

Kentucky Department of Insurance Alert

“Zero Premium” Life Insurance Under Investigation

The Kentucky Department of Insurance (DOI) has received several inquiries from licensed agents who have received solicitations regarding a “zero premium” life insurance product.

Often pitched as a “final expense program,” the material sent to agents, generally by fax or e-mail, outlines either a universal or whole life insurance product, typically for consumers who are 65-85 years old. The plan features very limited underwriting (one online listing claims 99 percent of applications are approved), a \$250 commission for the agent, and no cost to the consumer. Although not fully explained in the solicitations, an unidentified third party pays the premiums, often through a premium financing arrangement.

In the scenario most commonly offered, the policy has a face value of \$50,000. At the time of death, a beneficiary chosen by the insured will receive a \$15,000 death benefit, and the third party receives the remaining \$35,000.

The solicitations do not disclose the name of the insurance company involved or other relevant details. Some provide a list of states where the plans allegedly are approved for sale with a statement that other states are pending. One agent was told that June 1 is the “kick-off” date in Kentucky.

DOI is currently investigating the sales material and the practice in general to determine if there are any violations of Kentucky’s insurance law. Any agent or consumer who receives a solicitation for one of these products should call the department at 800-595-6053 (in Kentucky) or 502-564-3630 (out of state) and ask to speak to someone in the Consumer Protection Division.



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