



## **MISSISSIPPI GUIDE TO SELLING YOUR LIFE INSURANCE POLICY**

Today it is possible for you to sell your life insurance policy to someone else (a viatical settlement provider) for an immediate cash payment. This financial arrangement, known as a viatical settlement, is best suited for people who are living with an immediate life-threatening illness and facing tough financial choices. A viatical settlement may also be beneficial for individuals who do not have a terminal or chronic illness but wish to sell the policy for other reasons including, changed needs of dependents, wanting to reduce premiums, and cash for meeting expenses.

It may not always be in your best interest to sell your life insurance policy. Before you take action, you want to be sure you understand:

What future benefits you may lose  
What other options may be available

Selling your life insurance policy is a complex financial arrangement. This guide will help you make an informed decision. We recommend that you:

- ▶ Evaluate your needs
- ▶ Check all your options
- ▶ Understand how the process works
- ▶ Know your rights
- ▶ Check with the Mississippi Insurance Department

### **Step 1. Evaluate your needs**

Before you sell your policy and give up valuable insurance protection, think about whether your need for life insurance has changed since you bought the policy. If it hasn't, selling your policy may not be the right choice. If you sell your policy now, your beneficiaries will not be paid a benefit at your death.

If you sell your policy now, remember premiums go up a lot as you grow older. You may not want to pay the higher cost to replace your coverage later.

### **Step 2. Check all of your options**

You may be able to get the cash you need now without selling your policy:

#### **A. Policy Cash Values**

Contact your current life insurance agent or company to see if you have any cash value in your policy. Your insurance company must tell you about your options if you ask. Ask if you can:

- ▶ Borrow from the cash value and still keep the insurance in force,
- ▶ Cancel the policy for its current cash value,
- ▶ Use the cash value as collateral to get a loan from a financial institution.

## **B. Accelerated Death Benefits**

Find out if your policy has an “accelerated death benefit.” It may be your best option.

Many life insurance policies do have an accelerated death benefit. With that benefit, policy holders who are terminally ill, affected with certain diseases or permanently confined in a nursing home can access 50% or more of a policy’s death benefit while still living. An accelerated death benefit could pay you a large part of your policy’s death benefit and you could keep your policy.

A very important feature of the accelerated benefit is that when the policy holder dies, the beneficiaries get the remaining death benefit. This means that eventually 100% of the policy benefits will be paid out either to the insured or the beneficiary.

## **C. Other Considerations**

Think about what it will mean if you do sell your policy. Check out the tax implications. Not all proceeds from a viatical settlement are tax-free.

Find out if creditors could claim any of the money you would get from a viatical settlement.

Find out if you will lose any public assistance benefits such as Medicaid or other government benefits if you accept a cash settlement for your life insurance.

## **D. Comparison Shop**

To learn the market value of your policy, it’s a good idea to contact three to five viatical settlement providers. Or you could use a viatical settlement broker who would contact several viatical settlement providers for you. Your financial advisor can help you decide whether to work with a viatical settlement provider or through a viatical settlement broker.

## **E. Summary**

Everyone’s financial situation is different. A viatical settlement may or may not be the best approach for you. Check it out for yourself. We recommend that you ask an advisor who is qualified to review your finances to help you review your options.

## **Step 3. How the process works**

If you decide to sell your life insurance policy to a viatical settlement provider, you will enter into a viatical settlement agreement with the provider. You, the seller, agree to accept a cash payment for your policy. The amount will be less than the face amount the policy would pay upon your death. (For example, you might agree to accept a \$75,000 cash payment for a \$100,000 policy)

The viatical settlement provider buying your policy:

- ▶ Becomes the new owner of your policy
- ▶ Names the beneficiary
- ▶ Collects the full death benefit when you die
- ▶ Begins paying premiums on the policy, and
- ▶ May sell your policy again.

There are four basic phases required to complete a viatical transaction:

### **A. Phase 1—Qualifying to sell your policy (underwriting)**

The viatical settlement broker or viatical settlement provider will need information about you before making an offer. Usually it will take some preliminary information from you over the phone and send you this paperwork to sign:

A medical release form so the viatical settlement broker or viatical settlement provider can get and review your medical records an authorization form to contact your insurance company to confirm benefit, premium, and ownership of your policy.

To avoid delays, it's important that you give complete and accurate information about your medical history.

If you apply with more than one viatical settlement broker or viatical settlement provider, each will contact your doctor for medical records and your insurance company for policy information.

### **B. Phase 2—Calculating the offer**

The information received in the underwriting phase is used to determine if an offer can be generated. To develop an offer, a viatical settlement provider takes into account various factors including:

1. Estimated life expectancy and medical condition of the insured. Generally, the shorter the life expectancy of the insured, the more the viatical settlement provider will offer for the policy.
2. The amount of life insurance coverage.
3. Loans or advances, if any, previously taken against the policy.
4. Amount of premiums necessary to keep the life insurance policy in force.
5. The rating of the issuing insurance company.
6. Prevailing interest rates.
7. The minimum payment required by Mississippi Insurance Regulation.

### **C. Phase 3—Closing the agreement**

If you accept an offer, a closing package is forwarded to you, the seller, for approval and signature. Closing documents typically include an offer letter, a viatical settlement contract, and the forms the insurance company needs to transfer ownership of the policy to the viatical settlement provider.

The closing documents are then returned to the viatical settlement provider for its signature.

The viatical settlement provider will put the cash payment owed to you in escrow, if required, and send the signed insurance change forms to the insurance company to record the change.

## **Step 4. Know your rights**

### **A. State laws**

Mississippi provides you with important consumer protections. You'll want to contact the Mississippi Insurance Department if you have any questions about the following consumer protections Mississippi requires:

1. A viatical settlement broker or viatical settlement provider arranging viatical settlements must be licensed with the Mississippi Insurance Department.
2. The viatical settlement provider buying your policy must keep your identity and medical history confidential unless you give written consent to tell others.
3. To protect your proceeds, the viatical settlement provider buying your policy must put your money into an escrow account with an independent party during the transfer process.
4. You have the right to change your mind about the settlement AFTER you receive the money, provided you return all the money. You have 15 days to review your settlement arrangement.
5. The new owners of your policy are limited in how often they may contact you about your health status.

## **B. Federal tax laws**

Two groups of people may receive benefits from a viatical settlement without owing federal income tax:

1. Persons who have been diagnosed with a terminal illness and with a life expectancy of 24 months or less; and certain chronically ill individuals.
2. If you qualify for this federal tax-free treatment, you also must use a viatical settlement provider that is licensed in the state when you live, or, in states where licensing is not required, that complies with the standards of the National Association of Insurance Commissioners' Viatical Settlements Model Act.

Remember that, as when interpreting any tax laws, it's always best to check with your own financial advisor.

## **C. Avoiding Consumer Fraud**

If you have been contacted by someone who wants you to buy a policy and then sell it immediately, you should contact your Mississippi Insurance Department. You may be a target for fraud.

If you are asked to buy a life insurance policy for the sole purpose of selling it, you may be participating in fraud.

If you are asked to invest in a viatical settlement, we recommend you contact the Mississippi Secretary of State's Office to learn more about the issues and risks that might be involved in such an investment.

## **Step 5. Check with your state insurance regulator**

### **A. State Licensing**

For a complete list of authorized viatical settlement providers, brokers, and their representatives, call the Mississippi Department of Insurance.

## **B. Seller Checklist**

Before you sell your policy be sure you know the answers to these questions

## **C. Evaluating your needs**

Do you still need life insurance?

Do you have dependents who might rely on your life insurance benefits should anything happen to you?

If you don't need life insurance protection now, what are the chances you'll need it in the future?

## **D. Current policy benefits**

Can you borrow from the cash value?

Can you cancel the policy for its current cash value?

Can you use the cash value as collateral to get a loan from a financial institution?

Do you have an accelerated death benefit feature?

## **E. Taxes and other financial considerations**

Is the money you get from selling the policy taxable?

Will the money you get from selling the policy affect your eligibility for government benefits?

Do you need the advice of a tax or estate planning specialist before you decide to sell our policy?

If you sell your policy, can any of your creditors claim the money?

## **F. Understanding the process**

If you sell your policy, who will be the legal owner?

Is the viatical settlement provider buying your policy licensed?

If you sell your policy, how will the value you get be calculated? What interest rate will be used?

If you sell your policy but then change your mind, can you get your money back?

Will investors have specific information about you, your family or your health status?

How are fees or commissions paid to the viatical settlement broker or provider?

## **G. Protections in your state**

Contact the Mississippi Insurance Department to find out more about the laws governing viatical settlements in Mississippi. Statewide Toll Free: 800-562-2957 (Consumers Only)

### **Mailing Address**

Mississippi Insurance Department  
P.O. Box 79  
Jackson, MS 39205-0079

### **Street Address**

Mississippi Insurance Department  
1001 Woolfolk State Office Building  
501 North West Street  
Jackson, MS 39201