

about any viatical or life settlement that you are considering, to make certain the life insurance policy is a valid insurance contract. Be sure that it can't be contested at a later date. Also, be aware that if you invest in policies that were obtained through fraud, the entire investment may be at risk.

As you think about buying a viatical or life settlement, make sure that you get the facts and aren't misled by unsupported projections or unwarranted guarantees of returns. Don't ignore the risk that your investment will return less than you've been led to believe. Be sure you carefully think through your decision before you invest your money.

*Some questions to ask:*

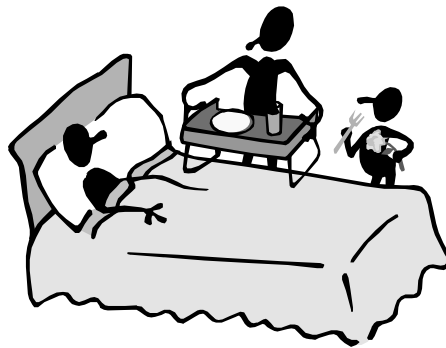
- Are the principal and return on my investment guaranteed?
- How is the return on my investment calculated?
- When is principal and return on my investment paid?
- Will I ever be asked to pay the premiums of the insurance policy?
- Is the insurance policy past the contestable period?
- Does this transaction comply with Mississippi's viatical regulations?

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# Viatical Settlement Facts



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## Viaticals – What are they?

A viatical settlement occurs when a person with a terminal or chronic illness sells his or her life insurance policy to a third party. A life settlement occurs when a person who does not have a terminal or chronic illness sells his or her life insurance policy to a third party. In either case, the owner of the life insurance policy sells the policy for a cash payment that is less than the full amount of the death benefit in the life insurance policy.



George Dale

A viatical or life settlement provider is the person or company that buys the life insurance policy. The viatical or life settlement provider becomes the new owner and/or beneficiary of the life insurance policy, pays all future premiums, and collects the death benefit of the policy when the insured dies.

A viatical or life settlement purchase agreement is the contract or agreement in which the viatical or life settlement buyer agrees to buy all or part of the a life insurance policy.

The viatical or life settlement broker arranges the transaction between the seller of the life insurance policy and the viatical or life settlement buyer, typically using a viatical or life settlement purchase agreement, and is paid a commission.

An Accelerated Death Benefit (ADB) is a fea-

ture of a life insurance policy that typically pays some or all of the policy's death benefit before the insured dies. It may be another way to get cash from a policy without selling it to a third party.

## Understanding viatical settlements

Those who are terminally ill often face very tough financial choices. A viatical settlement is one option that can provide cash to help with expenses. But there are many factors that you should consider before entering into a viatical settlement.

You should contact your life insurer to learn about all of your possible options under your policy. Contact a licensed viatical broker or viatical settlements provider for information about viatical settlements. The Mississippi Viatical Settlements Act of 2000 requires disclosure of many facts surrounding viatical settlement transactions, including the financial consequences of selling your life insurance policy and possible alternatives. Consult your own financial advisor, who knows your personal financial needs.

Analyze these steps to determine whether a viatical settlement is for you:

**Step 1 - Before you agree to a viatical settlement, ask yourself whether you still need life insurance protection? Will the life insurance that you have meet your cash needs?**

- You may wish to find out if you have any cash value in your life insurance policy. You may be able to use some of the cash value to meet your immediate needs and keep your

policy in force for your beneficiaries without having to sell it to a third party. You may also be able to use the cash value as security for a loan from a financial institution.

- Find out if your life insurance carrier will offer **accelerated death benefits**. It could pay you a substantial portion of your policy's death benefit and you wouldn't have to sell your policy to a third party.
- Contact a professional tax advisor. Find out the tax implications. Proceeds are only tax-free under certain circumstances.



- Know that your creditors could claim the proceeds.
- Find out if you'll lose any public assistance benefits such as food stamps or Medicaid if you get a cash settlement.
- Know that you must provide certain medical and personal information to third parties who will be paid the proceeds from your policy upon your death. These third parties may sell your policy and pass along your medical and personal information to other individuals. Understand whether buyers may learn your identity when they buy your policy, and whether they will know certain medical and personal information about you, such as your address and life expectancy.

***Step 2 - If you do decide to sell your policy, it is important to understand how the process works and when the different phases will happen.***

- You will need to decide whether to sell your policy directly to a viatical settlement provider (or representative) or to go through a viatical settlement broker who will do the

comparison shopping for you. Both types are required to be licensed by the Mississippi Insurance Department.

- If you don't use a viatical settlement broker, comparison shop on your own. If you comparison shop on your own, check with MID to ensure that the viatical settlement provider that you have chosen is licensed in Mississippi.
- Be sure to ask your provider or potential buyer how they will determine how much cash you get if you sell your policy. You don't have to accept any viatical settlement offer. Under Mississippi regulations a viatical settlement provider is required to pay you specified minimum amounts if your life expectancy is less than 42 months. If your life expectancy is less than 42 months, check to ensure that the amount you are receiving for your policy is not less than the amount required by Mississippi law. Also ask who will be the legal owner of your policy if you decide to sell it.
- If you sell your policy, ask if there will be any costs that you have to pay.
- You should determine whether your policy is an employer-issued or other group policy. If so, you may need their permission to sell it. Your viatical settlement provider is required to tell you if the policy that you are seeking to sell has been issued as a joint policy or involves family riders or any coverage of a life other than yourself. In such cases, coverage could be lost on other individuals if the life insurance policy is sold.
- Before you sell your policy, the viatical settlement provider has to provide:

A written statement from a physician stating that you are of sound mind.

A written statement indicating that you have a full and complete understanding of the contract, the benefits of the life insurance policy, and that you entered into the viatical settlement contract freely and voluntarily.

Written consent authorizing the release of your records to a viatical settlement provider.

- You must be truthful in your answers to application questions. Check all application forms for accuracy, especially information about your medical history.
- Your viatical settlement provider is required to tell you if they have an affiliation with the company that issued your life insurance policy. If they do, a conflict of interest may exist which would make the transaction inadvisable.

***Step 3 - Protecting your interests after the transaction has occurred.***

- Mississippi law requires that immediately after a provider receives authorizing documents, proceeds of the policy must immediately be placed in an escrow or trust account at a FDIC-insured financial institution. The escrow agent must then immediately send the funds to you within two business days after the viatical settlement provider has received the insurer or group administrator's acknowledgement that ownership of policy or interest in the certificate has been transferred.
- State law states that you have the right to change your mind and rescind the viatical settlement within 15 calendar days following the receipt of the viatical settlement proceeds. (In order to regain the policy, you will have to return the money you were paid as well as any premiums the buyer paid.)

## Investing in Viaticals

If you choose to sell your life insurance policy, one of your chief concerns likely will be that of maintaining privacy of your health information. Mississippi law states that you can only be contacted by your viatical settlement provider once every three months if you have a life expectancy of more than one year, and no more than once per month if you have a life expectancy of one year or less.

The Mississippi Secretary of State's Office regulates the purchase of viatical settlements as securities. Stockbrokers, investment advisors, as well as any investments or securities they offer, including viaticals, are required by law to be registered with the Secretary of State. The Secretary of State's Office keeps a register of Mississippi brokers and broker representatives which includes reported disciplinary histories for each. For more information, contact them at 601 359-1633 or 800 804-6364 or visit their web site at [www.sos.state.ms.us](http://www.sos.state.ms.us).

If you are looking at investing in a viatical or life settlement, check the credentials and reputation of the company or representative that will handle the transaction for you.

Next, learn about the process that the company or representative uses to assure that you receive exactly what you believe that you are buying. Get detailed information

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