The Elderlaw Forum: Deception in the burial insurance game

by Professor_Michael_Myers

Question: When is burial insurance not really burial insurance and pays nothing upon death? Answer: When it is a â€œdecreasing termâ€• policy.

Who would buy such a policy? The naÃ¯ve, the vulnerable, and often, the elderly who wish to spare their family the expense of a funeral. After all, thatâ€™s what a responsible person doesâ€”prepays the cost of being placed in the ground or burned in a very hot furnace.

Pro bono legal information and advice is available to persons 55 and older through the USD Senior Legal Helpline, 1-800-747-1895; mmyers@usd.edu. Opinions are those of Professor Myers and not the University of South Dakota. Insurance marketers know that low-income people who cannot afford life insurance will nevertheless buy a burial policy as a matter of pride, as a way to secure a dignified exit from a world in which they might not have had a conspicuous presence.

Today the cost for a basic, no-frills funeral is in the $8,000-to-$12,000 range. Accordingly, the 82-year-old widow who called the senior legal helpline assumed she was being prudent when buying a $10,000 burial policy in 1984, shortly after her husband died after a year-long struggle with cancer.

â€œI guess I was vulnerable at the time,â€• she said.

For 22 years she unfailingly submitted quarterly premium payments of $78â€”now with a time/investment value approximating $3,000. She bought the policy through the American Legion Auxiliary, which sold it to a â€œPearl Associatesâ€• based in Illinois, which in turn sold it to Hartford Life.

Recently Hartford sent the caller a letter advising that it would accept no further premium payments; that she had in fact bought a â€œdecreasing termâ€• policy, and it was being terminated. It said her burial benefit under the policy was zero. â€œThe lady I talked to at Hartford said â€˜I feel so sorry for people like you who get caught up in this type of thing.â€™â€•

Term insurance has no cash value. It is essentially a wager between the insurer and the insured. The company bets you will outlive the policy. You bet you will not. But, term burial insurance? And worse yet, â€œdecreasingâ€• term burial insurance?

Iâ€™ve made an initial contact with the stateâ€™s division of insurance. We will be looking for a remedy. Insurance fraud is manifested in various shapes and forms. This one needs to be rearranged.

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