

Institutional Life Markets Association

March 26, 2007

VIA E-MAIL AND FEDEX

Honorable Julie McPeak
Chairperson, Life Insurance and Annuities "A" Committee
National Association of Insurance Commissioners 2301 McGee
Street, Suite 800
Kansas City, Missouri 64108-2662

RE: Viatical Settlements Model Act

Dear Commissioner McPeak:

The Institutional Life Markets Association ("ILMA") is a newly formed trade association comprised of a number of the world's leading institutional investors and intermediaries in the mortality and longevity marketplace, formed to encourage the prudent and competitive development of a suite of evolving mortality and longevity related financial businesses, including the businesses of life settlements and premium finance.

Enclosed for your benefit please find a copy of ILMA's Guiding Principles. These Guiding Principles, to which every ILMA member subscribes, set forth our beliefs as to how business in the mortality and longevity marketplace should be conducted and our goals for the industry.

We, the members of ILMA, believe that the development of a robust longevity and mortality market is crucial to addressing the interests of an aging population in which retirement is increasingly financed by personal savings and not defined benefit pension plans. The development of this market is also needed to address the interests of other holders of longevity and mortality risk, who are turning increasingly to the capital markets in order to manage this risk. As one of the most important and visible sectors of the longevity and mortality market, the life settlement business provides a consumer with the opportunity to capitalize on the economic value of his or her life insurance policy in much the same way as a consumer may capitalize on other assets in his or her portfolio.

[EXCERPTED]

Should you require additional information in connection with your review of the matters presented herein, please feel free to contact our government relations director, Mr. Jack Kelly of The McPherson Group at (202) 288-1011 or via email at jkelly@mcphersongroup.us.

We thank you for the opportunity to comment on this matter and we look forward to working with you toward the development of the life settlement and premium finance industries.

Very truly yours,

Institutional Life Markets Association



Philippe Hatstadt, Director

Enclosures

INSTITUTIONAL LIFE MARKETS ASSOCIATION

GUIDING PRINCIPLES

The Institutional Life Markets Association (ILMA) is a trade association comprised of a number of the world's leading institutional investors and intermediaries in the mortality and longevity marketplace, formed to encourage the prudent and competitive development of a suite of evolving mortality and longevity related financial businesses, including the businesses of life settlements and premium finance.

Life insurance is one of the most important financial assets a consumer owns, and the prudent regulation of the life settlement and premium finance industries is critically important to a consumer's ability to acquire such asset and, during the term thereof, to realize all of the economic opportunities associated therewith.

To help bring consensus among the various life insurance companies, life settlement providers, brokers, banks, premium finance lenders and other participants in the life settlement and premium finance industries, and to facilitate the promulgation of appropriate regulation and the development of industry "best practices," ILMA has formulated the following guiding principles to be considered when conducting business in this marketplace.

- Transparency. Consumers are entitled to transparency when engaging in life settlement and premium finance transactions. Accordingly, a consumer's representative should disclose all bids received and provide full disclosure of all fees and commissions payable to such representative. Industry participants should not engage in premium finance transactions designed to conceal the nature of a transaction from life insurance companies. When a consumer applies for a life settlement or premium finance program, an advisor should emphasize the consumer's obligation to complete the application truthfully and accurately.
- Suitability. Life settlements and premium finance loans are not appropriate for everyone. Industry participants should advise consumers applying for life settlements or premium finance loans to seek competent, professional advice to fully understand the risks involved and to determine whether a transaction is right for them.
- Consumer Choices. Consumers should have the ability to choose how to finance their life insurance policy and whether to hold the policy to maturity, surrender it for cash surrender value or settle it in the secondary market. Regulations that unnecessarily restrict such choices are anti-consumer and should not be supported.
- Fiduciary Duty. Life settlements and premium finance loans are complex financial transactions. Consumer representatives such as agents, brokers, and other advisors should be mindful of the fiduciary duty they owe to consumers who participate in such transactions, including helping consumers understand the value of a policy and how best to realize this value. The nature and scope of this fiduciary duty should be explained and defined at the start of the professional relationship.
- Insurable Interest Principle. Industry participants should support laws designed to deter transactions that seek to evade such insurable interest laws and principles.
- Policy Origination. No person should pay, directly or indirectly, an inducement to any prospective policy owner or insured for taking out a life insurance policy. Offers of "rebates," "free insurance" and similar questionable incentives should be prohibited.
- Protection of Insured's Identity. Industry participants should develop and implement procedures designed to appropriately safeguard the identity of insureds engaging in life settlement and premium finance transactions. These participants should make every effort to prevent the inappropriate disclosure of confidential information relating to an insured or to a particular transaction.

- Competition: A well regulated and competitive marketplace best serves the interest of consumers and industry participants. Industry participants should not support or engage in practices that seek to unlawfully restrict competition.
- Marketplace Education. Industry participants should seek to educate consumers, investors and others on legislative and administrative developments affecting the life settlement and premium finance industries. These persons should also seek to provide a forum for interested parties to examine and review such developments.

With these Guiding Principles as a basis, ILMA looks forward to engaging in a dialogue with the leaders of the life settlement and premium finance businesses to promote common interests and objectives and to develop industry "best practices." ILMA also looks forward to working with legislators and regulators to help design appropriate and consumer-oriented regulation.