



Insurance Department

State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

NEAL T. GOOCH
Commissioner

BULLETIN 2011-1

To: All Life Settlement Providers and Life Insurance Companies
From: Neal T. Gooch, Insurance Commissioner
Date: April 20, 2011
Subject: **Premium Finance Agreement Default**

It has come to the department's attention that the premium finance industry may believe that it is permissible to obtain complete ownership of a life insurance policy at the time of default of a premium finance agreement. This is not correct. At the default of a premium finance agreement, the premium finance company may only obtain an interest in the life insurance policy equal to the amount of the default.

Utah's insurable interest statute, Utah Code Annotated (U.C.A.) 31A-21-104, Insurable interest and consent, requires that an insurable interest exist not only on the effective date of the insurance but also at the time of a later procurement of an interest in the proceeds. Subsection 31A-21-104(2)(b) states 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."

A premium finance company only has an insurable interest equal to the outstanding balance of the premium finance agreement. Because the premium finance company has a limited insurable interest, an insurer may not allow any interest in the contract to exceed the amount for which a person has an insurable interest. It is a violation of U.C.A. 31A-21-104 for a premium finance company to claim any amount over the outstanding balance of the agreement and the department will take appropriate action.

Dated this 20th day of April 2011.

Neal T. Gooch
Insurance Commissioner