

DEPARTMENT OF INSURANCE**Corporate and Regulatory Affairs**

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San Francisco, CA 94105

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TO: Certain Interested and Affected Parties
FROM: Audrie Lee
DATE: February 7, 2012
RE: Invitation to Prenotice Public Discussions on Contemplated Revisions to Life Settlement Regulations

Pursuant to California Government Code Section 11346.45, California Insurance Commissioner Dave Jones will hold prenotice public discussions regarding contemplated amendments to California Code of Regulations (“CCR”) Title 10, Chapter 5, Subchapter 3, Article 12.9, sections 2548 *et seq.*, “Life Settlements.” California Insurance Code Section 10113.35(a) authorizes the Commissioner to promulgate these regulations. Beyond technical amendments, the Commissioner is considering the following amendments to the life settlement regulations:

- Prohibiting the commingling or investment of escrowed life settlement proceeds due to the owner in a life settlement transaction
- Defining grounds for the denial of a license application or the revocation of a license. For life settlement providers, failure to show financial stability will serve as grounds.
- Regulating the life settlement transactions that allow the owner to retain an interest in the policy by requiring the owner to designate an irrevocable beneficiary and requiring contractual provisions intended to protect and preserve the seller’s interest.
- Permitting the owner who has entered a life settlement contract to purchase annuities and retain additional benefits or optional riders that were part of the insurance policy; however, if the owner elects not to purchase an annuity or continue any additional benefit or optional rider, such elections would be terminated when the life settlement takes place.
- Requiring any subsequent life settlement purchaser that transfers ownership or changes the beneficiary to notify the provider so that the provider may again notify the insured of the subsequent change in ownership or beneficiary.
- Clarifying that a life settlement provider applicant or licensee must disclose any pending investigations of any criminal, civil, regulatory, and administrative action(s) taken against the applicant or licensee

You are hereby invited to participate in these prenotice public discussions. The purpose of these discussions is to permit certain interested and affected persons an opportunity to present statements or comments with respect to the advisability of any such revisions.

Public discussions will be held on the following date, at the times and location specified below:

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Date: March 9, 2012
Location: California Department of Insurance
Administrative Hearing Bureau Hearing Room
45 Fremont Street, 22nd Floor
San Francisco CA 94105
Time: 10:00 a.m. to 12:00 noon and 1:30 p.m. to 4:00 p.m., or as soon after 10:00 a.m.
as all those wishing to speak have spoken, whichever is earlier

The facility to be used for these public discussions is accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify the undersigned, by March 2, 2012 in order to make special arrangements.

Space is limited so we ask that you limit your organization's representation to one individual.

Please be advised that participation in these prenotice public discussions will be in addition to, and not in substitution for, participation in any formal rulemaking process that may ensue. This invitation to prenotice public discussions does not constitute a Notice of Proposed Action under the Administrative Procedure Act. Consequently, comments (oral or written) received in connection with these prenotice public discussions will not be included in the rulemaking file, which would not be opened until formal notice is issued. Similarly, the Department is not required to respond to comments received before a Notice of Proposed Action has been published and a rulemaking file opened. For this reason, if you wish to have comments included in the rulemaking file, or to require the Department to respond to them as part of the process by which it may adopt this regulation, you must present your comments during the formal public comment period according to the procedures outlined in the Notice of Proposed Action at such time as that document may be issued, regardless of whether the comments have been made in connection with these prenotice public discussions. The Commissioner nonetheless welcomes your participation in these discussions, and hopes that any regulations that may subsequently be proposed can benefit from your input.

All inquiries regarding these prenotice public discussions should be directed to the undersigned.

Participants are requested to RSVP by March 2, 2012. Please RSVP by providing to Jean Hipon (ph. 415-538-4088, e-mail hiponj@insurance.ca.gov) your name, the name of the organization (if any) which you represent, your mailing address, telephone number, and email address. Because of building security procedures, gaining access to the pre-notice public discussions may be difficult for people who have not given their information to Ms. Hipon.

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