

**FIRM NEWS**

# Insurance Company's Complaints Against Paying Out Life Insurance Policy Dismissed

**March 13, 2017**

Schulte represented a consortium of investors and a securities intermediary in securing dismissal of a complaint by an insurance company contesting a \$6-million life insurance policy owned by the investors. The insurance company had argued that the policy was void as a so-called stranger-originated life insurance policy because it amounted to an illegal wagering contract, and that the owners did not have an insurable interest in the life of the insured and that the trust that was created in connection with policy was void. On March 13, 2017, the U.S. District Court for the District of Utah rejected every argument the insurance company put forward to avoid paying out on the policy, rejecting the company's arguments as "meritless." The court accepted all of Schulte's arguments and dismissed the complaint with prejudice.

The insurance company sued the securities intermediary seeking a declaratory judgment that it did not have to pay the investors the death benefit under the life insurance policy they had purchased when the insured died. The insurance company also sought a declaration that it could keep the premiums the investors had paid over the years under the policy. The insurance company argued the investors had engaged in a scheme to obtain insurance on a person in whom the investors had no insurable interest — a so-called stranger-originated life insurance policy — and that the policy constituted an unconstitutional wager on the insured's life in violation of the Utah Constitution's prohibition on gambling. Our client countered that the insurance company's claims were barred by the state's incontestability statute, which cuts off challenges two years

after a policy is issued. In essence, Schulte pointed out that the insurance company had waited six years too long to raise any challenge to the policy and the court agreed.

This decision was significant not only for the investors involved in this particular policy but also for the entire life settlements industry.

The Schulte team that secured this victory was led by litigation partner Harry Davis and included litigation associate Robert Griffin, with assistance from structured finance & derivatives partners Boris Ziser and Thomas Weinberger.

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## Related People



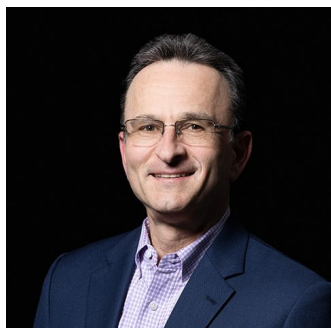
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**Thomas  
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**Robert  
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## Practices

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