



# LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON  
COMMISSIONER

## BULLETIN NO. 2010-02

**TO: ALL LIFE INSURANCE COMPANIES AND ALL PRODUCERS  
LICENSED TO SELL LIFE AND ANNUITY PRODUCTS IN LOUISIANA**

**FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE**

**RE: STRANGER ORIGINATED ANNUITY TRANSACTIONS**

**DATE: JULY 6, 2010**

The Louisiana Department of Insurance (LDOI) has recently become aware of certain transactions in other states involving investors and/or insurance producers who pay a fee to a terminally ill stranger for the use of that individual's identity as the measuring life on an investment-oriented annuity. Although the LDOI has received no reports of such "stranger-originated annuity transactions" occurring in Louisiana, as have occurred in other states, Bulletin No. 2010-02 is issued to remind the industry of the application of current law in this area and to encourage insurers to implement safeguards that prevent any such improper transactions.

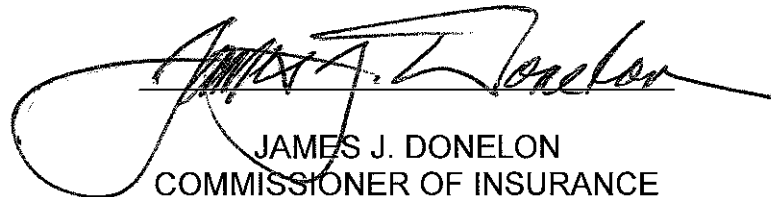
The individuals typically targeted in these improper transactions are in extremely poor health, reside in nursing homes or hospices, and are not expected to live beyond the first year of the annuity contract. In order to identify prospects for these types of transactions, these unscrupulous investors often utilize aggressive and misleading flyers and advertisements designed for the terminally ill. Once an unwitting individual has been found and agrees to the terms of the arrangement, a producer will complete the annuity application and ensure that particular elements (e.g. guaranteed minimum life benefits) are in place in order to facilitate a potentially generous rate of return for those financing the investment. According to the fact patterns and descriptions provided to the LDOI, these transactions would be violations of LSA-R.S. 22:901 if conducted in the state of Louisiana.

Such annuity transactions have financial implications for the insurers who accept these applications and subsequently issue the annuity contracts as well as potentially adverse consequences for consumers. Life insurance companies should proactively take measures to help prevent the occurrence of these transactions. Life insurance companies are specifically encouraged to:

- Establish detection measures to identify stranger originated annuity transactions, dubious applications related to such transactions, and any insurance producers who may be involved in the facilitation of these improper agreements.
- Review all annuity application forms to ensure that all applicable, relevant and appropriate information concerning the annuitant's health status and life expectancy is collected.
- Ensure company and producer compliance with applicable, relevant and appropriate state and federal requirements, including but not limited to the prohibitions against unclear and misleading communications, rebating, and fraudulent insurance acts outlined in LSA-R.S. 22:1961, et seq., and Regulation 89 Suitability in Annuity Transactions.
- Report potential stranger originated annuity transactions to the LDOI.

Any questions regarding Bulletin No. 2010-02 may be directed to the Division of Life and Annuities, Louisiana Department of Insurance, at (225) 342-1258.

Baton Rouge, Louisiana this 6th day of July 2010.



JAMES J. DONELON  
COMMISSIONER OF INSURANCE