

**State of Rhode Island and Providence Plantations**  
**DEPARTMENT OF BUSINESS REGULATION**  
*Division of Insurance*  
**1511 Pontiac Avenue, Bldg. 69-2**  
**Cranston, Rhode Island 02920**

**CONCISE EXPLANATORY STATEMENT**

**Insurance Regulation 115 – Life Settlements**

The Department of Business Regulation (“Department”) hereby adopts Insurance Regulation 115 effective July 1, 2010 and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The Department makes these amendments in order to establish standards and procedures for the licensing of life settlement brokers and providers; to govern the conduct of life settlement brokers and providers and to establish standards for contract forms, disclosures and advertising in Rhode Island in accordance with the Life Settlements Statutes R.I. Gen. Laws § 27-72-1 *et seq.* The differences between the text of the proposed rule as published in accordance with R.I. Gen. Laws § 42-35-3 and the rule as adopted are as follows:

1. Section 4 - has been amended to incorporate by reference the definitions of R.I. Gen. Laws § 27-72-1 *et seq.* Since the definitions of Life Settlement Broker and Provider had been included in the regulation, those definitions were removed since they are incorporated from the statute.
2. Section 5 - is amended by adding A(2) to acknowledge that the activities for which a brokers license is required may begin 30 days prior to the application as set forth in R.I. Gen. Laws § 27-72-3(d). The Department changed the word “may” to “unless otherwise unqualified” in B(3) to clarify its intent that a licensed life producer satisfies the criteria for licensing unless a basis under section 9 exists to deny licensing. Section C(2) was amended to clarify that the wording was not intended to refer to R.I. Gen. Laws § 27-2.4-1 *et seq.* The Department changed the phrase “business of life settlements” to “any activity requiring licensure” in section 5(F).
3. Section 6 – Section 6(B) was amended to lower the provider fee to \$1,000 and to provide for certification of a CEO or President if the provider does not have a CFO. The Department changed the phrase “business of life settlements” to “any activity requiring licensure” in section 6(H).
4. Section 7- Section 7(C) was changed to “final administrative action” to be consistent with other Department licensees.
5. Section 8 - Section 8(A)(1)(a) was amended to remove the requirement from the contract form since the information is included in a separate document under R.I. Gen. Laws § 27-72-9(a). Section 8(A)(2)(a) was amended to

correct a typographical error. Sections 8(A)(2)(a) and (A)(3)(o) were amended to remove the phrase “a stranger oriented life insurance (STOLI) transaction that is”. Section 8(A)(2)(d) was clarified. Section 8(A)(3)(k) was amended to add “by all parties” as provided in R.I. Gen. Laws § 27-72-9(a)(5).

6. Section 10 - The Department has decreased the fee to be paid with the annual report to \$500. The Department has also clarified that the \$1,000 fee is for initial licensing and the \$500 fee is due with the annual report.

There were also a number of changes suggested that were rejected by the Department. Those changes are:

1. Section 5 - A commentator requested that provision 5(B)(4) be deleted because “it is improper to treat business entities differently than an individual producer for licensing.” The Department did not understand the comment as the intent of the provision is simple to provide that, in addition to an individual license, business entities must also be licensed. The Department declines to remove Section 5(E) allowing it to contract with the NAIC or its affiliates. The Department rejected a request to require continuing education of all brokers in section 5(C)(4) as it conflicts with R.I. Gen. Laws § 27-72-3(p).
2. Section 6 - The Department declined to amend section 6((B)(4)(e) from “in Rhode Island” to “with an owner who is a resident in Rhode Island.” The Department disagrees that the phrasing contradicts the statute and believes that it provides broader protection to consumers. The Department declines to amend section 6(C)(3) as the wording is directly from R.I. Gen. Laws § 27-72-3(j)(3). The Department declines to amend section 6(D) as the working is directly from R.I. Gen. Laws § 27-73-3(h) and appropriate post deprivation administrative procedures are provided. Further the Department declines to change the word “shall” to “may” as the Department does not interpret that word to take away the Department’s discretion. The Department declined to add a requirement to allow providers to operate for 30 days prior to licensure. Unlike brokers, the statute does not provide for this 30 day window.
3. Section 7 - The Department declines to amend section 7(G). That section does not require that both the provider and broker give the disclosures. Rather, it provides that each has a separate duty to assure that the disclosure is given. Therefore, as long as one is satisfied that the other gave the disclosures a second disclosure is not necessary.
4. Section 8 - The Department declined to amend section 8(A)(3) to provide additional specification on the disclosure booklet since the booklet must provide the information detailed below. The department further declines to add “of which the party is aware” to section 8(A)(3)(c) as providers are to

provide all information which they know or suspect from any source. The Department further declines to delete 8(A)(3)(d) as it requires the provider to notify the owner of the brokers obligations not to provide the notice itself.

5. Section 9 - The Department declines to add “verified” receipt to section 9(A)(1) as the Department uses regular mail to sent complaint to all licensees and all licensees must follow this same requirement.
6. Section 10 - The Department declined to remove the requirement of Section 10 (B)(6) that the identity of the broker be disclosed because this is required by R.I. Gen. Laws § 27-72-6(a).
7. Section 11 - The Department declines to amend the assessment mechanisms in Section 11. While the Department acknowledges that the assessments may not be standard in the industry they are provided for by R.I. Gen. Laws § 27-72-5(a), 6(a)(3) and 8(d).