

Florida Supreme Court: STOLI Fraud Scheme Does Not Extend Two-Year Contestability Period for Life Insurance

Wells Fargo Bank v. Pruco Life Ins. Co., 2016 WL 5242593 (Fla. 2016). Life insurance case involving stranger-originated life insurance (STOLI) where insureds participated in a scheme to obtain an overinflated life insurance for a family member based on fraudulent financial disclosures, then transferred the policies to financial investors for cash at the expiration of the statutory two-year incontestability period. Life insurance company brought action after two years to void the policies as illegal wagering contracts and for lack of insurable interest at inception. The Trial Court entered judgment for the insurer. Bank appealed seeking to enforce the insurance agreements because the initial beneficiaries were family members, thus forming an insurable interest at inception. The Florida Supreme Court agreed with the bank. Once the statutory two-year contestability expires, a party cannot challenge a policy just because it was part of a STOLI scheme.

Summary by Tampa attorney, Autumn George.