



# State of Utah

## DEPARTMENT OF INSURANCE

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### Bulletin 2006-3

**To:** All Life Insurance Companies, Life Insurance Producers, and Viatical Settlement Providers Authorized to do Business in Utah

**From:** D. Kent Michie, Utah Insurance Commissioner

**Date:** July 10, 2006

**Subject: Insurable Interest and Life Insurance**

The purpose of this Bulletin is to remind licensees of the insurable interest requirement as it pertains to life insurance.

The Utah Insurance Department has received several inquiries regarding the legality of a life insurance transaction that involves the purchase of a life insurance policy, premium financing through a non-recourse loan, the sale of the policy in the secondary market, and a payment to the applicant.

The department's position regarding these life insurance transactions is that they are not compliant with the insurable interest requirement of this state. As stated in Utah Code Annotated (U.C.A.) 31A-21-104(2)(b), "[a] person may not knowingly procure, directly, by assignment, or otherwise, an interest in the proceeds of an insurance policy unless that person has or expects to have an insurable interest in the subject of the insurance." Insurable interest for persons other than those closely related by blood or by law, means "a lawful and substantial interest in having the life, health, and bodily safety of the person insured continue." U.C.A. 31A-21-104(1)(b)(ii).

To determine if an insurable interest exists, the department will look at the entire transaction and will not limit its review to only that part of the transaction that relates to applying for the life insurance policy. Regarding the transactions that have been described to us, a third party initiates, arranges the transaction, and ultimately expects to receive the proceeds of the insurance policy. The third party has no insurable interest in the person insured because a lawful and substantial interest does not exist in having the life of the insured continue; in fact, there is a substantial interest in not having the life of the person continue.

The business of viatical settlements (which includes life settlements) has been regulated by the Utah Insurance Department since 2003. We are fully aware that the citizens of Utah may benefit from having the opportunity to sell a life insurance policy that is no longer needed. All viatical settlements must be compliant with the Insurance Code and the described transactions are not compliant. All licensees are encouraged to review 31A-21-104 (Insurable Interest and Consent) and Title 31A, Chapter 36 (Viatical Settlements Act) and to conduct business in accordance with the Insurance Code.

**DATED this 10th day of July 2006.**

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D. Kent Michie  
Insurance Commissioner