

Some life insurance companies may be offering a product known as zero premium life insurance, stranger owned life insurance, investor owned life insurance and/or investor initiated life insurance. There may be other terms that are also used to describe these arrangements.

This type of arrangement occurs where a consumer (typically between age 65 and age 85) is solicited to participate in the application for life insurance to be owned by a person other than the consumer in exchange for a portion of the death benefit payable to the consumer's beneficiary. The remainder of the death benefit is payable to the owner of the policy. The owner of the policy pays the entire premium for the policy.

The Department urges consumers to proceed with caution when considering these types of arrangements. If you are considering:

- Allowing a stranger to purchase life insurance on your life in exchange for an immediate lump sum payment of some amount;
- Allowing a stranger to purchase insurance on your life in exchange for a partial payment of the policy's death benefit to your beneficiaries upon your death;
- Entering into a contract for "free" or "zero" or "no-cost" insurance on your life;
- Purchasing a life insurance policy for the sole purpose of selling the policy; or
- Materially participating in transactions leading up to the purchase of a life policy for the above stated purposes, then

the Department offers the following suggestions:

- Determine what company you are applying with by inspecting the insurance application closely.
- Be cautious if your application is being sent to more than one company and multiple insurance policies are being purchased on your life.
- Obtain a sample copy of the policy for which you are applying. If the policy is a universal life insurance policy, certain disclosures and illustrations may be required by the Department. Request a copy of these disclosures and illustrations.
- Be careful about disclosing confidential health and/or financial information.
- Consider any potential tax consequences of the amount offered to you for allowing someone to purchase insurance on your life. Discuss this issue with an attorney and/or a tax consultant.
- Understand that the policy may count as an asset when determining eligibility for public benefits, such as Medicaid.
- Confirm that all persons and entities involved in your transaction are properly licensed by the Department. Producer and insurance company licenses can be verified at the Department's website www.aldoi.gov/licensing or through the Department's toll-free Consumer Help Line 1-800-433-3966. Verify that the insurance policy and application have been approved by the Department and verify that the Department has reviewed the arrangement.

- Remember that filing an application for insurance containing materially false information may be prosecuted as insurance fraud and subject you to civil and criminal penalties.
- Obtain all details about the arrangement and have a complete understanding of your obligations. The arrangement may also involve undisclosed premium financing arrangements. If necessary, discuss this with an attorney.
- Use common sense. Remember the warning “If it seems too good to be true, it probably is.”