

Texas Supreme Court Expected To Set Record Straight On Life Settlement Investments

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The Texas Supreme Court is expected to finally make a decision in the case of Life Partners vs. Arnold. The case will answer, once and for all, the question as to whether or not a life settlement product that was sold to investors constituted a security under the Texas Securities Act.

The decision will resolve a split within the Texas Court of Appeals, which stated,

"Pursuant to an old interpretation applied by the Texas Court of Appeals based in Waco, life settlements cannot be classified as securities under Texas law because the pre-investment activities undertaken by a promoter do not trigger application of the investment contract label."

Legal expert Christopher Bebel, Esq. of Tefteller Law, PLLC explained the implications of this decision in saying that according to the old ruling any company that sells life settlements is actually selling an investment product where the holder of a life insurance policy can sell the policy to an investor in exchange for a lump sum payment. Under these guidelines, these investors have been immune from federal and state securities regulations, which have allowed companies like Life Partners Holdings to defraud investors of millions of dollars.

In December of 2014, a federal district judge ordered Life Partners Holdings and two executives to pay \$46.9 million in fines for misleading investors and providing inaccurate information about their products. To add to this, Robert Khuzami, Director of the SEC's Division of Enforcement stated,

"Life Partners duped its customers and shareholders by employing an unqualified medical doctor to assign baseless life expectancy estimates to the underlying insurance policies."

According to a Securities and Exchange Commission task force, this is not an isolated case and suggests that these types of transactions be made subject to federal securities laws stating,

"The SEC has brought a number of successful actions alleging fraud in connection with life-insurance settlement securities."

Following that decision, the Texas Court of Appeals at Austin was faced with a similar case. After reviewing the decision made by the Dallas Court, the Austin Court embraced the same conclusion and rejected the Waco Court's analytical background.

Mr. Bebel, a former SEC attorney, a former Regional Counsel for the Division of Enforcement of the National Association of Securities Dealers, who had specialized in securities fraud cases while serving as an Assistant U.S. Attorney, U.S. Department of Justice, pointed out that "this may soon come to fruition." With the final decision soon to come down from the Texas Supreme Court, the matter may finally be settled. As an avid court watcher in the securities fraud area especially in regard to life settlements, he went on to explain that,

"Recently, the Texas Court of Appeals - Dallas declined to follow the narrow, rigid approach that was employed by the Waco appellate court. While utilizing a more elastic interpretation of the Texas Securities Act so as to meet the ever-changing landscape of the financial markets, the Texas Court of Appeals - Dallas recognized that the application of a bright-line rule attributing no significance to critical early-stage managerial measures would defeat a key purpose of the Texas Securities Act: to protect investors from fraud."

It is clear that there is keen anticipation and interest in this decision on both sides.

For questions or concerns regarding this press release or for more information on Life Settlement frauds, please use the following contact information to get in touch:

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