

CHAPTER 105

AN ACT concerning certain life insurance contracts and supplementing P.L.2005, c.229
(C.17B:30B-1 et seq.).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

C.17B:30B-18 Engaging in stranger-originated life insurance prohibited.

1. a. No person shall directly or indirectly engage in any act, practice or arrangement that constitutes stranger-originated life insurance.

b. A contract, agreement, arrangement, or transaction, including, but not limited to, a financing agreement or any other arrangement or understanding entered into, whether written or verbal, for the furtherance or aid of a stranger-originated life insurance policy or practice shall be void and unenforceable at the outset.

c. A trust that is created to give the appearance of an insurable interest and that is used to initiate or procure policies for investors shall be in violation of the insurable interest laws of this State and the prohibition against wagering on life.

d. Notwithstanding the provisions of N.J.S.17B:25-4, a life insurer may contest a life insurance policy on the grounds that it was obtained by a stranger-originated life insurance practice, as defined in this section, at any time.

e. (1) As used in this section, "stranger-originated life insurance" or "STOLI" means an act, practice or arrangement to initiate or procure the issuance of a policy in this State for the benefit of a third-party investor who, at the time of policy inception has no insurable interest under the laws of this State in the life of the insured.

(2) STOLI practices shall include, but shall not be limited to, cases in which: (a) a policy is purchased with resources or guarantees from or through a person or entity who, at the time of policy inception, could not lawfully initiate or procure the policy himself, herself, or itself; and (b) at the time of policy inception, there exists an arrangement or agreement, to transfer, directly or indirectly, the ownership of that policy or the policy benefits to a third party.

f. A STOLI arrangement shall not include an otherwise lawful viatical settlement contract as permitted by the "Viatical Settlements Act," P.L.2005, c.229 (C.17B:30B-1 et seq.).

C.17B:30B-19 Violations, remedies, penalties.

2. a. The Commissioner of Banking and Insurance may seek an injunction in a court of competent jurisdiction and may apply for temporary and permanent orders that the commissioner determines are necessary to restrain the person from committing a violation of this act.

b. Any person damaged by the acts of a person in violation of this act may bring a civil action against the person committing the violation in a court of competent jurisdiction.

c. The commissioner may issue, in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), a cease and desist order upon a person that violates any provision of this act, any regulation or order adopted by the commissioner, or any written agreement entered into with the commissioner.

d. When the commissioner finds that an activity in violation of this act presents an immediate danger to the public that requires an immediate final order, the commissioner may issue an emergency cease and desist order reciting with particularity the facts underlying the findings. The emergency cease and desist order shall be effective immediately upon service of a copy of the order on the respondent and shall remain effective for 90 days. If the

commissioner begins non-emergency cease and desist proceedings, the emergency cease and desist order shall remain effective, absent an order by a court of competent jurisdiction pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

e. In addition to the penalties and other enforcement provisions of this act, any person who violates this act shall be subject to civil penalties of up to \$10,000 per violation which may be collected in a summary proceeding pursuant to the "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10 et seq.). The commissioner's order may require a person found to be in violation of this act to make restitution to persons aggrieved by violations of this act.

f. A violation of this act shall be considered an unfair trade practice pursuant to N.J.S.17B:30-1 et seq. and shall be subject to the penalties contained in N.J.S.17B:30-17.

C.17B:30B-20 Regulations.

3. The Commissioner of Banking and Insurance shall promulgate regulations implementing the provisions of this act pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

4. This act shall take effect immediately.

Approved October 19, 2020.