



The Premium Financing Red Flag, LIFE&Health Advisor

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Premium financing involves the lending of funds to procure life insurance by individuals (or companies). The practice of premium finance is not new.

For example, premium financing and premium financing companies have been regulated in the State of New York as far back as 1960 and in Florida as early as 1963. Although not a new practice, the use of premium financing appears, at least anecdotally, to be on the rise.

In certain circumstances, premium financing is entirely appropriate. However, we have noticed an increasing body of claims involving premium financing that illustrate the many potential pitfalls surrounding this practice. This article discusses the expanding role of premium financing and offers guidance to prevent future claims.