

*A viatical settlement provider is required to disclose certain information to you before an offer to purchase your policy is made.*

## **BEFORE YOU DECIDE**

Before you agree to sell your policy:

- Make sure that your viatical settlement broker and viatical settlement provider are registered to conduct business in Maryland.
- Read and check all application forms for accuracy, especially information about your health history.
- Confirm your rights to change your mind about the viatical settlement after you get the proceeds, and how many days you have to return the money.
- Determine if you will lose public assistance benefits (food stamps, Medicaid, supplemental Social Security) or if your creditors could claim any part of your cash settlement.
- Make sure the viatical settlement provider agrees to put your settlement proceeds in escrow, either with an independent party or financial institution to ensure your funds are safe during the transfer.

- Determine if you still need life insurance protection.
- Understand the viatical settlement provider of your policy can periodically ask you about your health status.
- Know if you need permission to sell the policy, for instance is it a group policy.
- Understand how the amount of cash you get is determined and when you will receive payment. Get the agreed cash settlement figure in writing before settlement.

## **CHECK WITH THE STATE**

Check the Maryland Insurance Administration's website at [mdinsurance.state.md.us](http://mdinsurance.state.md.us) for information on the issues and risks of viatical settlements, or if you have concerns about viatical settlement provider offers to:

- Buy your life insurance policy, or assist you in buying an insurance policy as an investment.
- Buy your life insurance policy and you are in good health.
- Sell you a new life insurance policy and immediately sell it for cash.

***This document is available in alternative format upon request from a qualified individual with a disability.***

# **SELLING YOUR LIFE INSURANCE POLICY**

## *Understanding Viatical Settlements*

### **Maryland Insurance Administration**

525 St. Paul Place  
Baltimore, Maryland 21202-2272  
Phone 410-468-2000 or 1-800-492-6116  
TTY 1-800-735-2258



Robert L. Ehrlich, Jr.  
Governor

Michael S. Steele  
Lieutenant Governor

Alfred W. Redmer, Jr.  
Insurance Commissioner

## BROCHURE TIPS

The Maryland Insurance Administration and the National Association of Insurance Commissioners want you to have the facts before you enter into a *viatical settlement contract* to sell your life insurance policy. This brochure provides some of that information, but it is only a starting point.

You should also consult your own personal professional financial advisor, attorney, or accountant to help you decide if this is the most suitable arrangement for you and your family.

## WHAT IS A VIATICAL SETTLEMENT?

A viatical settlement is the sale of a life insurance policy to a third party. The owner of the life insurance policy (*the viator*) sells the policy for an immediate cash benefit.

The buyer (*the viatical settlement provider*) becomes the new owner of the life insurance policy and receives all rights to and proceeds from the policy and also pays the premium. A viatical settlement provider must be registered with the State.

A *viatical settlement broker* is the person or company that on the viator's behalf and for a fee, commission or other valuable consideration, offers or attempts to negotiate a viatical settlement contract between a viator and one or more viatical settlement providers. In Maryland, a viatical settlement broker must be licensed to sell life insurance and also be registered with the State.

## WHY SELL A LIFE INSURANCE POLICY?

At one time, most viators were people with a life-threatening illness. Now, individuals who are not facing a health crisis, including older people with a normal life expectancy, may sell their policies for cash. The most common reason for seniors to sell their policies is to address changes in their estate planning needs.

Viatical settlements have also become investment tools for companies and individuals. If you are asked about, or are considering the sale of your life insurance policy, or are interested in buying a life insurance policy as an investment, contact and consult with your personal professional advisor(s) before you make a decision.

*Virtually any type of life insurance policy can be sold. Also, any portion of a policy can be sold with the remaining death benefit kept in the name of the original beneficiary.*

## CONSIDER ALL OF YOUR OPTIONS

If you're selling your policy to get cash to pay expenses, check all of your options first. It's likely you may have other ways of getting cash that is more appropriate for your situation and that enables you to keep your life insurance policy. Consult with your personal financial advisor, who knows your personal financial needs.

*Find out if your life insurance policy has an accelerated death benefit, which typically pays a portion of the policy's face value, minus any outstanding policy loan, before the insured dies. This policy provision may be a way for you to get cash from a policy without selling it.*

## CONSUMER TIPS

When evaluating a viatical settlement contract, you should:

- 🏠 Understand the process – decide whether to sell your policy directly to a viatical settlement provider, or use a viatical settlement broker for help.
- 🏠 Comparison shop – get quotes from several companies to make sure you have a competitive offer.
- 🏠 Check on the tax implications – all proceeds received from a viatical settlement may not be tax free.
- 🏠 Understand the information needed by the viatical settlement provider – you should know who else may get your personal information.
- 🏠 Know who will own the policy and whether it can be resold to another buyer.