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LIFE INSURANCE OVERCHARGES AND RATE HIKE FORCE SENIORS TO PAY OR SURRENDER POLICIES

Through unauthorized expense charges and excessive rate hikes, permanent life insurance policy owners nationwide have been getting ripped-off for decades.

The types of permanent policies involved here are often referred to as “universal,” “variable universal,” “whole,” and “variable whole” life insurance policies. Contrary to the plain language of these policies, insurers have been overcharging policy owners through policy cost of insurance charges and rate hikes. These overcharges drain a policy’s cash value – in other words, money that should be going to the investment side of the policy is impermissibly diverted to the insurer’s coffers. Over time, many of these policy owners are left with a “lose-lose” decision: continue to pay the overcharges to maintain their insurance, or surrender the policy after having paid significant premiums for decades. Many who do surrender find themselves no longer insurable due to age or changed medical condition.

Q. Who is taking action on behalf of policy owners and insureds?

A. Miller Schirger LLC and Stueve Siegel Hanson LLP, two law firms based in Kansas City, Mo., filed a class action lawsuit alleging cost of insurance overcharges, and after years of hard fought litigation, successfully resolved the case. Among other things, approximately 77,000 policy owners across 30 states received free term life insurance certificates having a total face amount of death benefits estimated at \$2.25 billion, with a market value of approximately \$171.8 million. Our law firms were the first firms in the country to advance and resolve these kinds of claims.

Q. Why should life insurance owners and consumers outside of that lawsuit care?

A. Rate hikes gut the cash value forcing the policy holder to surrender the permanent life policy they can no longer afford. This is creating a widespread problem within the life insurance industry. Extensive investigation conducted by our law firms over many years has revealed that the type of conduct alleged in the aforementioned class action lawsuit is not a limited occurrence. We believe there are millions of policy owners who are currently being overcharged by many different insurers.

Q. What types of life insurance policies may be subject to overcharges and rate hikes?

A. Permanent life insurance policies, referred to as “universal,” “variable universal,” “whole” and “variable whole” life insurance policies, which contain a “cost of insurance” charge, or a monthly deduction of some sort, that is deducted from a policy’s cash value each month.

Q. How are policy owners being overcharged on these policies?

A. Buried within a policy cost of insurance charge, and other like charges, may be hidden expenses or “loads” – unauthorized by the terms of the policy. These hidden expense loads ultimately drain the policy’s cash value forcing seniors to forfeit their policy that they can no longer afford. And recently, life insurers have also resorted to instituting massive rate hikes, (not authorized by the policy) that have caused an even greater and more rapid decline in policy cash values.

Q. What is the harm to individual policyholders?

A. The amount of overcharges that result from this conduct is substantial. In many cases, most of the “cost of insurance” charge is comprised of amounts not permitted by policy terms. This adds up over time. Depending on the size of the policy, “cost of insurance” overcharges can reach amounts in the tens of thousands of dollars, or more. The negative impact of these overcharges increases as seniors get older, ultimately forcing seniors to forfeit their “permanent” insurance policies because they can no longer afford them.

Q. Could there be more cases out there?

A. Yes. We are continuing our efforts on behalf of life insurance policy owners who we believe are being overcharged for their life insurance by several other life insurance companies and hope to secure similar relief for both current and former policy owners who have been subjected to such overcharges.

Q. What should someone do if they think they are being subjected to wrongful rate increases and overcharges?

A. Ask your insurance agent for a review of your life insurance policy and charges. If you suspect there is a problem, they can call our toll free number, 1-888-816-2108.

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