Speculator-Initiated Life Insurance

Center for Economic Justice Consumer Liaison

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What is SpinLife

• Speculator Initiated Life Insurance (SpinLife per Professor Belth)
• Stranger Owned Life Insurance (SOLI)
• Investor Owned Life Insurance (IOLI)
Concerns About SpinLife

• No Insurable Interest
• Sales Abuses of Seniors

• Reduce Lapse Ratio, Profitability of Insurers
How Can Spin Life Investors Make Money?

• Why would an investor engage in a SpinLife transaction?

• Belth:
  – Insured currently in poor health
  – Insurance company underpriced the policy when issued
  – Investor given false or incomplete information
Secondary Market

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

• Lapse-supported pricing: profitability despite underpricing of policy.

• Industry actuary: “Lapse supported pricing is not only unfair, but in the long run, it’s unworkable”

• SpinLife threatens lapse-supported pricing and insurer profitability
Proposed Regulatory Solutions Threaten Second Market and Critical Consumer Protections

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

Better Pricing By Insurers:

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