

Security Interests: Life Insurance Policies

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A Practice Note discussing taking an enforceable lien on a life insurance policy. It includes a discussion of the types of life insurance policies, conducting due diligence, assignment and statutory provisions that counsel must consider, including the Uniform Commercial Code (UCC). It includes a form of assignment of life insurance policy as collateral.

Lenders may take a life insurance policy as collateral for a loan. The life insurance policy may be a key man life insurance policy (a policy taken out to ensure that a company is compensated in the event that a key member of its operation is unable to continue in his or her position due to death or illness) and merely one part of the collateral that the lender is obtaining in a transaction with a variety of other collateral, or it may be the sole component of the collateral. Whether the insurance policy is only a minor component or the principal component of the collateral, the lender must understand the law behind obtaining liens on life insurance policies.

This Note discusses the basics of life insurance policies as well as the features common to most policy types that are relevant to lending on the life insurance policies. This Note also discusses the laws involved in obtaining an enforceable lien on a life insurance policy and other considerations in structuring a lending transaction that relies on a life insurance policy as collateral.

This Note does not analyze any regulatory requirements imposed on lenders who provide premium financing, but lenders should consider that most states have licensing requirements.

LIFE INSURANCE POLICIES AS COLLATERAL

The most important thing for a lender to do to have a lien on any collateral is to understand the collateral. This section discusses the most common forms of life insurance policies and some of the

typical features in most life insurance policies, as such knowledge is essential for the lender to understand the policy it is taking as collateral.

At times, the policy will not be available until it is issued, that is, after the loan is made and the owner has paid the initial premium, however, the form of the policy is almost always available. Insurance companies typically must file the forms of their policies with regulators, and brokers usually have the form of the policies. Variations to the policies come as riders to the policies and as such the lender must request and review any riders that may accompany the policy in order to fully understand the policy.

Insurance companies and their affiliates also sell annuities, which are distinct from insurance policies. However, consumers may confuse them with insurance policies because they are typically sold by the same companies and the economics of both products are based on life expectancy projections.

In return for an up-front lump sum payment, an annuity company agrees to pay the beneficiary a fixed regular sum for the remainder of the beneficiary's life. Annuities are not life insurance policies, and confusing them could lead to a disastrous result when relying on them as collateral. Different rules apply to taking annuities as collateral and these rules are outside the scope of this Note.

TYPES OF LIFE INSURANCE POLICIES

There are two basic types of life insurance policies:

- Term life insurance policies (see Term Life Insurance Policies).
- Permanent life insurance policies (see Permanent Life Insurance).

In addition, a variable life policy is a type of permanent life insurance that implicates additional laws when taken as collateral.

Term Life Insurance Policies

Term life insurance policies are pure life insurance. In exchange for the payment of a premium, the life insurance company agrees to pay a death benefit if the insured dies within the term of the insurance policy.

Common examples of term life insurance policies are key man life insurance policies and group life insurance policies, which

are provided by employers as a benefit to their employees. Most advertisements for low premium policies are for term life insurance policies. Once premiums are not paid or the term of the policy ends, the policy lapses.

Permanent Life Insurance

Permanent life insurance policies have higher premium payments for any given insured than term life insurance policies. These policies are usually called universal life insurance policies or whole life insurance policies. There are some differences between universal life and whole life, but those differences do not affect the considerations in this Note.

The reason for the higher premium is because a portion of the premium (equal to the premium for a term life insurance policy) is used for the payment of the pure insurance component of the life insurance policy (as is the case with a term life insurance policy) and the remainder is used as a savings or investment component of the life insurance policy. The investment component is invested by the insurance company.

Universal life insurance and whole life insurance policies usually have a guaranteed crediting rate or a minimum crediting rate. An insurance agent typically shows a prospective policy buyer an illustration containing:

- Annual premiums.
- The minimum policy value (using the guaranteed crediting rate). Within the construct of a minimum crediting rate, if a policy holder pays money into a policy, a portion of it goes towards the insurance policy, while the rest essentially functions as a savings account that is invested and receives a minimum return.
- One or more projected policy values using higher crediting rates (which assume higher returns than the guaranteed credit rates).

Permanent insurance is designed so that at some point, the investment portion of the policy generates sufficient returns so that the insured no longer needs to pay premiums on the policy. The investment returns are sufficient to support the premiums. The illustrations usually set a number of years beyond which the owner no longer needs to pay premiums.

Since there is a savings or investment component to permanent life insurance policies, the policy usually has value when the insurance is terminated and the policy is surrendered, called the policy value. After factoring any surrender charges imposed by the insurance company, the remainder is called the cash surrender value or the surrender value of the policy.

Variable Life Insurance Policies

A variable life insurance policy has a set death benefit and an investment component. However, instead of the insurance company investing the investment component, the policy owner directs the investment.

Usually the investment choices are one or more mutual funds, some of which are stock equity mutual funds and some are bond funds and other funds. The owner may change the investment allocation among the investments. Since the owner directs the investments instead of the insurance company, there is no guaranteed crediting

rate. In some cases, variable policies do not even have policy values because no premiums beyond the pure insurance costs are paid.

TYPICAL FEATURES OF LIFE INSURANCE POLICIES

The lender must read and understand the life insurance policy that will be its collateral. There are some features that are typical of most life insurance policies that affect how the policy should be treated as collateral. These features include:

- **The death benefit.** The death benefit is the amount that the insurance company pays if the insured dies during the policy period. For example, a \$10,000,000 policy usually pays out \$10,000,000 if the insured dies during the policy period.
- **Savings and investment component.** For universal life and whole life insurance policies, the savings and investment component is the portion of the insurance premium over the amount that pays for the actual cost of insurance. This excess is invested.
- **Guaranteed crediting rates.** The guaranteed crediting rate is the minimum rate of return on the life insurance policy. It is the minimum interest rate that is paid on the policy. If the lender uses this number for projections on the value of the policy, it is the floor.
- **Surrender charges.** Surrender charges are the fees the insurance company charges in connection for the surrender of the policy. Surrender charges are detailed in each policy and range from mere processing fees to up to 6% of the policy amount (the percentages go down as the policy remains in effect for longer periods of time).
- **Cash surrender value.** The cash surrender value is the value of the policy minus any type of surrender charges charged by the insurance company for surrendering the policy.
- **Suicide exclusions.** Most life insurance policies have a suicide exclusion. The policy does not pay the death benefit if the insured commits suicide. This protects the insurance company from anyone who is planning to take out the policy in contemplation of a suicide (and discourages committing suicide for financial gain). The suicide exclusion usually expires after a period, which is usually two years. Even though the insurance company does not pay the death benefit in a suicide, most or all of the premiums paid on the policy are usually returned to the owner of the policy, or the beneficiary.
- **Contest period.** Most life insurance policies have provisions during which the insurance company may contest the validity of the policy if the insured dies during the first several years after the policy is issued. This period is usually two years and the insurance company may investigate whether the death was due to an undisclosed medical condition the owner or insured knew at the time the policy was issued. After an investigation, the insurance company may pay the death benefit. Any death of the insured occurring after the contest period ends is covered.
- **Loans against the policy.** Most policies also provide that the owner may borrow from the insurance company against the value of the policy. The principal and interest on these loans would be secured by the value of the life insurance policy and the death benefit.
- **Cash surrender value used to fund premiums.** Most policies also provide that the policy value may be withdrawn by the insurance company to pay premiums under the policy. The returns on the

insurance policy from the payment of premiums during the early years of the policy are sufficient to increase the policy value to a point where the policy value generates enough returns that are sufficient to be withdrawn to pay the premiums on the policy.

- **Assignment provisions.** Most policies also have assignment provisions that provide a procedure for a transfer of ownership or a grant of a lien on the policy itself. To have a lien on the life insurance policy, the lender must comply with the procedures set out in the policy for assignments.

LIENS ON LIFE INSURANCE POLICIES

To have an enforceable lien on a life insurance policy, counsel must comply with the relevant laws, including:

- The Uniform Commercial Code (UCC) (see Uniform Commercial Code).
- Common law or statutory law (see Common Law or Statutory Law).
- Margin regulations (see Margin Regulations).

UNIFORM COMMERCIAL CODE

The UCC is the primary law that governs liens and security interests in personal property. However, Section 9-109(d)(8) of the New York UCC, by its own terms, does not apply to insurance policies unless the policies are the proceeds of other collateral. Life insurance policies are rarely the proceeds of other collateral.

The UCC of most other jurisdictions also do not apply to insurance policies. However, the California UCC applies and this Note discusses how the California UCC provides for perfection of a lien on life insurance policies (see Common Law or Statutory Law).

COMMON LAW OR STATUTORY LAW

Since the UCC does not apply, counsel should determine if there are state statutes governing liens on life insurance policies.

In New York, there is no such statute and accordingly, common law governs the granting of a security interest in a life insurance policy. See *Anderson v. Massachusetts Mut. Life Ins. Co.* 77 A.D. 2d 248.

The cases almost uniformly require:

- Some evidence of the intention by the owner to assign the life insurance policy to the lender, for example, a written assignment.
- Notification of the assignment to the insurance company and, in some cases, acknowledgement by the insurance company.

This is a classic method of granting a lien under common law. For counsel familiar with the UCC, this process is akin to having the insurance company act as a bailee (a person or organization to which possession of the property of others has been entrusted) with notice (a common pre-UCC method of making a lien enforceable that continues on in the UCC in some contexts).

The insurance company generally must acknowledge collateral assignments. Under New York law, insurance companies are not required to issue an acknowledgement, but the insurance company must be notified about the assignment. However, having the insurance company acknowledge the assignment in writing avoids a later need to provide evidence that the assignment was notified.

In California, however, Section 9-109 of the California UCC does apply to insurance policies and annuities, unlike other states such as New York. However, the requirement for perfecting a lien on life insurance policies under the California UCC is to give written notice to the insurance company; this is the same procedure as common law in other states

Whether the state requires it or not, the lender should also hold the original life insurance policy. In addition, the insurance company may require a copy of the original policy at the time the policy is surrendered. Finally, the lender must comply with whatever additional conditions are required under the life insurance policy to assign an interest therein.

Once the assignment has been acknowledged by the insurance company, the lender has the rights granted under the assignment, including the right to surrender the policy and to receive the cash surrender value of the policy on a default.

MARGIN REGULATIONS

If the life insurance policy is a variable life policy where the owner can direct the investments into, among other investments, equity mutual funds, the margin regulations also apply. If the loan is being made for the purpose of purchasing a variable life insurance policy and the owner elects to invest the investment portion of the premium into equity mutual funds, the loan is a purpose loan under the margin regulations.

For more information on margin regulations, see Practice Note, Margin Lending (Introduction) ([0-504-1694](#)).

STRUCTURING THE DEAL

There are certain matters that counsel should consider when structuring a deal to take an enforceable lien in a life insurance policy. The loan documents should include:

- A mandatory prepayment provision triggered when there is a payment on the life insurance policy.
- Covenants for the owner of the policy to pay all premiums due and to keep the policy in force at all times during the term of the loan.
- Covenants to deliver notices on the policy value to the lender.

DUE DILIGENCE ON THE LIFE INSURANCE POLICY

Counsel should review the life insurance policy and consider:

- The type of insurance policy that will be the collateral. For a key man life insurance policy, the lender should be made the beneficiary of the policy.
- Whether there are loans against the policy. If so, these loans diminish the cash surrender value.
- Whether there are any previously recorded assignments of the policy.
- What the conditions to assignment of the policy are, if any.
- Conducting a lien search against the owner of the policy. Although UCC filings do not perfect a lien on life insurance policies, judgment liens and tax liens can still attach to assets such as life insurance policies.

- If the policy has sufficient cash surrender value to cover the loans. Usually lenders provide for a “haircut” (that is the margin or difference between the actual market value of a security and the value assessed by the lending side of a transaction) or an advance rate of less than 100%.

DUE DILIGENCE ON THE PARTIES

Counsel should consider the identity of the parties and consider issues, such as:

- The identity of the borrower.
- Whether the borrower has the power to pledge the policy.
- If the borrower is a trust, whether it is creditworthy and has the power to borrow. Since many estate planning transactions involve trusts holding life insurance policies, review the trust’s documents to be sure that the trust has the power to borrow and to pledge collateral. If the trust is a guarantor, ensure the trust has the power to guaranty and to pledge assets to secure the guaranty.
- Whether there are other parties such as other trusts or individuals who are providing credit support and collateral. If so, whether they have the power to guaranty or to pledge assets.

ASSIGNMENT

The UCC does not apply to liens on an insurance policy. In New York, assignments of life insurance policies law are governed by common law. The method prescribed by common law to obtain an enforceable lien is to have a contractual grant or assignment of the lien from the owner to the assignee and then to notify the assignment to the insurance company and satisfy any additional conditions in the policy. A suggested form of Assignment of Life Insurance Policy as Collateral appears at the end of this article.

An Assignment of Life Insurance Policy as Collateral is an agreement between the owner of the life insurance policy (as assignor) and the lender (as assignee). It is also typically acknowledged by the insurance company. The lender typically drafts the assignment and once it is signed by the owner, sends it to the insurance company for acknowledgement. The lender requires an acknowledged copy back from the insurance company before it extends credit.

Features of the Assignment

The assignment typically contains the following key provisions:

- Names of the parties and details of the life insurance policy.
- Granting language where the owner assigns certain rights in the policy to the lender. The assignment goes on to explicitly assign various rights under the life insurance policy to the lender. For example, the sole right to payment of proceeds, the sole right to surrender the policy, the sole right to pledge the policy, the sole right to borrow against the policy. There are limited rights reserved to the owner and in many cases, they may be unnecessary, such as the right to collect disability benefits and the right to change the beneficiary.
- A description of the secured obligations.
- Representations, including that the life insurance policy is free and clear of any liens and that there are no loans outstanding against the policy.

- In the covenants, the owner agrees that it will pay all premiums under the policy and keep the policy in effect. This guards against not having a covenant violation if premiums are not paid (as this allows the insurance company to deduct premiums from the cash value and reduce the cash value) or if the policy lapses.
- Prohibition against the owner from taking additional loans against the policy without the lender’s consent.
- Another covenant that the owner will forward all statements on the policy to the lender so that the lender can monitor the cash surrender value. The lender should receive in-force illustrations (these can be prepared by the brokers) so that the lender can further monitor the projections of cash surrender value.
- There is also a separate section where the insurance company acknowledges the assignment. This would be evidence that the insurance company has been notified of the assignment.
- Finally, the insurance company is also asked to confirm that there are no:
 - loans outstanding against the policy, since loans from an insurance company to the owner against a policy’s cash value may take priority over a lender’s interest; or
 - prior assignments of the policy. Just as in the UCC, it is first in time, first in right for priority between competing liens. Most insurance companies do not acknowledge more than one assignment in effect, since the assignments assign the right to pledge the policy to the lender.

OTHER LENDER ISSUES

In terms of timing, insurance companies are generally familiar enough with policies that the deals are closed quickly, although deals may be prolonged in the event that the appropriate parties are not present at the time of closing.

Opinions are not generally required from insurance companies, but they are usually needed by borrowers to ensure that they’re enforceable. Moreover, enforcement of policies is generally not an issue in the instance that a borrower would like to cancel the policy. In such an instance, insurers will typically allow for the cancellation of the policy, as they will typically save a substantial amount of money by allowing for the cancellation of the policy rather than paying out the death benefit.

SAMPLE FORM OF ASSIGNMENT OF LIFE INSURANCE POLICY AS COLLATERAL

ASSIGNMENT OF LIFE INSURANCE POLICY AS COLLATERAL

1. Assignment. For Value Received, the undersigned, [POLICY OWNER] (“Owner”) hereby assigns, transfers, pledges and grants all of its claims, options, privileges, rights, title and interest in, to and under the insurance policy described below to [NAME OF LENDER] of [ADDRESS], its successors and assigns (herein called the “Assignee”):

Policy No. _____

Issued by: [NAME OF INSURER] (“Insurer”)

and any and all additions, renewals and supplementary contracts issued in connection therewith and any and all proceeds thereof (said policies and contracts and proceeds are hereinafter collectively referred to as the “Insurance Policy”), subject to all the terms and conditions of this Assignment of Life Insurance Policy as Collateral (this “Assignment”). This Assignment is made pursuant to one or more Credit Agreements dated as of _____ among _____ (the “Borrower”), certain of their affiliates and Assignee (as they may be amended, replaced or novated from time to time, the “Credit Agreements”) which provides for loans to the Borrower in the original aggregate principal amount of up to **[\$_____]**.

This Assignment includes, without limitation, assignment of the following rights of Owner: (a) the sole right to collect from the Insurer the net proceeds of the Insurance Policy due to the death of the insured or maturity; (b) the sole right to surrender the Insurance Policy and receive the surrender value thereof at any time provided by the terms of the Insurance Policy and at such other times as the Insurer may allow; (c) the sole right to obtain one or more loans or advances on the Insurance Policy at any time, either from the Insurer or from other persons, and to pledge or assign the Insurance Policy as security for such loans or advances; (d) the sole right to collect and receive all distributions or shares of surplus, dividend deposits or additions to the Insurance Policy now or hereafter made or apportioned thereto, and to exercise any and all options contained in the Insurance Policy with respect thereto; provided, that unless and until the Assignee shall notify the Insurer in writing to the contrary, the distributions or shares of surplus, dividend deposits and additions shall continue on the plan in force at the time of this Assignment; (e) the sole right to exercise all nonforfeiture rights permitted by the terms of the Insurance Policy or allowed by the Insurer and to receive all benefits and advantages derived therefrom; (f) the right to exercise any and all voting rights or privileges to the extent created or endowed by the Insurance Policy; and (g) the sole right to sell, settle, assign, transfer, pledge or grant any right, title or interest in, to and under the Insurance Policy.

2. Rights Retained. The following rights, so long as the Insurance Policy has not been surrendered or canceled, are reserved and excluded from this Assignment and do not pass by virtue hereof: (a) the right to collect from the Insurer any disability benefit payable in cash that does not reduce the amount of insurance; and (b) the right to designate and change the beneficiary of the Insurance Policy, provided that the Assignee shall continue to be considered the primary assignee of the Insurance Policy as provided in paragraph 4 below; provided, however, that the reservation of these rights shall in no way impair the right of the Assignee to surrender the Insurance Policy completely with all its incidents or impair any other right of the Assignee hereunder, and any designation or change of beneficiary or election of a mode of settlement shall be made subject to this Assignment and to the rights of the Assignee hereunder.

3. Obligations Secured. This Assignment is made, and the Insurance Policy is to be held, as collateral security for any and all liabilities of Owner, Borrower and Guarantor to the Assignee, either now existing or that may hereafter arise, including without limitation (a) the Obligations defined in the Credit Agreements and obligations under the Credit Documents and such additional amounts that

Assignee may, in its sole discretion, loan to Borrower or Owner from time to time after the date hereof, (b) the Guaranteed Obligations defined in the Guaranty dated as of the date hereof and (c) the obligations of Borrower or Owner to the Assignee under any financing arrangements for insurance premiums with respect to the Insurance Policy (all of which liabilities secured or to become secured are herein called “Liabilities”). Subject to the terms of this Assignment, Assignee may apply money received under the Insurance Policy to pay Liabilities when due in any order Assignee may choose.

4. Benefits Payment Directive. Insurer is hereby authorized and directed to pay Assignee any and all death benefits and other amounts due under or on account of the Insurance Policy and Assignee shall be considered the Insurance Policy’s primary assignee.

5. Representations. Owner hereby represents and warrants that: (a) the Insurance Policy is in full force and effect; (b) Owner is the sole owner of the Insurance Policy and has full authority to assign the Insurance Policy to Assignee; and (c) Owner has neither assigned, nor granted or suffered any lien or security interest against, the Insurance Policy to any other entity which has not been terminated, except for liens securing the Obligations. Owner further represents and warrants that no proceedings in bankruptcy are pending or to its knowledge threatened against Owner (and that no grounds exist for such proceedings) and that Owner’s property is not subject to any assignment for the benefit of creditors.

6. Covenants. Owner and Assignee covenant and agree as follows: (a) that any balance of sums received hereunder from the Insurer remaining after payment of the then existing Liabilities, matured or unmatured, shall be paid in full by the Assignee to the persons entitled thereto under the terms of the Insurance Policy had this Assignment not been executed; (b) that the Assignee shall not exercise any of the rights under the Insurance Policy assigned hereunder until there has been an Event of Default under any Credit Agreement which shall not have been cured within the time period set forth in such Credit Agreement; (c) that upon Owner’s request the Assignee shall forward, without unreasonable delay, to the Insurer, the Insurance Policy for endorsement of any designation or change of beneficiary or any election of an optional mode of settlement; (d) Assignee shall be under no obligation to pay any premium, or the principal of or interest on any loans or advances on the Insurance Policy, whether or not obtained by the Assignee, or any other charges on the Insurance Policy, but such amounts so paid by the Assignee from its own funds, shall become a part of the Liabilities hereby secured, shall be due immediately, and shall accrue interest at the highest rate set forth in the Credit Agreements; (e) the exercise of any right, option, privilege or power given to the Assignee under this Assignment shall be at the option of the Assignee, and Assignee may exercise any such right, option, privilege or power without notice to, or assent by, or affecting the liability of, or releasing any interest hereby assigned by Owner; (f) neither the Owner nor the Insurer shall alter, modify, amend or waive any of the terms and conditions of the Insurance Policy unless agreed to by the Assignee in writing; (g) Owner shall not assign, grant or suffer any lien, assignment or security interest against the Insurance Policy, except for liens, assignments or security interests in favor of the Assignee; and (h) that the Assignee shall not exercise any of the rights under the

Insurance Policy assigned hereunder until the Assignee has given no less than 10 days written notice to Owner (in the manner set forth in Section [X] of the Credit Agreement) that it may exercise such rights and all Events of Default under the Credit Agreement shall not have been cured at the expiration of such time period.

7. Power of Attorney. Owner irrevocably appoints Assignee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Owner and in the name of Owner or in its own name, from time to time in Assignee’s discretion, for the purpose of carrying out the terms of this Assignment, to take any and all appropriate action and to execute and deliver any and all documents and instruments which Lender may deem necessary or desirable to accomplish the purposes of this Assignment, provided, however, that nothing in this Assignment shall obligate Assignee to protect the interests of Owner or anyone else in or under the Insurance Policy.

8. No Waiver. Any forbearance or failure or delay by Assignee in exercising any right, power or remedy hereunder shall not be deemed to be a waiver of such right, power or remedy, and any single or partial exercise of any right, power or remedy shall not preclude the further exercise thereof. The Assignee may take or release other security, may release any party primarily or secondarily liable for any of the Liabilities, may grant extensions, renewals or indulgences with respect to the Liabilities, or may apply to the Liabilities in such order as the Assignee shall determine, the proceeds of the Insurance Policy hereby assigned or any amount received on account of the Insurance Policy by the exercise of any right permitted under this Assignment, without resorting or regard to other security or any guaranty. No waiver of any provision hereof shall be effective unless it shall be in writing and signed by the Assignee.

9. Joint and Several Liability. If more than one entity signs this Assignment as an owner, the obligations, agreements, covenants, representations and warranties of all such persons or entities signing this Assignment as owners shall be joint and several.

10. Successors and Assigns. All of the terms and provisions of this Assignment shall be binding upon, and inure to the benefit of, and be enforceable by, the respective successors, executors, administrators and assigns of the parties hereto.

11. Entire Agreement. This writing represents the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings between or among such parties with respect to such subject matter; it may not be altered or amended except by subsequent written agreement duly executed by all of the parties.

12. Notices. Unless notice is required by law to be given in another manner, all notices or other communications required or permitted to be given pursuant to this Assignment shall be given in the manner, to the addresses and numbers and with the effect, in each case, as specified in the Credit Agreements.

13. Choice of Law. This Assignment shall be governed by and construed in accordance with the laws of the State of New York.

14. Titles and Headings. Titles and headings of sections of this Assignment are for convenience of reference only and shall not affect the construction of any provision of this Assignment. The unenforceability of any provision of this Assignment shall not effect the enforceability or validity of any other provision hereof.

15. Termination. Promptly after payment in full of all Liabilities and the termination of the Assignee’s commitments with respect thereto, the Assignee shall execute and deliver a termination of this Assignment upon request and at the expense of Owner.

16. Authorization. The Owner hereby authorizes Insurer to recognize the Assignee’s claims to rights under this Assignment without investigating the reason for any action taken by the Assignee, or the validity or the amount of the Liabilities or the existence of any default with respect thereto, or the giving of any notice to the Owner, or the application to be made by the Assignee of any amounts to be paid to the Assignee. The sole signature of the Assignee shall be sufficient for the exercise of any rights under the Insurance Policy assigned hereby and the sole receipt by the Assignee of any sums shall be a full discharge and release therefor to the Insurer. Checks for all or any part of the sums payable under the Insurance Policy and assigned herein, shall be paid to the exclusive order of the Assignee if, when, and in such amounts as may be requested by the Assignee. The Insurer’s payment to the Assignee of the assignment fully releases the Insurer from any further obligation. The Owner hereby acknowledges that the Assignee’s claim is superior to that of any beneficiary. Insurer has retained the duplicate copy of this Assignment.

17. Assignment. Insurer assumes no responsibility for the validity of the Assignment.

Date: _____

[OWNER]

By: _____

Name:

Title:

Accepted and acknowledged as of the date written above:

[NAME OF LENDER], as Assignee

By: _____

Name:

Title:

ACKNOWLEDGMENT

The undersigned hereby acknowledges the attached Assignment of Life Insurance Policy as Collateral and agrees to pay all amounts due under the policies specified therein (other than disability benefits payable in cash that do not reduce the amount of the insurance) directly to **[NAME OF LENDER]**.

The undersigned confirms that (a) there are no other effective assignments on the records of the undersigned against the policy which is the subject of this Assignment and (b) there are no outstanding loans or charges by the undersigned against the policy.

[NAME OF INSURER]

By: _____

Name:

Title:

Date: _____

Policy Owner: _____

ACKNOWLEDGMENT

The undersigned hereby acknowledges the actions taken by **[OWNER]** in the attached Assignment of Life Insurance Policy as Collateral.

[_____], as Beneficiary

By: _____

Date: _____

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