

INSURANCE FACTS

for Pennsylvania Consumers

Your Guide to Viatical Settlements

1-877-881-6388

Toll-free Automated *Consumer Line*

www.insurance.pa.gov

Pennsylvania Insurance Department Web Site

What is a Viatical?

Viatical settlements (also called “life settlements”) are agreements in which a life insurance policyholder assigns the ownership of the policy to a **viatical settlement provider** in exchange for a percentage of the policy’s face value.

In other words, it is the sale of a life insurance policy to a third party. The owner sells the policy for a cash payment that is less than the full amount of the death benefit.

The provider continues to pay the policy premiums and upon the policyholder’s death, cashes in on the policy for its full amount.

In order to fund the transaction, the provider seeks viatical settlement purchasers, who are investors that provide the money needed to buy the life insurance policies. These investors ultimately share in the proceeds from the policies.

The Act Provides:

General rules for viatical settlements, including a requirement that the viator consents to the contract, is of sound mind, and is not under constraint or undue influence.

A requirement that viatical settlement providers and brokers keep the identity of the insured and their financial and medical information confidential (except in specified circumstances). Where disclosure of the information is permitted, the viatical settlement provider or broker must obtain the consent of the viator and the insured.

A requirement that viatical settlement providers and brokers be licensed by the Pennsylvania Insurance Department, and once licensed, a requirement that they remain “worthy” of licensure.

A requirement that all viators receive certain disclosures, including this brochure, before completing the viatical settlement transaction.

Regulation of Viaticals

Under Pennsylvania’s Viatical Settlements Act, the Pennsylvania Insurance Department regulates the sale and solicitation of viatical settlement contracts as of January, 2003. The Pennsylvania Securities Commission regulates all investments in viatical settlements.

In its new role, the Insurance Department will regulate all viatical settlement contracts; as well as license viatical settlement providers and brokers.

This Act also provides several important safeguards for consumers who choose to sell life insurance policies by entering into a viatical settlement, and includes requirements aimed at preventing fraud from occurring in these transactions

The disclosure of all commissions that a viatical settlement broker would receive as a result of the viatical settlement contract.

The viator has a right to reverse the viatical settlement transaction for 15 days from the receipt of the viatical settlement payment and an automatic reversal of the transaction if the insured dies within that 15 day period.

An explanation of the methods used by the viatical settlement provider to track the health status of the insured and limitation on the number of times that the insured can be contacted for health status inquiries.

CONSUMER ALERT

Be cautious if you are:

- interested in selling your life insurance policy and want more information; or
- contacted by someone who wants you to buy a life insurance policy and then immediately sell that policy in a viatical settlement transaction.

Know your Options and Understand the Facts

Entering into a viatical settlement contract is an important financial transaction. The decision to viaticate your life insurance policy should be made only after a thorough consideration of your unique financial needs and your personal situation. If you're thinking of entering into a viatical settlement you should:

- Be sure that the viatical settlement broker and the viatical settlement provider that you are dealing with are licensed by the Pennsylvania Insurance Department. You may ask to see their license or contact the Department. Also, ask for references in order to determine if the broker and provider are reputable.
- Consult your own professional financial advisor who knows your personal financial circumstances, investment objectives, age, and other considerations in order to determine whether a viatical settlement is right for you.
- Ask your tax advisor about any possible tax consequences of entering into a viatical settlement. In most situations, your receipt of the viatical settlement payment for selling your life insurance policy is subject to tax.
- Consult your insurance agent or life insurance company in order to determine what options you have under your life insurance policy that will provide you with immediate access to funds.
- Determine whether your receipt of the viatical settlement payment will affect your eligibility for Medicaid or other government benefits or entitlements. You should obtain advice from the government agencies that administer the benefits that you currently receive.
- Request that your viatical settlement broker "shop" your life insurance policy with multiple viatical settlement providers, and ask to see the offers from each of the providers, as well as, the commissions that the broker will receive for each of those offers.
- Ask questions. If you don't understand any part of the process or the contract, ask the viatical settlement broker or provider for an explanation. Also, you do not have to accept any offer made by the provider.

Some Definitions

Viatical settlement: the sale of a life insurance policy to a third party.

Viator: the owner of the life insurance policy, who sells the policy for a percentage of the death benefit.

Insured: the person whose life is covered by the life insurance policy. The insured may or may not be the same person as the viator.

Viatical settlement provider: the person or company that manages the viatical settlement transaction and makes offers to buy life insurance policies from viators.

Viatical settlement broker: the person or company that represents the viator in a viatical settlement. The viatical settlement broker is to always act in the best interest of the viator and is responsible for "shopping" the life insurance policy with viatical settlement providers in order to obtain the best deal for the viator.

The Pennsylvania Insurance Department is here to help with questions, comments or concerns. The Department's toll-free automated consumer hotline at 1-877-881-6388 is staffed Monday through Friday from 8 a.m. to 4:30 p.m. Consumers can also contact the Harrisburg Regional Office at **(717) 787-2317**.

Questions about investments in viatical settlements should be directed to the Pennsylvania Securities Commission at **1-800-600-0007**.

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A consumer service initiative of the
Pennsylvania Insurance Department
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