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# *Rising Premiums for Universal Life Insurance Draw Scrutiny*

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SOME consumers who bought universal life insurance policies decades ago are now facing premium increases in the double-digit percentages to maintain the policies. The policyholders have limited options, since finding affordable replacement policies would probably be difficult now that they are much older.

The increases are drawing the attention of consumer advocates, who are urging state insurance commissioners to verify that the increases are justified. And some policyholders are taking the matter to court.

Lawyers with Consumer Watchdog, an advocacy group based in California, and firms specializing in insurance litigation filed suit in February on behalf of policyholders against the Transamerica Life Insurance Company, which notified some universal life customers last year that their rates would rise an estimated 38 percent. Other policyholders say their increases are even higher.

The policies in question are more complex than basic life insurance, known as “term” insurance because it covers a specific period of time — typically 20 to 30 years. Term policyholders pay a fixed premium in exchange for a payout if they die during the term of the policy. If the buyers outlive the term, they receive no benefit. The policies don’t accrue any cash value.

In contrast, “permanent” policies, including universal life insurance, last for the holder’s life — or at least to an advanced age, typically 85 or 90. In addition to a death benefit, the policies include a savings component that accrues value over time. Premiums on the policies can vary over the duration of the policy.

The policies became popular in the 1980s and 1990s, when interest rates were higher. The lawsuit says that Transamerica is breaching the terms of the policies by sharply increasing its monthly deduction rate — the amount taken from policyholders’ accounts to cover premiums, the cost of the policy’s death benefit and other expenses and fees — as a pretext to avoid paying the policyholders the interest rates agreed to when the policies were sold.

The lawsuit asks the court to make Transamerica reverse the increases, pay damages to the policyholders and reinstate the policy of any consumer who surrendered the policy. The suit, filed in Federal District Court in Los Angeles, seeks class-action status.

The policies, the plaintiffs argue, bar the company from recovering “past losses by changing the monthly deduction rates.”

A Transamerica spokesman, Gregory Tucker, said in an email that the increases were permissible under the policies. “In 2015, based on its expectations about future performance of certain universal life policies, Transamerica prospectively increased monthly rates of these older policies,” he said. No policyholders are being charged more than the maximum rates specified in their policies, he said.

Premiums are based on multiple factors, he noted, including “interest, mortality, taxes and expenses associated with the policy.”

“Transamerica is in full compliance with its contractual obligations and intends to contest vigorously the recently filed litigation,” he said.

Mr. Tucker declined to estimate how many policies might be affected.

In addition to Transamerica, consumer advocates say, other companies have been notifying customers of large rate increases for universal life policies, including the AXA Equitable Life Insurance Company and Voya Financial.

This year, the Consumer Federation of America urged the National Association of Insurance Commissioners, made up of state officials, to examine whether the increases were justified.

“It does not take much imagination to imagine that millions of U.L. policyholders will be adversely affected if insurers are free to raise” their rate schedules, James H. Hunt, the consumer federation’s life insurance actuary, wrote in a letter to the association.

The insurance commissioners association indicated that it was monitoring the situation, but it declined to comment on the letter.

Transamerica, the lawsuit argues, is trying to “impermissibly shift to the policyholders its own, independent obligation to make good on the interest rate guarantees in the policies.”

Mr. Hunt, the actuary, noted that holders were eligible for the death benefit, if they needed it, so they did receive some value from the policies. But they could have secured the same death benefit much more cheaply by buying term insurance.

Mary Feller, a freelance writer in San Francisco, and her husband, Gordon, a technology and public policy consultant, each bought universal life policies from Transamerica in 1989 when they were in their 30s to provide financial security for their family and as a source of retirement income. “It’s represented as the best of both worlds,” Ms. Feller, now 62, said in a phone interview. “It has life insurance to protect your family, and a nest egg when you choose to cash out.”

The monthly payments on the policies rose before, she said, but always in relatively small increments. But now, their payments have increased more than 40 percent, Ms. Feller said, and she worries that future increases may also be quite large. The couple is cutting back on spending for now to cover the higher payments, she said, but cannot do so indefinitely.

The couple has other savings, but they had hoped that the life insurance policy would cover four to six years of their retirement, she said. She and her husband, age 57, will probably have to work longer to make up the money if they can’t maintain their policies, she said.

“It’s discouraging,” she said. “You think you’re doing all the right things, and it goes up in smoke.” The Fellers are plaintiffs in the Transamerica lawsuit.

Carolyn Tanner, of Hot Springs Village, Ark., who has submitted a declaration for the lawsuit as a potential member of the class action, said she was told that the monthly payment for her husband’s \$250,000 life insurance policy could nearly quadruple in coming years, to almost \$2,900. Her husband, Lloyd Tanner, bought the policy in 1992. He is now 78 and in poor health, and they can’t afford the increase, she said. “We still do not understand how Transamerica can do this,” she said.

Here are some questions and answers about universal life insurance policies:

■ *What options do holders of these older universal life policies have?*

If policyholders don’t pay the higher rate imposed by their insurer, the higher deduction amount will eventually deplete the policy’s cash value account, and the policy will lapse.

Or holders could surrender the policies and take whatever cash value remains. That’s not a great choice for some, Ms. Feller noted. Taxes would probably be owed on the cash, for one thing. And policyholders are now older and likely to have more health problems, which would make qualifying for a new life insurance policy difficult, if they still want a death benefit.

■ *How can I check the status of my universal life insurance policy?*

Mr. Hunt recommends that policyholders contact their life insurer and request a “current illustration,” which shows the current cash value of the policy and projects how long the policy will last based on the current premium.

- *Are there state regulators I can contact with concerns about my policy?*

A list of state insurance regulators is listed on the website of the National Association of Insurance Commissioners.