DCCA NEWS RELEASE

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RISKY 'DEATH FUTURES' DRAW WARNING FROM STATE SECURITIES REGULATORS, CONGRESSIONAL SCRUTINY
PROMISES OF 'GUARANTEED RETURNS' FUEL LOSSES IN THE HUNDREDS OF MILLIONS OF DOLLARS
HIGH COMMISSIONS ENTICE INDEPENDENT INSURANCE AGENTS TO SELL VIATICAL SETTLEMENTS

HONOLULU, HAWAII (February 28, 2002) – Citing deceptive marketing practices and numerous instances of fraud, the nation's State Securities Regulators warned that investors should not be misled by claims that viatical settlements – interests in the death benefits of terminally ill or older Americans – offer safe, guaranteed returns like certificates of deposit.

This warning comes as the Federal Subcommittee on Oversight and Investigations of the House Financial Services Committee held a hearing Tuesday into viatical investments. The viatical industry began in the early 1990s as a way to help the terminally ill. In a typical transaction, the person holding a life insurance policy sells it to a third party "broker" in return for a portion of the death benefit. The broker then sells shares of the policy to investors, who collect a share of the death benefit from the broker when the original policyholder dies.

Securities regulators from 18 states report bringing actions on behalf of thousands of investors nationwide who were defrauded of more than $400 million over the past three years. Ryan Ushijima, Commissioner of Securities for the State of Hawaii, pointed to low interest rates and aggressive marketing as fueling a potential rise in viatical contract sales. In many cases, independent insurance agents have been recruited to sell viaticals, according to Commissioner Ushijima.

"Viatical contracts are legitimate products, but State securities regulators have two concerns," says Ushijima. "First, we're concerned that the inherent risk of viatical investments – gambling on when someone will die – isn't being adequately disclosed, and second, many investors have been outright defrauded by some viatical companies or their sales agents."

Fraud in the marketing of viaticals is well documented. For example, a viatical settlement company known as American Benefits Services, Inc., offered investors in Texas and other states a 42 percent rate of return, with 15 percent guaranteed. Over 3,000 people invested $117 million. Investor funds collected by American Benefits were forwarded to another viatical settlement company, Financial Federated Title & Trust, which spent only $6 million to buy interests in actual life insurance policies. Regulators say the rest was diverted for the personal benefit of company organizers, including the purchase of a helicopter, boats, luxury cars (including four Aston Martins), luxury homes and large salaries.

"There's an old saying, `The only sure things in life are death and taxes' and viatical salesmen play on that," said Denise Voigt Crawford, Texas securities commissioner. "They tell investors that because death is a sure thing, viaticals are too. But the only sure thing with viaticals are the large commissions some brokers get, making it even tougher for investors to get the returns they're promised."

In Vermont, state regulators allege that Mutual Benefits Corporation, a large nationwide seller of viatical policies, concealed insurance fraud and misrepresented the life expectancies on dozens of policies sold to investors. Mutual Benefits marketed viatical settlements as safe investments with "no risk of loss." In reality, only 8 percent of Mutual Benefit's policies posted returns within the range that was advertised, according to Vermont regulators.

"Even when investors purchase viatical policies from people who really are terminally ill, there's no guarantee that person will die 'on time'," said Blythe McLaughlin, deputy commissioner of securities for Vermont. "Rapid advances in medical technology mean people, even those with serious illnesses, are living longer, so betting your life savings on someone else's death is risky business."

In a case highlighted at the hearing, John Richard Jamieson, an Ohio viaticals broker, stands accused of defrauding hundreds of investors nationwide out of at least $105 million. State and federal regulators allege Jamieson used investor funds to support a lavish lifestyle, including several large homes, boats, cars and investments. According to the U.S. attorney's office for northern Ohio, Jamieson and others bought life insurance policies from terminally ill individuals who lied to insurance companies about their medical conditions, raising the possibility that insurance companies may cancel the policies now held by investors.

In Maryland, securities regulators allege that Answer Care, Inc. ran a scam similar to Jamieson's, selling fraudulently obtained viatical contracts, many of which were later canceled. According to regulators, Answer Care ignored contradictions between the medical records and insurance policies that would have revealed the fraud, instead quickly selling the policies to investors. Because they were fraudulently obtained, over 45 percent of the policies were canceled or rescinded by the insurance company, resulting in investor losses of over $3.2 million. Answer Care is currently in receivership.

In a new twist, viatical companies are selling investors large numbers of "senior settlements" – interests in the death benefits of healthy older people. While growth in the sales of traditional viaticals has been dramatic – the National Viatical Association recently estimated viatical brokers would purchase and resell over $4 billion worth of life insurance policies in 2001, up from $ 1 billion in 1999 – growth in the market for senior settlements could be even more dramatic. A 1999 study by the Conning Corporation, a Connecticut-based research and investment management firm, said the potential market for senior settlements could be "conservatively" estimated at over $100 billion.

"The psychology of investing in viaticals is different than investing in other types of instruments, and people need to consider that going in," said Bradley Skolnik, Indiana securities commissioner and chair of NASAA's enforcement section. "The risk is high with viaticals, and investors need to ask themselves if the potential reward is worth the burden of hoping someone will die quickly so they can maximize their return."

Before making any investment, Commissioner Ushijima urges investors to ask the following questions:

- Are the seller and investment licensed and registered in your state? Call your state securities regulator to find out. If they aren't, they may be operating illegally.

- Has the seller given you written information that fully explains the investment? Make sure you get proper written information, such as a prospectus or offering circular, before you buy. The documentation should contain enough clear and accurate information to allow you or your financial adviser to evaluate and verify the particulars of the investment. Watch for jargon that sounds sophisticated but makes no sense.

- Are claims made for the investment realistic? Some things really are too good to be true. Use common sense and get a professional, third-party opinion when presented with investment opportunities that seem to offer unusually high returns in comparison to other investment options. Pie-in-the-sky promises often signal investment fraud.

- Does the investment meet your personal investment goals? Whether you are investing for long-term growth, investment income or other reasons, an investment should match your own investment goals.

The Hawaii Department of Commerce and Consumer Affairs can also provide answers to questions about investments as well as the stockbroker or brokerage firm selling them. Contact the Securities Enforcement Branch of the Department of Commerce and Consumer Affairs at 586-2740 on Oahu. The toll free numbers for the neighbor islands are as follows:

Big Island:	947-4000, then enter 62740 and hit #
Kauai:	274-3141, then enter 62740 and hit #
Maui:	984-2400, then enter 62740 and hit #
Molokai & Lanai:	1-800-468-47644, the enter 62740 and hit #