.10 disclosures shall be provided in a separate document that is signed by the viator and the
14.11 viatical settlement provider or viatical settlement broker, and shall provide the following
14.12 information:

14.13 (1) there are possible alternatives to viatical settlement contracts including any
14.14 accelerated death benefits or policy loans offered under the viator's life insurance policy;

14.15 (2) that a viatical settlement broker represents exclusively the viator, and not the
14.16 insurer or the viatical settlement provider, and owes a fiduciary duty to the viator, including
14.17 a duty to act according to the viator's instructions and in the best interests of the viator;

14.18 (3) some or all of the proceeds of the viatical settlement may be taxable under
14.19 federal income tax and state franchise and income taxes, and assistance should be sought
14.20 from a professional tax advisor;

14.21 (4) proceeds of the viatical settlement could be subject to the claims of creditors;

14.22 (5) receipt of the proceeds of a viatical settlement may adversely affect the viator's
14.23 eligibility for Medicaid or other government benefits or entitlements, and advice should
14.24 be obtained from the appropriate government agencies;

14.25 (6) the viator has the right to rescind a viatical settlement contract before the earlier
14.26 of 60 calendar days after the date upon which the viatical settlement contract is executed
14.27 by all parties or 30 calendar days after the viatical settlement proceeds have been paid to
14.28 the viator, as provided in section 60A.9579, subdivision 5. Rescission, if exercised by
14.29 the viator, is effective only if both notice of the rescission is given, and the viator repays
14.30 all proceeds and any premiums, loans, and loan interest paid on account of the viatical
14.31 settlement within the rescission period. If the insured dies during the rescission period, the
14.32 viatical settlement contract shall be deemed to have been rescinded, subject to repayment
14.33 by the viator or the viator's estate of all viatical settlement proceeds and any premiums,
14.34 loans, and loan interest to the viatical settlement within 60 days of the insured's death;

15.1 (7) funds will be sent to the viator within three business days after the
15.2 viatical settlement provider has received the insurer or group administrator's written
15.3 acknowledgment that ownership of the policy or interest in the certificate has been
15.4 transferred and the beneficiary has been designated;

15.5 (8) entering into a viatical settlement contract may cause other rights or benefits,
15.6 including conversion rights and waiver of premium benefits that may exist under the
15.7 policy or certificate, to be forfeited by the viator. Assistance should be sought from
15.8 a financial adviser;

15.9 (9) disclosure to a viator includes distribution of a brochure describing the process of
15.10 viatical settlements. The National Association of Insurance Commissioners' form for the
15.11 brochure shall be used unless another form is developed or approved by the commissioner;

15.12 (10) the disclosure document shall contain the following language: "All medical,
15.13 financial, or personal information solicited or obtained by a viatical settlement provider or
15.14 viatical settlement broker about an insured, including the insured's identity or the identity
15.15 of family members, a spouse, or a significant other may be disclosed as necessary to
15.16 effect the viatical settlement between the viator and the viatical settlement provider. If
15.17 you are asked to provide this information, you will be asked to consent to the disclosure.
15.18 The information may be provided to someone who buys the policy or provides funds for
15.19 the purchase. You may be asked to renew your permission to share information every
15.20 two years."; and

15.21 (11) following execution of a viatical contract, the insured may be contacted for the
15.22 purpose of determining the insured's health status and to confirm the insured's residential
15.23 or business street address and telephone number, or as otherwise provided in sections
15.24 60A.957 to 60A.9585. This contact shall be limited to once every three months if the
15.25 insured has a life expectancy of more than one year, and no more than once per month if
15.26 the insured has a life expectancy of one year or less. Contracts shall be made only by a
15.27 viatical settlement provider licensed in the state in which the viator resided at the time
15.28 of the viatical settlement, or by the authorized representative of a duly licensed viatical
15.29 settlement provider.

15.30 Subd. 2. **Contract disclosures by provider.** A viatical settlement provider shall
15.31 provide the viator with at least the following disclosures no later than the date the viatical
15.32 settlement contract is signed by all parties. The disclosures shall be conspicuously
15.33 displayed in the viatical settlement contract or in a separate document signed by the viator
15.34 and provide the following information:

15.35 (1) the affiliation, if any, between the viatical settlement provider and the issuer
15.36 of the insurance policy to be viaticated;

16.1 (2) the document includes the name, business address, and telephone number of
16.2 the viatical settlement provider;

16.3 (3) any affiliations or contractual arrangements between the viatical settlement
16.4 provider and the viatical settlement purchaser;

16.5 (4) if an insurance policy to be viaticated has been issued as a joint policy or
16.6 involves family riders or any coverage of a life other than the insured under the policy to
16.7 be viaticated, the viator shall be informed of the possible loss of coverage on the other
16.8 lives under the policy and shall be advised to consult with the viator's insurance producer
16.9 or the insurer issuing the policy for advice on the proposed viatical settlement;

16.10 (5) state the dollar amount of the current death benefit payable to the viatical
16.11 settlement provider under the policy or certificate. If known, the viatical settlement
16.12 provider shall also disclose the availability of any additional guaranteed insurance
16.13 benefits, the dollar amount of any accidental death and dismemberment benefits under the
16.14 policy or certificate, and the extent to which the viator's interest in those benefits will be
16.15 transferred as a result of the viatical settlement contract; and

16.16 (6) state whether the funds will be escrowed with an independent third party during
16.17 the transfer process, and if so, provide the name, business address, and telephone number
16.18 of the independent third-party escrow agent, and the fact that the viator or owner may
16.19 inspect or receive copies of the relevant escrow or trust agreements or documents.

16.20 Subd. 3. **Contract disclosures by broker.** A viatical settlement broker shall
16.21 provide the viator with at least the following disclosures no later than the date the viatical
16.22 settlement contract is signed by all parties. The disclosures shall be conspicuously
16.23 displayed in the viatical settlement contract or in a separate document signed by the viator
16.24 and provide the following information:

16.25 (1) the name, business address, and telephone number of the viatical settlement
16.26 broker;

16.27 (2) a full, complete, and accurate description of all offers, counteroffers, acceptances,
16.28 and rejections relating to the proposed viatical settlement contract;

16.29 (3) a written disclosure of any affiliations or contractual arrangements between the
16.30 viatical settlement broker and any person making an offer in connection with the proposed
16.31 viatical settlement contracts;

16.32 (4) the amount and method of calculating the broker's compensation, the term
16.33 "compensation" includes anything of value paid or given to a viatical settlement broker
16.34 for the placement of a policy; and

16.35 (5) where any portion of the viatical settlement broker's compensation, as defined in
16.36 subdivision 3, clause (4), is taken from a proposed viatical settlement offer, the broker

17.1 shall disclose the total amount of the viatical settlement offer and the percentage of the
17.2 viatical settlement offer comprised by the viatical settlement broker's compensation.

17.3 Subd. 4. **Ownership and beneficiary changes.** If the viatical settlement provider
17.4 transfers ownership or changes the beneficiary of the insurance policy, the provider shall
17.5 communicate in writing the change in ownership or beneficiary to the insured within
17.6 20 days after the change.

17.7 Subd. 5. **Contract disclosures by provider or agent.** A viatical settlement provider
17.8 or its viatical settlement investment agent shall provide the viatical settlement purchaser
17.9 with at least the following disclosures prior to the date the viatical settlement purchase
17.10 agreement is signed by all parties. The disclosures shall be conspicuously displayed in
17.11 any viatical purchase contract or in a separate document signed by the viatical settlement
17.12 purchaser and viatical settlement provider or viatical settlement investment agent, and
17.13 shall make the following disclosures to the viatical settlement purchaser:

17.14 (1) the purchaser will receive no returns, for example, dividends and interest, until
17.15 the insured dies and a death claim payment is made;

17.16 (2) the actual annual rate of return on a viatical settlement contract is dependent
17.17 upon an accurate projection of the insured's life expectancy, and the actual date of the
17.18 insured's death. An annual guaranteed rate of return is not determinable;

17.19 (3) the viaticated life insurance contract should not be considered a liquid purchase
17.20 since it is impossible to predict the exact timing of its maturity and the funds are probably
17.21 not available until the death of the insured. There is no established secondary market for
17.22 resale of these products by the purchaser;

17.23 (4) the purchaser may lose all benefits or may receive substantially reduced benefits
17.24 if the insurer goes out of business during the term of the viatical investment;

17.25 (5) the purchaser is responsible for payment of the insurance premium or other
17.26 costs related to the policy, if required by the terms of the viatical purchase agreement.
17.27 These payments may reduce the purchaser's return. If a party other than the purchaser is
17.28 responsible for the payment, the name and address of that party shall also be disclosed;

17.29 (6) the purchaser is responsible for payment of the insurance premiums or other
17.30 costs related to the policy if the insured returns to health. Disclose the amount of the
17.31 premiums, if applicable;

17.32 (7) the name, business address, and telephone number of the independent third party
17.33 providing escrow services and the relationship to the broker;

17.34 (8) the amount of any trust fees or other expenses to be charged to the viatical
17.35 settlement purchaser shall be disclosed;

18.1 (9) whether the purchaser is entitled to a refund of all or part of the purchaser's
18.2 investment under the settlement contract if the policy is later determined to be null and
18.3 void;

18.4 (10) that group policies may contain limitations or caps in the conversion rights,
18.5 additional premiums may have to be paid if the policy is converted, name the party
18.6 responsible for the payment of the additional premiums and, if a group policy is terminated
18.7 and replaced by another group policy, state that there may be no right to convert the
18.8 original coverage;

18.9 (11) the risks associated with policy contestability including, but not limited to, the
18.10 risk that the purchaser will have no claim or only a partial claim to death benefits should
18.11 the insurer rescind the policy within the contestability period;

18.12 (12) whether the purchaser will be the owner of the policy in addition to being the
18.13 beneficiary, and if the purchaser is the beneficiary only and not also the owner, the special
18.14 risks associated with that status, including, but not limited to, the risk that the beneficiary
18.15 may be changed or the premium may not be paid; and

18.16 (13) the experience and qualifications of the person who determines the life
18.17 expectancy of the insured, for example, in-house staff, independent physicians, and
18.18 specialty firms that weigh medical and actuarial data; the information this projection is
18.19 based on; and the relationship of the projection maker to the viatical settlement provider,
18.20 if any.

18.21 Disclosure to an investor under this subdivision includes the distribution of a
18.22 brochure describing the process of investment in viatical settlements. The National
18.23 Association of Insurance Commissioners' form for the brochure shall be used unless one is
18.24 developed by the commissioner.

18.25 Subd. 6. **Transfer or sale disclosures by provider or agent.** A viatical settlement
18.26 provider or its viatical settlement investment agent shall provide the viatical settlement
18.27 purchaser with at least the following disclosures no later than at the time of the
18.28 assignment, transfer, or sale of all or a portion of an insurance policy. The disclosures
18.29 shall be contained in a document signed by the viatical settlement purchaser and viatical
18.30 settlement provider or viatical settlement investment agent, and shall make the following
18.31 disclosures to the viatical settlement purchaser:

18.32 (1) disclose all the life expectancy certifications obtained by the provider in the
18.33 process of determining the price paid to the viator;

18.34 (2) state whether premium payments or other costs related to the policy have been
18.35 escrowed. If escrowed, state the date upon which the escrowed funds will be depleted

19.1 and whether the purchaser will be responsible for payment of premiums thereafter and, if
19.2 so, the amount of the premiums;

19.3 (3) state whether premium payments or other costs related to the policy have been
19.4 waived. If waived, disclose whether the investor will be responsible for payment of the
19.5 premiums if the insurer that wrote the policy terminates the waiver after purchase and
19.6 the amount of those premiums;

19.7 (4) disclose the type of policy offered or sold, for example, whole life, term life,
19.8 universal life, or a group policy certificate; any additional benefits contained in the policy;
19.9 and the current status of the policy;

19.10 (5) if the policy is term insurance, disclose the special risks associated with term
19.11 insurance including, but not limited to, the purchaser's responsibility for additional
19.12 premiums if the viator continues the term policy at the end of the current term;

19.13 (6) state whether the policy is contestable;

19.14 (7) state whether the insurer that wrote the policy has any additional rights that could
19.15 negatively affect or extinguish the purchaser's rights under the viatical settlement contract,
19.16 what these rights are, and under what conditions these rights are activated; and

19.17 (8) state the name and address of the person responsible for monitoring the insured's
19.18 condition. Describe how often the monitoring of the insured's condition is done, how the
19.19 date of death is determined, and how and when this information will be transmitted to
19.20 the purchaser.

19.21 Subd. 7. **Agreement voidable.** The viatical settlement purchase agreement is
19.22 voidable by the purchaser at any time within three days after the disclosures mandated by
19.23 subdivisions 4 and 5 are received by the purchaser.

19.24 **Sec. 8. [60A.9578] DISCLOSURE TO INSURER.**

19.25 Prior to the initiation of a plan, transaction, or series of transactions, a viatical
19.26 settlement broker or viatical settlement provider shall fully disclose to an insurer a plan,
19.27 transaction, or series of transactions, to which the viatical settlement broker or viatical
19.28 settlement provider is a party, to originate, renew, continue, or finance a life insurance
19.29 policy with the insurer for the purpose of engaging in the business of viatical settlements
19.30 at any time prior to, or during the first five years after, issuance of the policy.

19.31 **Sec. 9. [60A.9579] GENERAL RULES.**

19.32 Subdivision 1. **Provider requirements.** (a) A viatical settlement provider entering
19.33 into a viatical settlement contract shall first obtain:

20.1 (1) if the viator is the insured, a written statement from a licensed attending
20.2 physician that the viator is of sound mind and under no constraint or undue influence to
20.3 enter into a viatical settlement contract; and

20.4 (2) a document in which the insured consents to the release of the insured's medical
20.5 records to a licensed viatical settlement provider, viatical settlement broker, and the
20.6 insurance company that issued the life insurance policy covering the life of the insured.

20.7 (b) Within 20 days after a viator executes documents necessary to transfer any rights
20.8 under an insurance policy or within 20 days of entering any agreement, option, promise, or
20.9 any other form of understanding, expressed or implied, to viaticate the policy, the viatical
20.10 settlement provider shall give written notice to the insurer that issued that insurance policy
20.11 that the policy has or will become a viaticated policy. The notice shall be accompanied by
20.12 the documents required by paragraph (c).

20.13 (c) The viatical provider shall deliver a copy of the medical release required under
20.14 paragraph (a), clause (2), a copy of the viator's application for the viatical settlement
20.15 contract, the notice required under paragraph (b), and a request for verification of
20.16 coverage to the insurer that issued the life insurance policy that is the subject of the
20.17 viatical transaction. The National Association of Insurance Commissioners' form for
20.18 verification of coverage shall be used unless another form is developed or approved by
20.19 the commissioner.

20.20 (d) The insurer shall respond to a request for verification of coverage submitted on
20.21 an approved form by a viatical settlement provider or viatical settlement broker within 30
20.22 calendar days of the date the request is received and shall indicate whether, based on the
20.23 medical evidence and documents provided, the insurer intends to pursue an investigation
20.24 at this time regarding the validity of the insurance contract or possible fraud. The insurer
20.25 shall accept a request for verification of coverage made on an National Association of
20.26 Insurance Commissioners form or any other form approved by the commissioner. The
20.27 insurer shall accept an original or facsimile or electronic copy of a request and any
20.28 accompanying authorization signed by the viator. Failure by the insurer to meet its
20.29 obligations under this subdivision is a violation of sections 60A.9581, subdivision 3,
20.30 and 60A.9585.

20.31 (e) Prior to or at the time of execution of the viatical settlement contract, the viatical
20.32 settlement provider shall obtain a witnessed document in which the viator consents
20.33 to the viatical settlement contract, represents that the viator has a full and complete
20.34 understanding of the viatical settlement contract, that the viator has a full and complete
20.35 understanding of the benefits of the life insurance policy, acknowledges that the viator is
20.36 entering into the viatical settlement contract freely and voluntarily and, for persons with

21.1 a terminal or chronic illness or condition, acknowledges that the insured has a terminal
21.2 or chronic illness and that the terminal or chronic illness or condition was diagnosed
21.3 after the life insurance policy was issued.

21.4 (f) If a viatical settlement broker performs any of these activities required of the
21.5 viatical settlement provider, the provider is deemed to have fulfilled the requirements
21.6 of this section.

21.7 Subd. 2. **Confidentiality of personal information.** All personal information
21.8 solicited or obtained by any licensee shall be subject to sections 72A.49 to 72A.505.

21.9 Subd. 3. **General right of rescission.** A viatical settlement contract entered into in
21.10 this state shall provide the viator with an absolute right to rescind the contract before the
21.11 earlier of 60 calendar days after the date upon which the viatical settlement contract is
21.12 executed by all parties or 30 calendar days after the viatical settlement proceeds have been
21.13 sent to the viator as provided in subdivision 6. Rescission by the viator may be conditioned
21.14 upon the viator both giving notice and repaying to the viatical settlement provider within
21.15 the rescission period all proceeds of the settlement and any premiums, loans, and loan
21.16 interest paid by or on behalf of the viatical settlement provider in connection with or as a
21.17 consequence of the viatical settlement. If the insured dies during the rescission period,
21.18 the viatical settlement contract is deemed to have been rescinded, subject to repayment to
21.19 the viatical settlement provider or purchaser of all viatical settlement proceeds, and any
21.20 premiums, loans, and loan interest that have been paid by the viatical settlement provider
21.21 or purchaser, which shall be paid within 60 calendar days of the death of the insured.
21.22 In the event of any rescission, if the viatical settlement provider has paid commissions
21.23 or other compensation to a viatical settlement broker in connection with the rescinded
21.24 transaction, the viatical settlement broker shall refund all commissions and compensation
21.25 to the viatical settlement provider within five business days following receipt of written
21.26 demand from the viatical settlement provider, which demand shall be accompanied by
21.27 either the viator's notice of rescission if rescinded at the election of the viator, or notice
21.28 of the death of the insured if rescinded by reason of the death of the insured within the
21.29 applicable rescission period.

21.30 Subd. 4. **Right to rescind after mandated disclosures.** The purchaser shall have
21.31 the right to rescind a viatical settlement contract within three days after the disclosures
21.32 mandated by section 60A.9577, subdivisions 4 and 5, are received by the purchaser.

21.33 Subd. 5. **Payment of settlement proceeds.** The viatical settlement provider shall
21.34 instruct the viator to send the executed documents required to effect the change in
21.35 ownership, assignment, or change in beneficiary directly to the independent escrow agent.
21.36 Within three business days after the date the escrow agent receives the document, or from

22.1 the date the viatical settlement provider receives the documents, if the viator erroneously
22.2 provides the documents directly to the provider, the provider shall pay or transfer the
22.3 proceeds of the viatical settlement into an escrow or trust account maintained in a state- or
22.4 federally chartered financial institution whose deposits are insured by the Federal Deposit
22.5 Insurance Corporation (FDIC). Upon payment of the settlement proceeds into the escrow
22.6 account, the escrow agent shall deliver the original change in ownership, assignment, or
22.7 change in beneficiary forms to the viatical settlement provider or related provider trust
22.8 or other designated representative of the viatical settlement provider. Upon the escrow
22.9 agent's receipt of the acknowledgment of the properly completed transfer of ownership,
22.10 assignment, or designation of beneficiary from the insurance company, the escrow agent
22.11 shall pay the settlement proceeds to the viator.

22.12 Subd. 6. **Tendering consideration.** Failure to tender consideration to the viator
22.13 for the viatical settlement contract within the time set forth in the disclosure pursuant
22.14 to section 60A.9577, subdivision 1, clause (7), renders the viatical settlement contract
22.15 voidable by the viator for lack of consideration until the time consideration is tendered to
22.16 and accepted by the viator. Funds shall be deemed sent by a viatical settlement provider
22.17 to a viator as of the date that the escrow agent either releases funds for wire transfer
22.18 to the viator or places a check for delivery to the viator by United States mail or other
22.19 nationally recognized delivery service.

22.20 Subd. 7. **Health status contacts.** Contacts with the insured for the purpose of
22.21 determining the health status of the insured by the viatical settlement provider or viatical
22.22 settlement broker after the viatical settlement has occurred shall only be made by the
22.23 viatical settlement provider or broker licensed in this state or its authorized representatives
22.24 and shall be limited to once every three months for insureds with a life expectancy of more
22.25 than one year, and to no more than once per month for insureds with a life expectancy of
22.26 one year or less. The provider or broker shall explain the procedure for these contacts at
22.27 the time the viatical settlement contract is entered into. The limitations in this subdivision
22.28 shall not apply to any contacts with an insured for reasons other than determining the
22.29 insured's health status. Viatical settlement providers and viatical settlement brokers shall
22.30 be responsible for the actions of their authorized representatives.

22.31 **Sec. 10. [60A.9581] PROHIBITED PRACTICES AND CONFLICTS OF**
22.32 **INTEREST.**

22.33 Subdivision 1. **Solicitations and sales to controlled person.** With respect to any
22.34 viatical settlement contract or insurance policy, no viatical settlement broker knowingly
22.35 shall solicit an offer from, effectuate a viatical settlement with, or make a sale to any

23.1 viatical settlement provider, viatical settlement purchaser, viatical settlement investment
23.2 agent, financing entity, or related provider trust that is controlling, controlled by, or under
23.3 common control with a viatical settlement broker.

23.4 Subd. 2. **Payment to controlled broker.** With respect to any viatical settlement
23.5 contract or insurance policy, no viatical settlement provider knowingly may enter into
23.6 a viatical settlement contract with a viator, if, in connection with a viatical settlement
23.7 contract, anything of value will be paid to a viatical settlement broker that is controlling,
23.8 controlled by, or under common control with a viatical settlement provider or the viatical
23.9 settlement purchaser, viatical settlement investment agent, financing entity, or related
23.10 provider trust that is involved in a viatical settlement contract.

23.11 Subd. 3. **Fraudulent viatical settlement act.** A violation of subdivisions 1 and 2 is
23.12 deemed a fraudulent viatical settlement act.

23.13 Subd. 4. **Advertising.** (a) No viatical settlement provider shall enter into a viatical
23.14 settlement contract unless the viatical settlement promotional, advertising, and marketing
23.15 materials, as may be prescribed by rule, have been filed with the commissioner. In no
23.16 event shall any marketing materials expressly reference that the insurance is "free" for
23.17 any period of time. The inclusion of any reference in the marketing materials that would
23.18 cause a viator to reasonably believe that the insurance is free for any period of time shall
23.19 be considered a violation of sections 60A.957 to 60A.9585.

23.20 (b) No life insurance producer, insurance company, viatical settlement broker,
23.21 viatical settlement provider, or viatical settlement investment agent shall make any
23.22 statement or representation to the applicant or policyholder in connection with the sale or
23.23 financing of a life insurance policy to the effect that the insurance is free or without cost to
23.24 the policyholder for any period of time unless provided in the policy.

23.25 Sec. 11. **[60A.9582] ADVERTISING FOR VIATICAL SETTLEMENTS AND**
23.26 **VIATICAL SETTLEMENTS PURCHASE AGREEMENTS.**

23.27 Subdivision 1. **Application.** This section applies to any advertising of viatical
23.28 settlement contracts, viatical purchase agreements, or related products or services intended
23.29 for dissemination in this state, including Internet advertising viewed by persons located in
23.30 this state. Where disclosure requirements are established pursuant to federal regulation,
23.31 this section shall be interpreted so as to minimize or eliminate conflict with federal
23.32 regulation wherever possible.

23.33 Subd. 2. **System of control.** Every viatical settlement licensee shall establish and at
23.34 all times maintain a system of control over the content, form, and method of dissemination
23.35 of all advertisements of its contracts, products, and services. All advertisements,

24.1 regardless of by whom written, created, designed, or presented, shall be the responsibility
24.2 of the viatical settlement licensees, as well as the individual who created or presented the
24.3 advertisement. A system of control shall include regular routine notification, at least once
24.4 a year, to agents and others authorized by the viatical settlement licensee who disseminate
24.5 advertisements of the requirements and procedures for approval prior to the use of any
24.6 advertisements not furnished by the viatical settlement licensee.

24.7 Subd. 3. **Form and content.** Advertisements shall be truthful and not misleading in
24.8 fact or by implication. The form and content of an advertisement of a viatical settlement
24.9 contract or viatical settlement purchase agreement, product, or service shall be sufficiently
24.10 complete and clear so as to avoid deception and it shall not have the capacity or tendency
24.11 to mislead or deceive. Whether an advertisement has the capacity or tendency to mislead
24.12 or deceive shall be determined by the commissioner from the overall impression that the
24.13 advertisement may be reasonably expected to create upon a person of average education
24.14 or intelligence within the segment of the public to which it is directed.

24.15 Subd. 4. **False and misleading advertisements.** Certain viatical settlement
24.16 advertisements are deemed false and misleading on their face and are prohibited. False
24.17 and misleading viatical settlement advertisements include, but are not limited to, the
24.18 following representations:

24.19 (1) "guaranteed," "fully secured," "100 percent secured," "fully insured," "secure,"
24.20 "safe," "backed by rated insurance companies," "backed by federal law," "backed by state
24.21 law," "state guaranty funds," or similar representations;

24.22 (2) "no risk," "minimal risk," "low risk," "no speculation," "no fluctuation," or
24.23 similar representations;

24.24 (3) "qualified or approved for individual retirement accounts (IRAs), Roth IRAs,
24.25 401(k) plans, simplified employee pensions (SEP), 403(b), Keogh plans, TSA, other
24.26 retirement account rollovers," "tax deferred," or similar representations;

24.27 (4) utilization of the word "guaranteed" to describe the fixed return, annual return,
24.28 principal, earnings, profits, investment, or similar representations;

24.29 (5) "no sales charges or fees" or similar representations;

24.30 (6) "high yield," "superior return," "excellent return," "high return," "quick profit,"
24.31 or similar representations; and

24.32 (7) purported favorable representations or testimonials about the benefits of viatical
24.33 settlement contracts or viatical settlement purchase agreements as an investment, taken
24.34 out of context from newspapers, trade papers, journals, radio and television programs, and
24.35 all other forms of print and electronic media.

25.1 Subd. 5. Disclosures regulated. (a) The information required to be disclosed under
25.2 this section shall not be minimized, rendered obscure, or presented in ambiguous fashion
25.3 or intermingled with the text of the advertisement so as to be confusing or misleading.

25.4 (b) An advertisement shall not omit material information or use words, phrases,
25.5 statements, references, or illustrations if the omission or use has the capacity, tendency,
25.6 or effect of misleading or deceiving viators, purchasers, or prospective purchasers as to
25.7 the nature or extent of any benefit, loss covered, premium payable, or state or federal tax
25.8 consequence. The fact that the viatical settlement contract or viatical settlement purchase
25.9 agreement offered is made available for inspection prior to consummation of the sale, or
25.10 an offer is made to refund the payment if the viator is not satisfied or that the viatical
25.11 settlement contract or viatical settlement purchase agreement includes a "free look" period
25.12 that satisfies or exceeds legal requirements, does not remedy misleading statements.

25.13 (c) An advertisement shall not use the name or title of a life insurance company or a
25.14 life insurance policy unless the advertisement has been approved by the insurer.

25.15 (d) An advertisement shall not represent that premium payments will not be required
25.16 to be paid on the life insurance policy that is the subject of a viatical settlement contract
25.17 or viatical settlement purchase agreement in order to maintain that policy, unless that
25.18 is the fact.

25.19 (e) An advertisement shall not state or imply that interest charged on an accelerated
25.20 death benefit or a policy loan is unfair, inequitable, or in any manner an incorrect or
25.21 improper practice.

25.22 (f) The words "free," "no cost," "without cost," "no additional cost," "at no extra
25.23 cost," or words of similar import shall not be used with respect to any benefit or service
25.24 unless true. An advertisement may specify the charge for a benefit or a service or may
25.25 state that a charge is included in the payment or use other appropriate language.

25.26 (g) Testimonials, appraisals, or analysis used in advertisements must be genuine;
25.27 represent the current opinion of the author; be applicable to the viatical settlement contract
25.28 or viatical settlement purchase agreement product or service advertised, if any; and be
25.29 accurately reproduced with sufficient completeness to avoid misleading or deceiving
25.30 prospective viators or purchasers as to the nature or scope of the testimonials, appraisal,
25.31 analysis, or endorsement. In using testimonials, appraisals, or analysis, a licensee under
25.32 sections 60A.957 to 60A.9585 makes as its own all the statements contained therein, and
25.33 the statements are subject to all the provisions of this section.

25.34 (h) If the individual making a testimonial, appraisal, analysis, or endorsement has
25.35 a financial interest in the party making use of the testimonial, appraisal, analysis, or
25.36 endorsement, either directly or through a related entity as a stockholder, director, officer,

26.1 employee, or otherwise, or receives any benefit directly or indirectly other than required
26.2 union-scale wages, that fact shall be prominently disclosed in the advertisement.

26.3 (i) An advertisement shall not state or imply that a viatical settlement contract or
26.4 viatical settlement purchase agreement, benefit, or service has been approved or endorsed
26.5 by a group of individuals, society, association, or other organization unless that is the
26.6 fact and unless any relationship between an organization and the viatical settlement
26.7 licensee is disclosed. If the entity making the endorsement or testimonial is owned,
26.8 controlled, or managed by the viatical settlement licensee, or receives any payment or
26.9 other consideration from the viatical settlement licensee for making an endorsement or
26.10 testimonial, that fact shall be disclosed in the advertisement.

26.11 (j) When an endorsement refers to benefits received under a viatical settlement
26.12 contract or viatical settlement purchase agreement, all pertinent information shall be
26.13 retained for a period of five years after its use.

26.14 Subd. 6. **Statistics.** An advertisement shall not contain statistical information unless
26.15 it accurately reflects recent and relevant facts. The source of all statistics used in an
26.16 advertisement shall be identified.

26.17 Subd. 7. **Disparaging advertisements.** An advertisement shall not disparage
26.18 insurers, viatical settlement providers, viatical settlement brokers, viatical settlement
26.19 investment agents, insurance producers, policies, services, or methods of marketing.

26.20 Subd. 8. **Licensee's name.** The name of the viatical settlement licensee shall be
26.21 clearly identified in all advertisements about the licensee or its viatical settlement contract
26.22 or viatical settlement purchase agreements, products, or services, and if any specific
26.23 viatical settlement contract or viatical settlement purchase agreement is advertised, the
26.24 viatical settlement contract or viatical settlement purchase agreement shall be identified
26.25 either by form number or some other appropriate description. If an application is part
26.26 of the advertisement, the name of the viatical settlement provider shall be shown on
26.27 the application.

26.28 Subd. 9. **Licensee disclosure.** An advertisement shall not use a trade name, group
26.29 designation, name of the parent company of a viatical settlement licensee, name of a
26.30 particular division of the viatical settlement licensee, service mark, slogan, symbol, or
26.31 other device or reference without disclosing the name of the viatical settlement licensee, if
26.32 the advertisement would have the capacity or tendency to mislead or deceive as to the
26.33 true identity of the viatical settlement licensee, or to create the impression that a company
26.34 other than the viatical settlement licensee would have any responsibility for the financial
26.35 obligation under a viatical settlement contract or viatical settlement purchase agreement.

27.1 Subd. 10. **Government sponsorship; misleading advertisements.** An
27.2 advertisement shall not use any combination of words, symbols, or physical materials that
27.3 by their content, phraseology, shape, color, or other characteristics are so similar to a
27.4 combination of words, symbols, or physical materials used by a government program or
27.5 agency or otherwise appear to be of such a nature that they tend to mislead prospective
27.6 viators or purchasers into believing that the solicitation is in some manner connected with
27.7 a government program or agency.

27.8 Subd. 11. **State licensure.** An advertisement may state that a viatical settlement
27.9 licensee is licensed in the state where the advertisement appears, provided it does not
27.10 exaggerate that fact or suggest or imply that a competing viatical settlement licensee may
27.11 not be so licensed. The advertisement may ask the audience to consult the licensee's Web
27.12 site or contact the Department of Commerce to find out if the state requires licensing
27.13 and, if so, whether the viatical settlement provider, viatical settlement broker, or viatical
27.14 settlement investment agent is licensed.

27.15 Subd. 12. **Government entity endorsement.** An advertisement shall not create
27.16 the impression that the viatical settlement provider, its financial condition or status, the
27.17 payment of its claims, or the merits, desirability, or advisability of its viatical settlement
27.18 contracts or viatical settlement purchase agreement forms are recommended or endorsed
27.19 by any government entity.

27.20 Subd. 13. **Name.** The name of the actual licensee shall be stated in all of its
27.21 advertisements. An advertisement shall not use a trade name, any group designation, name
27.22 of any affiliate or controlling entity of the licensee, service mark, slogan, symbol, or other
27.23 device in a manner that would have the capacity or tendency to mislead or deceive as to
27.24 the true identity of the actual licensee or create the false impression that an affiliate or
27.25 controlling entity would have any responsibility for the financial obligation of the licensee.

27.26 Subd. 14. **Government approval.** An advertisement shall not directly or indirectly
27.27 create the impression that any division or agency of the state or of the United States
27.28 government endorses, approves, or favors:

27.29 (1) any viatical settlement licensee or its business practices or methods of operation;

27.30 (2) the merits, desirability, or advisability of any viatical settlement contract or
27.31 viatical settlement purchase agreement;

27.32 (3) any viatical settlement contract or viatical settlement purchase agreement; or

27.33 (4) any life insurance policy or life insurance company.

27.34 Subd. 15. **Time frame disclosure.** If the advertiser emphasizes the speed with
27.35 which the viatication will occur, the advertising must disclose the average time frame from

28.1 completed application to the date of offer and from acceptance of the offer to receipt of
28.2 the funds by the viator.

28.3 Subd. 16. **Average purchase price.** If the advertising emphasizes the dollar amounts
28.4 available to viators, the advertising shall disclose the average purchase price as a percent
28.5 of face value obtained by viators contracting with the licensee during the past six months.

28.6 Sec. 12. [60A.9583] **FRAUD PREVENTION AND CONTROL.**

28.7 Subdivision 1. **Fraudulent viatical settlement acts, interference, and**
28.8 **participation of convicted felons prohibited.** (a) A person who commits a fraudulent
28.9 viatical settlement act commits insurance fraud and may be sentenced under section
28.10 609.611, subdivision 3.

28.11 (b) A person shall not knowingly or intentionally interfere with the enforcement of
28.12 the provisions of sections 60A.957 to 60A.9585 or investigations of suspected or actual
28.13 violations of sections 60A.957 to 60A.9585.

28.14 (c) A person in the business of viatical settlements shall not knowingly or
28.15 intentionally permit any person convicted of a felony involving dishonesty or breach of
28.16 trust to participate in the business of viatical settlements.

28.17 Subd. 2. **Fraud warning required.** (a) Viatical settlements contracts and purchase
28.18 agreement forms and applications for viatical settlements, regardless of the form of
28.19 transmission, shall contain the following statement or a substantially similar statement:
28.20 "Any person who knowingly presents false information in an application for insurance or
28.21 viatical settlement contract or a viatical settlement purchase agreement is guilty of a crime
28.22 and may be subject to fines and confinement in prison."

28.23 (b) The lack of a statement as required in paragraph (a) does not constitute a defense
28.24 in any prosecution for a fraudulent viatical settlement act.

28.25 Subd. 3. **Mandatory reporting of fraudulent viatical settlement acts.** Any
28.26 person engaged in the business of viatical settlements having knowledge or a reasonable
28.27 suspicion that a fraudulent viatical settlement act is being, will be, or has been committed
28.28 shall provide to the commissioner such information as required by, and in a manner
28.29 prescribed by, the commissioner.

28.30 Subd. 4. **Viatical settlement antifraud initiatives.** (a) Viatical settlement providers
28.31 and viatical settlement brokers shall have in place antifraud initiatives reasonably
28.32 calculated to detect, prosecute, and prevent fraudulent viatical settlement acts. At the
28.33 discretion of the commissioner, the commissioner may order, or a licensee may request
28.34 and the commissioner may grant, such modifications of the following required initiatives
28.35 as necessary to ensure an effective antifraud program. The modifications may be more or

29.1 less restrictive than the required initiatives so long as the modifications may reasonably be
29.2 expected to accomplish the purpose of this section.

29.3 (b) Antifraud initiatives shall include:

29.4 (1) fraud investigators, who may be viatical settlement provider or viatical settlement
29.5 broker employees or independent contractors; and

29.6 (2) an antifraud plan, which shall be submitted to the commissioner. The antifraud
29.7 plan shall include, but not be limited to:

29.8 (i) a description of the procedures for detecting and investigating possible fraudulent
29.9 viatical settlement acts and procedures for resolving material inconsistencies between
29.10 medical records and insurance applications;

29.11 (ii) a description of the procedures for reporting possible fraudulent viatical
29.12 settlement acts to the commissioner;

29.13 (iii) a description of the plan for antifraud education and training of underwriters
29.14 and other personnel; and

29.15 (iv) a description or chart outlining the organizational arrangement of the antifraud
29.16 personnel who are responsible for the investigation and reporting of possible fraudulent
29.17 viatical settlement acts and investigating unresolved material inconsistencies between
29.18 medical records and insurance applications.

29.19 (c) Antifraud plans submitted to the commissioner shall be privileged and
29.20 confidential and shall not be a public record and shall not be subject to discovery or
29.21 subpoena in a civil or criminal action.

29.22 **Sec. 13. [60A.9585] UNFAIR TRADE PRACTICES.**

29.23 A violation of sections 60A.957 to 60A.9585, including the commission of a
29.24 fraudulent viatical settlement act, shall be considered an unfair trade practice under
29.25 section 72A.20.

29.26 **Sec. 14. Minnesota Statutes 2008, section 60A.964, subdivision 1, is amended to read:**

29.27 **Subdivision 1. Amount.** The licensing fee for a viatical settlement provider, viatical
29.28 settlement broker, or viatical settlement investment agent license is \$750 for initial
29.29 licensure and \$250 for each annual renewal. The fees must be limited to the cost of license
29.30 administration and enforcement and must be deposited in the state treasury, credited to
29.31 a special account, and appropriated to the commissioner.

29.32 **Sec. 15. REPEALER.**

30.1 Minnesota Statutes 2008, sections 60A.961; 60A.962; 60A.963; 60A.965; 60A.966;
30.2 60A.967; 60A.968; 60A.969; 60A.970; 60A.971; 60A.972; 60A.973; and 60A.974, are
30.3 repealed.

30.4 Sec. 16. **EFFECTIVE DATE; APPLICATION.**

30.5 This act is effective August 1, 2009. A viatical settlement provider, viatical
30.6 settlement broker, or viatical settlement investment agent transacting business in this
30.7 state may continue to do so pending approval or disapproval of the provider's, broker's,
30.8 or investment agent's application for a license as long as the application is filed with
30.9 the commissioner by December 31, 2009.

60A.961 DEFINITIONS.

Subdivision 1. **Application.** For the purposes of sections 60A.961 to 60A.974, the definitions in this section have the meanings given them.

Subd. 2. **Person.** "Person" means a natural or artificial entity, including individuals, partnerships, associations, trusts, limited liability companies, or corporations.

Subd. 3. **Viatical settlement broker.** "Viatical settlement broker" means an individual, partnership, limited liability company, corporation, or other entity who or which for another and for a fee, commission, or other valuable consideration, offers or advertises the availability of viatical settlements, introduces viators to viatical settlement providers, or offers or attempts to negotiate viatical settlements between a viator and one or more viatical settlement providers. "Viatical settlement broker" does not include an attorney, accountant, or financial planner retained to represent the viator whose compensation is not paid by the viatical settlement provider.

Subd. 4. **Viatical settlement contract.** "Viatical settlement contract" means a written agreement entered into between a viatical settlement provider and a person owning a life insurance policy or who owns or is covered under a group policy insuring the life of a person who has a catastrophic or life threatening illness or condition. The agreement must establish the terms under which the viatical settlement provider will pay compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the policy owner's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy or certificate to the viatical settlement provider.

Subd. 5. **Viatical settlement provider.** "Viatical settlement provider" means an individual, partnership, limited liability company, corporation, or other entity that enters into an agreement with a person owning a life insurance policy or who owns or is covered under a group policy insuring the life of a person who has a catastrophic or life threatening illness or condition, under the terms of which the viatical settlement provider pays compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the policy owner's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy or certificate to the viatical settlement provider. Viatical settlement provider does not include:

(1) a bank, savings bank, savings association, credit union, or other licensed lending institution that takes an assignment of a life insurance policy as collateral for a loan;

(2) the issuer of a life insurance policy providing accelerated benefits under section 61A.072; or

(3) a natural person who enters into no more than one agreement in a calendar year for the transfer of life insurance policies for any value less than the expected death benefit.

Subd. 6. **Viator.** "Viator" means the owner or certificate holder of a life insurance policy insuring the life of a person with a catastrophic or life threatening illness or condition who enters into an agreement under which the viatical settlement provider will pay compensation or anything of value, which compensation or value is less than the expected death benefit of the insurance policy or certificate, in return for the viator's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy or certificate to the viatical settlement provider.

60A.962 LICENSE REQUIREMENTS.

Subdivision 1. **License.** No individual, partnership, limited liability company, corporation, or other entity may act as a viatical settlement provider or enter into or solicit a viatical settlement contract without first having obtained a license from the commissioner of commerce.

Subd. 2. **Form.** An applicant for a viatical settlement provider license shall submit an application to the commissioner of commerce on a form prescribed by the commissioner.

Subd. 3. **Contents.** The applicant shall provide information that the commissioner requires on forms prepared by the commissioner. The commissioner may, at any time, require the applicant to fully disclose the identity of all shareholders, members, partners, officers, and employees. The commissioner may, in the exercise of discretion, refuse to issue a license in the name of a firm, partnership, limited liability company, or corporation if not satisfied that an officer, employee, shareholder, member, or partner who may materially influence the applicant's conduct meets the requirements of sections 60A.961 to 60A.974.

Subd. 4. **Named persons.** A license issued to a partnership, limited liability company, corporation, or other entity authorizes all members, officers, partners, and designated employees to act as viatical settlement providers under the license, and all those persons must be named in the application and any supplements to the application.

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Subd. 5. **Investigation.** Upon the filing of an application and the payment of the license fee, the commissioner shall investigate each applicant and may issue a license if the commissioner finds that the applicant:

- (1) has provided a detailed plan of operation;
- (2) is competent and trustworthy and intends to act in good faith in the capacity involved in the license applied for;
- (3) has a good business reputation and has had experience, training, or education so as to be qualified in the business for which the license is applied for; and
- (4) if a corporation is a corporation incorporated under the laws of this state or a foreign corporation authorized to transact business in this state.

60A.963 SERVICE OF PROCESS; NONRESIDENT LICENSING.

Subdivision 1. **License.** A nonresident of this state may be licensed as a viatical settlement provider upon compliance with all provisions of sections 60A.961 to 60A.974.

Subd. 2. **Service of process.** Section 45.028 applies to service of process upon a viatical settlement provider.

60A.965 LICENSE REVOCATION.

Subdivision 1. **Revocation.** The commissioner may suspend, revoke, or refuse to renew the license of a viatical settlement provider if the commissioner finds that:

- (1) there was any misrepresentation in the application for the license;
- (2) the holder of the license has been found guilty of fraudulent or dishonest practices, is subject to a final administrative action or is otherwise shown to be untrustworthy or incompetent to act as a viatical settlement provider;
- (3) the licensee demonstrates a pattern of unreasonable payments to policy owners;
- (4) the licensee has been convicted of a felony or a misdemeanor of which criminal fraud is an element; or
- (5) the licensee has violated any of the provisions of sections 60A.961 to 60A.974.

Subd. 2. **Administrative action.** Section 45.027 applies to any action taken by the commissioner in connection with the administration of sections 60A.961 to 60A.974.

60A.966 APPROVAL OF VIATICAL SETTLEMENTS CONTRACT FORMS.

A viatical settlement provider or broker may not use a viatical settlement contract form in this state unless it has been filed with and approved by the commissioner. A viatical settlement contract form filed with the commissioner is considered to have been approved if it has not been disapproved within 60 days of the filing. The commissioner shall disapprove a viatical settlement contract form if, in the commissioner's opinion, the contract or contract provisions are unreasonable, contrary to the interests of the public, or otherwise misleading or unfair to the policy owner.

60A.967 REPORTING REQUIREMENTS.

Each licensee shall file with the commissioner on or before March 1 of each year an annual statement containing the following information for the previous calendar year:

- (1) for each policy viaticated, the date that the viatical settlement was entered into; the life expectancy of the viator at the time of the contract; the face amount of the policy; the amount paid by the viatical settlement provider to viaticate the policy; and if the viator has died, the date of death and the total insurance premiums paid by the viatical settlement provider to maintain the policy in force;
- (2) a breakdown of applications received, accepted, and rejected, by disease category;
- (3) a breakdown of policies viaticated by issuer and policy type;
- (4) the number of secondary market versus primary market transactions;
- (5) the portfolio size; and
- (6) the amount of outside borrowings.

60A.968 EXAMINATION.

Subdivision 1. **Authorization.** The commissioner may, when the commissioner considers it reasonably necessary to protect the interests of the public, examine the business and affairs of a licensee or applicant for a license. The commissioner may order a licensee or applicant to produce

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records, books, files, or other information reasonably necessary to determine whether or not the licensee or applicant is acting or has acted in violation of the law or otherwise contrary to the interests of the public. The licensee or applicant shall pay the expenses incurred in conducting an examination.

Subd. 2. **Private data.** Names and individual identification data for all viators is private and confidential information and must not be disclosed by the commissioner, unless required by law.

Subd. 3. **Records.** The licensee shall maintain records of all transactions of viatical settlement contracts and shall make them available to the commissioner for inspection during reasonable business hours.

60A.969 DISCLOSURE.

A viatical settlement provider or a broker shall disclose the following information to the viator no later than the date an application is given to the viator:

(1) possible alternatives to viatical settlement contracts for persons with catastrophic or life threatening illnesses, including accelerated benefits offered by the issuer of the life insurance policy;

(2) the fact that some or all of the proceeds of the viatical settlement may be taxable and that assistance should be sought from a personal tax advisor;

(3) the fact that the viatical settlement may be subject to the claims of creditors;

(4) the fact that receipt of a viatical settlement may adversely affect the recipients' eligibility for Medicaid or other government benefits or entitlements and that advice should be obtained from the appropriate agencies;

(5) the policy owner's right to rescind a viatical settlement contract within 30 days of the date it is executed by all parties or 15 days of the receipt of the viatical settlement proceeds by the viator, whichever is less, as provided in section 60A.970, subdivision 3; and

(6) the date by which the funds will be available to the viator and the source of the funds.

60A.970 GENERAL REQUIREMENTS.

Subdivision 1. **Required documents.** A viatical settlement provider entering into a viatical settlement contract with a person with a catastrophic or life threatening illness or condition shall first obtain:

(1) a written statement from a licensed attending physician that the person is of sound mind and under no constraint or undue influence; and

(2) a witnessed document in which the person consents to the viatical settlement contract, acknowledges the catastrophic or life threatening illness, represents that the person has a full and complete understanding of the viatical settlement contract, acknowledges that the person has a full and complete understanding of the benefits of the life insurance policy, releases the person's medical records, and acknowledges that the person has entered into the viatical settlement contract freely and voluntarily.

Subd. 2. **Confidentiality of medical information.** All medical information solicited or obtained by a licensee is subject to the applicable provisions of state law relating to confidentiality of medical information.

Subd. 3. **Unconditional refund provision.** All viatical settlement contracts entered into in this state must contain an unconditional refund provision of at least 30 days from the date that the viator signs an agreement to transfer an insurance policy or 15 days of the receipt of the viatical settlement proceeds, whichever is less.

Subd. 4. **Payment of proceeds.** Immediately upon receipt from the viator of documents to effect the transfer of the insurance policy, the viatical settlement provider shall pay the proceeds of the settlement to an escrow or trust account managed by a trustee or escrow agent in a bank approved by the commissioner, pending acknowledgment of the transfer by the issuer of the policy. The trustee or escrow agent must transfer the proceeds due to the viator immediately upon receipt of acknowledgment of the transfer from the insurer. Payment of the proceeds must be made by means of wire transfer to the viator or by certified check or cashier's check.

Subd. 5. **Lump sum payment.** Payment of the proceeds under a viatical settlement must be made in a lump sum. Retention of a portion of the proceeds by the viatical settlement provider or escrow agent is not permissible. Payment must not be made by installments unless the viatical settlement company has purchased an annuity or similar financial instrument issued by a licensed insurance company or bank.

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Subd. 6. **Additional payment.** With respect to policies containing a provision for double or other additional indemnity for accidental death, the additional payment must remain payable to the beneficiary last named by the viator before entering into the viatical settlement agreement, or to a beneficiary designated by the viator, other than the viatical settlement provider, or in the absence of a designation, to the estate of the viator.

Subd. 7. **Prohibited payments.** A viatical settlement provider or broker must not pay or offer to pay a finder's fee, commission, or other compensation to a viator's physician, attorney, accountant, or other person providing medical, legal, or financial planning services to the viator, or to any other person acting as an agent of the viator with respect to the viatical settlement.

Subd. 8. **Discrimination prohibited.** A viatical settlement provider or broker must not discriminate in the making of viatical settlements on the basis of race, age, sex, national origin, creed, religion, occupation, marital or family status, or sexual orientation, or discriminate between viators with dependents and without.

Subd. 9. **Health status contacts.** Contacts for the purpose of determining the health status of the viator by the viatical settlement provider or broker after the viatical settlement has occurred must not exceed one every three months for viators with a life expectancy of more than one year and must not exceed one per month for viators with a life expectancy of one year or less. The provider or broker must explain the procedure for these contacts at the time the viatical settlement contract is entered into.

Subd. 10. **Prohibited investor solicitation.** Viatical settlement providers and brokers shall not solicit investors who may influence the treatment of the illness of the viators whose coverage is the subject of the investment.

Subd. 11. **Contract null and void.** Failure to tender the viatical settlement by the date disclosed to the viator renders the contract null and void.

60A.971 STANDARDS FOR EVALUATION OF REASONABLE PAYMENTS.

In order to assure that viators receive a reasonable return for viaticating an insurance policy, the following are the minimum permitted discounts:

Insured's Life Expectancy	Minimum Percentage of Face Value Less Outstanding Loans Received by Viator
Less than 6 months	80%
At least 6 but less than 12 months	70%
At least 12 but less than 18 months	65%
At least 18 but less than 24 months	60%
Twenty-four months or more	50%

The percentage may be reduced by five percent for viaticating a policy written by an insurer rated lower than the highest four categories by A.M. Best, or a comparable rating by another rating agency.

60A.972 VIATICAL SETTLEMENT BROKERS.

Subdivision 1. **License.** A viatical settlement broker may not solicit a viatical settlement contract without first obtaining a license from the commissioner of commerce.

Subd. 2. **Form.** An applicant for a viatical settlement broker license shall submit an application to the commissioner on a form prescribed by the commissioner.

Subd. 3. **Fees.** The licensing fee for a viatical settlement broker is \$750 for initial licensure and \$250 for each annual renewal. Failure to pay the renewal fee within the time required by the commissioner results in an automatic revocation of the license. The fees must be limited to the cost of license administration and enforcement and must be deposited in the state treasury, credited to a special account, and appropriated to the commissioner.

Subd. 4. **License limitation.** The license is a limited license which allows solicitation only of viatical settlements.

Subd. 5. **License revocation.** The commissioner may suspend, revoke, or refuse to renew the license of a viatical settlement broker if the commissioner finds that:

- (1) there was any misrepresentation in the application for a license;

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(2) the broker has been found guilty of fraudulent or dishonest practices, has been found guilty of a felony or a misdemeanor of which criminal fraud is an element, or is otherwise shown to be untrustworthy or incompetent;

(3) the licensee has placed or attempted to place a viatical settlement with a viatical settlement provider not licensed in this state; or

(4) the licensee has violated any of the provisions of sections 60A.961 to 60A.974.

Subd. 6. **Agent.** In the absence of a written agreement making the broker the viator's agent, viatical settlement brokers are presumed to be agents of viatical settlement providers.

Subd. 7. **Compensation prohibited.** A viatical settlement broker must not, without the written agreement of the viator obtained before performing any services in connection with a viatical settlement, seek or obtain any compensation from the viator.

60A.973 ADVERTISING STANDARDS.

Subdivision 1. **Generally.** Advertising by viatical settlement providers or brokers must be truthful and not misleading by fact or implication.

Subd. 2. **Average time.** If the advertiser emphasizes the speed with which the viatication will occur, the advertising must disclose the average time frame from completed application to the date of offer and from acceptance of the offer to receipt of the funds by the viator.

Subd. 3. **Average purchase price.** If the advertising emphasizes the dollar amounts available to viators, the advertising shall disclose the average purchase prices as a percent of face value obtained by viators contracting with the advertiser during the previous six months.

60A.974 UNFAIR TRADE PRACTICES.

A violation of sections 60A.961 to 60A.974 is an unfair trade practice under chapter 72A.