



Department of Financial Services

Acting Superintendent Linda Lacewell is alerting consumers who own or are thinking about buying universal life insurance policies to carefully review their policies, the sales illustrations describing how the policy works and all required information disclosures.

Over the last five years, the New York State Department of Financial Services has received almost 1,400 complaints from New York consumers about universal life insurance policies. Many consumer groups and media organizations have also reported consumer issues with universal life insurance.

What is Universal Life Insurance?

Universal life insurance is a type of “permanent” life insurance coverage, meaning that it will provide coverage for the policyholder’s entire life. This is unlike term life insurance, which provides coverage for only a limited amount of time (for example, 20 years).

Universal life insurance comes in many varieties, including fixed universal life insurance, variable universal life insurance, indexed universal life insurance or guaranteed universal life insurance.

Permanent life insurance policies like universal life often build a modest cash value that could be returned to the policyowner if the policy is cancelled. The policyowner can also take a loan from the insurance company against the policy’s cash value, which accrues interest.

Beware of Increasing Charges

The internal charges of universal life policies can increase every year. Ongoing premium payments, the policy’s existing cash value and ongoing interest credits (or, investment performance in the case of variable universal life insurance) are all used to cover the policy’s internal charges, which increase each year as the insured gets older and can be very high in later years.

The Department has seen many cases of consumers who purchased universal life insurance and who made payments for years, thinking their premium payment would not change or that their coverage would remain in effect. But many found that their policies had lapsed (were no longer in effect) with little to no value due to declines in interest rates, market volatility and other factors, or they were required to pay large additional premium payments to keep their coverage in effect.

Recommendations for Consumers:

- **YOUR PREMIUM PAYMENT AMOUNT IS PROBABLY NOT GUARANTEED AND MAY INCREASE** - Most universal life insurance policies do not provide long-term guarantees of premium payments, cash value or benefits. Any payments plus any existing cash value in the policy must be enough to cover ongoing policy expenses or the policy will lapse and you will no longer be covered.
- **UNDERSTAND HOW YOUR CURRENT OR POTENTIAL PREMIUM PAYMENT WAS DETERMINED** – Universal life insurance offers consumers flexibility on the amount and timing of premium payments. These payments are often set based on assumptions about future interest rates or market performance. If the actual earnings of the policy are lower than originally assumed, you may have to make additional payments to keep your policy in effect.
- **ASK YOUR AGENT WHAT HAPPENS UNDER GUARANTEED PROVISIONS OR ADVERSE SCENARIOS** – All sales illustrations are required to show what happens under the guaranteed, or “worst case” scenarios. This provides an understanding of when a policy would lapse or require large additional payments if things do not go as expected. Consumers should be extra cautious with universal life insurance policies whose premiums and cash value projections are based on assumptions of future stock market performance, such as variable universal life insurance and indexed universal life insurance, as these policies will be more volatile.
- **YOU ARE ENTITLED UNDER NEW YORK LAW TO RECEIVE FREE POLICY UPDATES** - Owners of universal life insurance policies must check their policies

often because changes in interest rates, policy expenses and the timing of premium payments will impact how long your policy will remain effective, or in-force. New York law allows the policyowner to receive one free ***in-force illustration*** per year, which provides a snapshot of the policy's current status and a projection of future performance based on current conditions. You should ask your insurer or agent every year what premium level, based on current conditions, would allow your coverage to continue to your desired date.

- **IF YOU BUY UNIVERSAL LIFE INSURANCE, YOU CAN CANCEL WITHIN 10 DAYS UNDER NEW YORK'S "FREE LOOK" PROVISION** – New York law requires that every life insurance policy contain a "free look" provision. This means that you can cancel the policy for a full refund if you are not satisfied with the policy for any reason. The "free look" provision begins when the policy is delivered and is available, depending on the policy language, for a period of not less than 10 days after the consumer receives the policy.

Learn More

Every insurer must provide a Life Insurance Buyer's Guide to consumers before or when you apply for insurance. For more information, see the guide you should have received from your insurer, or contact your insurer.