

## **Life Settlements — What You Should Know Before Selling Your Life Insurance Policy**

### **What is a Life Settlement?**

A life settlement is the sale of a life insurance policy to a third party called a life settlement provider. The owner of the life insurance policy sells the policy to the life settlement provider and receives an immediate payment in return.

The life settlement provider becomes the new owner of the life insurance policy, pays any future premiums and receives the death benefit when the person whose life is insured under the policy (the insured) dies.

The New York State Department of Financial Services wants you to have the facts before you sell your life insurance policy. This booklet provides some of that information, but it is only a starting point. **Consult your own professional financial advisor, attorney, or accountant to help you decide if this is the most suitable arrangement for you.**

### **Consider Your Options**

If you are planning to sell your policy because you need funds to pay expenses, there may be other options available under your policy that may allow you to keep your policy in force for your beneficiaries.

Ask your insurance agent or insurance company if your life insurance policy has any cash value. Generally, life insurance policies allow you to take a policy loan up to the amount of the cash value. You may also be able to take out some of the cash value to meet your immediate needs. You should seek the advice of your insurance agent or other professional before using the cash value of your policy.

Find out if your policy allows you to reduce the amount of the death benefit in order to lower the amount of premium you are required to pay. If you are planning to sell your policy because the premiums have gotten too high, this may provide a way to maintain some of the death benefit in force.

Find out if your policy has an accelerated death benefit. If the insured under the policy is terminally or chronically ill, you may be able to accelerate some or all of the death benefit while the insured is still alive.

### **Other Important Information**

- Comparison shop. Get quotes from several life settlement providers to make sure you have a competitive offer.
- If you use a life settlement broker, the broker represents exclusively you and has the duty to act in your best interests and according to your instructions.

- If you use a life settlement broker, he or she is required to disclose the amount of compensation to be paid to him or her by no later than the date the life settlement contract is signed.
- Find out the tax implications. Not all proceeds received from the sale of your life insurance policy are tax-free.
- It is important to know that the proceeds you receive from a life settlement may be accessible by your creditors.
- Find out if you may lose any public assistance benefits, such as supplementary social security benefits, food stamps or Medicaid, or other governmental benefits or entitlements if you receive proceeds from a life settlement transaction.
- The life settlement provider or its authorized representative may contact the insured for the purpose of determining his/her health status. The insured may not be contacted more often than once every three months if the insured has a life expectancy of more than one year, and no more than once per month if the insured has a life expectancy of one year or less.
- The insured's medical, financial or other personal information may be disclosed to certain other parties if the insured has provided written consent for these disclosures.
- After a life settlement provider buys your policy, the provider may resell the policy to other parties.
- You have the right to change your mind about the life settlement transaction AFTER you receive the proceeds of the life settlement. You have the right to rescind (cancel) the life settlement contract from the time the contract is signed until fifteen days after you receive the proceeds.
- If you are asked to or you plan to buy a new life insurance policy with a primary purpose of selling it to a third party, then this may be a stranger-originated life insurance (STOLI) transaction that is prohibited by the New York Insurance Law.

**Questions to Ask Your Professional Financial Advisor, Insurance Agent, Employer or other Professional Advisor**

- If I sell my policy, will I still need life insurance protection?
- If I sell my policy, will the insured under the policy be able to buy additional life insurance on his/her own life?
- If I have a group life insurance certificate under an employer or other group life insurance policy, does the policy permit me to sell it?

If you have questions about selling a life insurance policy, life settlements generally or a life settlement provider, life settlement broker, or life settlement intermediary, you may contact the New York State Department of Financial Services. Visit the Department's website at <http://www.dfs.ny.gov>.