CARLTON FIELDS

The Risk and Reward of Life Insurance

February 06, 2020

No Recovery for Paying Premiums in Excess of Policy Face Amount

Since we last reported on *Goostree v. Liberty National Life Insurance Co.* in the October 2019 issue of *Expect Focus — Life, Annuity, and Retirement Solutions*, the court granted the defendant's motion to dismiss all counts of the plaintiffs' complaint.

The plaintiffs alleged that the insurer targeted undereducated and unsophisticated consumers to induce them to buy insurance policies it knew required premiums that would exceed the face amount of the policies. The plaintiffs asserted various individual and class action claims for, inter alia, breach of contract; breach of the implied covenant of good faith and fair dealing; conversion; unjust enrichment; and negligence.

The court concluded that each of the plaintiffs' claims was deficient. Rather than pleading any cognizable claims, each count merely highlighted the nature of life insurance, which the court described as "a gamble" for both parties. The insurance company gambles that the insured will live long enough so that the company can collect premiums sufficient to cover the amount of the policy and potentially more. The insured gambles that he or she will not outlive the "break-even point" for the insurance companies.

Here, the court concluded that the plaintiffs gambled and lost, holding that the plaintiffs could not allege wrongdoing simply because they paid more premiums than the face amount of their policies. As the court explained, the insurance company assumes an increased risk in the early years of a life insurance policy so that, as an insured ages past the break-even point, the insured subsidizes the increased risk that comes from the insurance company's younger clients, who may die before they pay sufficient premiums to cover the face amount. "For both parties, life insurance is a gamble," the court noted. The court concluded that the plaintiffs could not now allege a cause of action merely because they lost their “bet” and lived well into their 80s, still paying premiums on their policies. The court, accordingly, dismissed the case in its entirety with prejudice.

Related Practices

Life, Annuity, and Retirement Litigation
Financial Services Regulatory

Related Industries

Securities & Investment Companies