

OPENING STATEMENT OF
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“RETIREMENT PROTECTION: FIGHTING FRAUD
IN THE SALE OF DEATH”
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Good afternoon Chairwoman Kelly and members of the subcommittee. Thank you for holding this important hearing that will help shed some light on a problem that has been largely overlooked by Congress and by many states in the U.S.

Thousands of people around the United States invest in this billion-dollar industry that is tainted with fraud yet unregulated by the federal government or until recently, by most states. Corruption in the viaticals industry was widespread in the mid-to late-90s. It’s ironic that while a great number of people haven’t even heard of the word viatical—these are one of the most common investment scams in the country.

I hope that with the information that will be gathered here today, we will be able to work together to ensure that viatical settlements can still occur while making sure that viators and investors are protected from fraudulent transactions.

Much of the current debate has centered on who should regulate viatical settlement investments--state insurance departments or state securities officials. In some states, this has created a situation in which state insurance codes regulate the viator/insurer transactions, while state securities officials work to ensure that no unregistered viatical settlements are ever offered to individual investors. Other states range from essentially no regulation at either end, to incongruous regulation between insurance and securities officials.

In the meantime, victims have lost hundreds of millions of dollars investing in fraudulent viatical settlements. Seniors seem to be the biggest victims. They have taken money out of IRAs or they have cashed in certificates of deposit (CDs) and they have converted to these investments and they have lost their life savings.

Viators are common victims of deceptive practices in these settlements. In many instances, they are so desperate for this cash that they act quickly—without information, without guidance. Often they don’t know anything more than what viatical providers tell them. As a result, viators too often settle for unreasonably low offers—many times as low as 4% of the face value of their policies— to be able to get some relief from their medical expenses debt.

This vulnerable segment of our population urgently needs protection against fraudulent viatical settlements. They should obtain protection from clauses in settlement contracts that prohibit them from negotiating key terms such as those pertaining to confidentiality of medical records. We must ensure that medical information solicited or obtained by a provider or broker is kept confidential.

Also, viatical settlement clauses should provide disclosure requirements and other basic viator protections.

Investors on the other hand, have lost millions of dollars after the policies were cancelled because the agent who sold them the viaticals was not licensed. Some investors were led to believe their initial investment was all they had to put up. Then, they received letters from the viatical company telling them to pay annual premiums to continue the policy or they would lose their investment.

Madame Chairwoman--there is a need for such settlements. For terminally ill people, viatical settlements relieve financial distress. They use the funds for medical care, to save a family home from foreclosure, to pay children's medical expenses. For investors, viatical settlements mean potential for great profit while doing good for someone in need. Let's work together to find a meaningful solution to this critical problem for so many consumers around our nation to clear up areas of abuse, and restore confidence and legitimacy to this practice.

Thank you again Chairwoman Kelly for holding this hearing and I look forward to hearing all of the testimonies.