

Illinois Insurance Facts



Illinois Department of Insurance

Consumer Alert: Stranger-Originated Life Insurance

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Note: This information was developed to provide consumers with general information and guidance about insurance coverages and laws. It is not intended to provide a formal, definitive description or interpretation of Department policy. For specific Department policy on any issue, regulated entities (insurance industry) and interested parties should contact the Department.

The Illinois Department of Insurance advises consumers to proceed with caution when considering participation in a "Stranger/Investor Originated Life Insurance" (STOLI) arrangement. The Department does not sanction or approve STOLI arrangements. These transactions and parties to these transactions may be subject to the Illinois Insurance Code and other applicable laws of the State of Illinois.

Consumers must be aware that STOLI arrangements do not resemble traditional life insurance transactions. Traditionally, the consumer (*i.e.*, the insured) initiates the application for insurance and the insured's loved ones are beneficiaries of the death benefits. In a STOLI arrangement, an investor group – strangers – initiate the insured's application and will likely acquire an interest in the life (and possibly profit from the death) of a participant. Insurance companies may refuse to pay benefits on STOLI arrangements.

The main characteristic of STOLI arrangements is that insurance is purchased purely as an investment vehicle, not to provide for the insured's beneficiaries.

Descriptions of STOLI arrangements vary. Some call them "zero premium life insurance," "estate maximization plans," or "no cost to the insured plans," while others refer to "new issue life settlements," "high net worth settlements," or "non-recourse premium finance transactions."

STOLI arrangements are typically promoted to consumers between the ages of 65 and 85 and include:

- allowing someone to purchase life insurance on your life in exchange for an immediate lump sum payment of some amount;
- allowing someone to purchase insurance on your life in exchange for a partial payment of the policy's face value to your beneficiaries upon your death;
- entering into a contract for "free" or "no-cost" insurance on your life; or
- purchasing a life insurance policy for the sole purpose of selling the policy to a third-party, whether immediately or in the future.

You can verify licenses of an Illinois insurance producer at the Department's website (<http://insurance.illinois.gov>) or by calling the Department's toll-free Consumer Assistance Hotline at 1-866-445-5364.

For More Information

Call our Consumer Assistance Hotline at (866) 445-5364
or visit us on our website at <http://insurance.illinois.gov>

[Complete listing of Fact Sheets](#)

This fact sheet is located at http://insurance.illinois.gov/Life_Annuities/stolijan2010.pdf