



## **Important Information You Should Know Before Entering Into a Life Settlement**

### **General Information**

#### **What is the purpose of this shopper's guide?**

The State of Texas requires the delivery of this guide to assist Texas residents who are the original owners of a life insurance policy that they are considering selling. Questions related to investing in life settlements should be directed to the Texas State Securities Board.

#### **What is a life settlement?**

A life settlement is the sale of a policy for an amount less than the policy's expected death benefit. Only the owner of a policy may sell the policy. The owner may be a different person than whose life is covered by the policy. A life settlement offers a policy owner the opportunity to get a portion of the death benefit while the insured is still alive.

#### **How does a life settlement work?**

The person that buys a life insurance policy from the owner is called a life settlement provider (provider). The owner may also choose to hire a life settlement broker (broker) to negotiate the life settlement contract with a provider. Providers and brokers will ask you and the insured to complete an application and medical release forms so they can get information from your life insurance company and the medical records of the insured.

If you qualify, the provider will make an offer to purchase your policy. If you accept the offer, the provider will ask you to sign a contract.

#### **Are providers and brokers licensed by the state?**

Life settlement providers and brokers must be licensed by the Texas Department of Insurance (TDI). You may check to see if they have a license here: [www.tdi.texas.gov/life/viaintro.html](http://www.tdi.texas.gov/life/viaintro.html).

#### **What is my policy worth?**

Texas law requires that the minimum value for a life settlement contract be greater than a cash surrender value or accelerated death benefit available at the time you apply for a life settlement contract. Providers will base the amount of the offer on facts such as how long the insured is expected to live, the amount you pay for premiums, the rating of your insurance company, and your policy's provisions (such as a waiver of premium). You may want to get quotes from several providers to ensure you get the best offer.

#### **Will personal information remain confidential?**

A provider or broker may not share any financial, medical, or personal information about the owner or insured with anyone, including your family members, unless there is

written approval to share the information. Any written approval must show who may get the information and why it will be released. The provider or broker may share the information with someone who buys the policy or provides funds for the purchase. The provider or broker may ask the individual to renew permission to share information every two years.

### **What should I know about a life settlement contract?**

Once sold, your policy might be resold to entities or individuals not licensed by TDI. A broker represents the policy owner exclusively. A broker owes a fiduciary duty to the owner, including a duty to act according to the owner's instructions and in the best interest of the owner.

The provider or broker must provide the owner with consumer disclosures, including the compensation the provider will receive, all offers and counteroffers, risks related to taxes and government benefits, and other additional information. Read these disclosures carefully.

TDI must approve all life settlement contract and disclosure forms.

Entering a life settlement will affect:

- whether your beneficiaries will receive any benefits from the policy
- any policy cash values, loans, or dividends
- some rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy

In addition, a life settlement may affect:

- your taxes
- your ability to receive supplemental social security income, public assistance, and public medical services including Medicaid
- your debt obligations, creditors, personal representatives, trustees in bankruptcy, and receivers in state or federal court may try to take away the money you receive for your life settlement
- the ability to obtain future life insurance
- life insurance coverage on spouses or other family members, if the policy (or any riders attached to it) covers their lives

Talk to an attorney, accountant, estate planner, financial planning advisor, tax advisor, social services agency, or your insurance company or agent to find out what effect selling your policy will have on you.

### **Can an owner keep a portion of the policy's benefits?**

Yes. Some providers offer policy owners the opportunity to retain a portion of the death benefits.

## **What if my policy includes extra coverages like accidental death, future increases in the death benefit, or coverage for other family members? Do these affect my settlement?**

You may contact your insurance company or agent to see if your policy includes extra coverages.

If your policy includes a benefit for accidental death, your settlement might not include the additional death benefit. The additional death benefit will remain payable to your beneficiaries or your estate.

If your policy provides future increases in the death benefit, ask how much the provider is paying you for the purchase of this benefit.

If your policy is a joint policy or provides coverage on the lives of other family members or anyone other than yourself, there may be a possible loss of coverage for those people.

## **Are there other options available besides selling my policy?**

Your insurance company might offer options, such as accelerated death benefits, loans, and surrender of the policy for its cash value. Before selling a life insurance policy, contact your insurance company or agent to see what options are available.

## **After you sell your policy**

### **When and how will I get my money?**

A provider must send you the money within three business days after it receives notice from the insurer or group administrator that ownership of the policy has been transferred.

### **What if I change my mind?**

You may cancel a life settlement contract at any time up to the 15th day after the date of the contract. To cancel the life settlement contract, you must return any money the provider paid to you, along with any premiums, loans, and loan interest the provider paid. Remember to arrange with the provider to have the insurance company transfer the ownership of the policy back to you.

### **What if the insured dies shortly after selling the policy?**

If the insured dies within 15 days after the execution of the contract, the provider must rescind the settlement contract if you or your estate repays all money to the provider, along with any premiums, loans, and loan interest the provider paid.

### **What happens after I get my money?**

After the provider has paid you, it may begin to check on the health of the insured. If the life expectancy of the insured is one year or less, the providers may check health status once per month. If the insured is expected to live for more than one year, contact is limited to once every three months.

### **What if the insured doesn't want to be contacted about his or her health status?**

The insured may appoint another adult to be contacted. That person must be someone who is in regular contact with the insured. The insured can change the contact person at any time by sending a written notice to the provider.

### **How will I know who will be calling about the insured's health status?**

The provider must give you the name, address, and phone number of the person who will call the insured or the insured's contact person(s) about the insured's health status.

### **Will the provider call the insured's doctor to check on their health status?**

Some providers will check with the insured's doctor for updates on his or her health. The medical release form allows the insured's doctor to give medical information to the provider or broker.

### **Does anyone make money or commissions from the sale of my policy?**

Yes. The provider or broker must provide the owner the names of all the people who have or will receive some type of payment from the purchase or sale of your policy, along with the amount and terms of the payment. Your broker must disclose all offers that were made for your policy, the amounts received by all brokers on the sale, and a complete reconciliation of the offer by the provider to the amount you receive.

## **Complaints**

You may submit a complaint to TDI by:

- writing to the Texas Department of Insurance, Consumer Protection, Mail Code 111-1A, P.O. Box 149091, Austin, Texas 78714-9091
- calling the Consumer Help Line at 1-800-252-3439 between 8 a.m. and 5 p.m., central time, Monday through Friday
- faxing your complaint to TDI at 1-512-475-1771
- filing your complaint online at [www.tdi.texas.gov/consumer/complfrm.html](http://www.tdi.texas.gov/consumer/complfrm.html), or
- emailing your complaint to [consumer.protection@tdi.texas.gov](mailto:consumer.protection@tdi.texas.gov)