

A BANNER LIFE & WILLIAM PENN GENERAL AGENCY COMMUNICATION

LGA POSITION ON STRANGER/INVESTOR OWNED LIFE INSURANCE

TO: ALL BANNER LIFE AND WILLIAM PENN GENERAL AGENTS
FROM: BRYAN NEWCOMBE, VP AND CHIEF LEGAL COUNSEL
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Traditionally, life insurance has been a device for individuals and families to protect themselves from financial devastation caused by the untimely death of a family member. However, over the past ten years, the life insurance industry has seen the development and expansion of a new gray market in life insurance, stranger owned life insurance (SOLI), investor owned life insurance (IOLI), and non-recourse premium finance companies. These are concepts whereby the life insurance policies are issued with evidence of an "insurable interest" between owner, beneficiary, and insured and then later sold to third party investors or premium finance companies. Life insurance policies insuring the elderly members of the population are attractive to investors because of the potential for high returns. These investors/speculators are exploiting the insurability of the elderly because of the quicker and more predictable return on the premium investment.

There are several SOLI and IOLI concepts being implemented and utilized in the market-place in which an insurance policy appears to be purchased for legitimate insurance coverage yet is being financed by an investor/speculator or premium finance company.

A typical transaction begins when an investor or premium finance company solicits the consumer offering free or low cost insurance for a short duration, such as two to three years. The consumer then purchases a life insurance policy directly, or through a trust or business using non-standard finance of premiums and accrued interest.

The Position of Banner Life Insurance Company and William Penn Life Insurance Company of New York

Banner Life Insurance Company and William Penn Life Insurance Company of New York will not approve any applications involving Non-Recourse Premium Financing, Investor-Owned or Stranger-Owned Life Insurance or other similar programs. This includes, but is not limited, to a viatical and a life settlement company, as well as IOLI and SOLI concepts that utilize the sale of insurance policies by the policyholders to a third party.

Accordingly agents are expected to determine that the life insurance sold to their clients will serve an appropriate purpose other than being resold to a third party investor/speculator or the involvement of a premium finance company. Any intent on the part of the client or policy owner to do premium financing should be disclosed in the application. The Companies will strictly enforce all insurable interest requirements.

Banner Life Insurance Company and William Penn Life Insurance Company of New York reserve the right to pursue all legal remedies against any insured's, finance companies, agents, and any other participants involved in these transactions.

This position supports the best interests of our policyholders, our reinsurers, and our companies. In the end, Banner Life Insurance Company and William Penn Life Insurance Company of New York want to ensure that their customers' legitimate life insurance needs are being met.