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## INSURANCE LAW BULLETIN

### Re: Court Holds Application For Insurance Is Not Effective Until Accepted By Insurer

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The United States District Court for the District of Maryland recently held that an application for increased life insurance coverage, even if accompanied by a premium payment, is only an offer to insure, not a contract to insure.

The owner and beneficiary of a life insurance policy applied for an increase in coverage. The application stated the coverage was not "effective until [the] application has been approved by the company at its home office." Although the insurer cashed the accompanying premium check, underwriting declined the increase in coverage. After the owner learned of the declination, he filed a claim for death benefits. The insurer paid the face amount, but denied the claim for increased benefits. The owner sued.

Granting the insurer's motion for summary judgment, the Court held the application was ineffective until approved and accepted by the insurer. Negotiation of the premium check was insufficient to prove existence of a contract, and the insurer's rejection of the risk was effective.

For further information or a copy of the opinion, please contact **Bryan D. Bolton**, who represented the insurer in this matter, at 410-659-7754 or [bbolton@fblaw.com](mailto:bbolton@fblaw.com). Please visit our website at [www.fblaw.com](http://www.fblaw.com).

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Applicability of the legal principles discussed may differ substantially in individual situations.  
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