



SELLING YOUR LIFE INSURANCE

NOTE: The sale of life insurance policies is possible in U.S. but we don't know whether it is possible in other countries.

WHY DO PEOPLE SELL THEIR LIFE INSURANCE POLICIES?

Many people with life-threatening illnesses decide to sell their life insurance policies to provide extra cash for various expenses. Life insurance is usually a way to provide cash to your survivors. There may be other ways to supplement your own resources and still provide for the beneficiaries of your life insurance policy.

WHO BUYS LIFE INSURANCE POLICIES?

Investors buy life insurance policies from people who are not expected to live very long. The investors buy the policy at a discounted rate. When the person who sold the policy dies, the investor receives the full amount of benefits from the insurance company.

HOW CAN I SELL MY LIFE INSURANCE POLICY?

Selling a life insurance policy is called "viatication." If you want to sell a life insurance policy, you can sell it directly to a viatical investment company, or you can deal with a broker.

- A viatical investment company finds investors who want to buy life insurance policies, and people who want to sell policies. The company pays the person selling their policy, and when the person dies, the company receives the life insurance benefits and pays the investors.
- A broker normally takes applications from people who want to sell their policies, and presents the information to several different viatical companies. Brokers will try to find the highest price available for someone's life insurance policy. The more companies a broker deals with, the better. Your policy should be reviewed by at least 3 companies.

WHAT ARE THE CRITERIA FOR BUYING A POLICY?

Each company sets its own guidelines for deciding how much it will pay for a policy, and whether there are any other conditions that must be met. Normally, to sell a policy, you will need to meet several conditions:

- Have owned the policy for at least two years with no pre-existing HIV conditions noted.
- Have permission from the owners or beneficiaries of the policy. You may need

your employer's permission to sell a group policy you got as an employee.

- Have a terminal illness. Usually, a doctor needs to say that you have a limited life expectancy. The more medical problems you document, the higher the bid you may get for your policy. If you have a high CD4 cell count, viatication may not be a good option.

Viatical companies may have other rules about the types of policies they will buy, or the insurance companies they will consider. The companies normally will review your medical records and decide how much they would be willing to pay. The whole process usually takes about 6 weeks to 3 months.

HOW MUCH WILL I GET?

The amount you will receive for your policy depends mostly on how much longer you are expected to live. The sooner the investors will receive the life insurance benefits, the more they are willing to pay. Part of what you receive for your policy may be tax-free. Consult your tax advisor.

Before potent antiretroviral medications (ARVs) were available, viatical companies paid as much as 85% of a policy's face value. Since the introduction of effective therapies, offers have fallen a lot.

The National Association of Insurance Commissioners (NAIC) has guidelines for viatical payments based on life expectancy, up to 80% for a life expectancy of less than 6 months. However, with the success of current antiretroviral therapies, you may find insurance companies reluctant to purchase policies covering people with AIDS.

WHAT ARE MY OPTIONS?

The viatical industry is fairly new. It started because people with AIDS were becoming bankrupt due to their medical expenses. However, you may not have to sell your life insurance to get money from it. Check with your insurance agent to see if you can:

- borrow against your insurance policy, sometimes at a very low interest rate;
- cash out the policy. See if it has a "surrender value".
- use "accelerated benefits", or "living benefits" to pay while you're still living.

PRO . . .

On the plus side, you might want to sell your life insurance policy because:

- You will receive a lump sum cash payment for your policy.
- You can do whatever you want with the money.

- You won't have to pay any more life insurance premiums.
- You might receive more than the current cash value of the policy.
- You don't have to pay the money back, like you would if you borrow against your life insurance policy.
- In some cases, the money you receive is tax-free.

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Selling your life insurance policy can have some disadvantages, including:

- You might lose your eligibility for some public assistance benefits. This would most likely happen for benefits that are based on your income and assets, such as food stamps, Medicaid, welfare, and some Social Security benefits.
- Your life insurance benefits won't be available when you die. If you wanted money to go to certain people or organizations, you would have to make those gifts from the money you get for selling your policy.
- People might learn about your health status during the process of selling your policy.

HOW DO I CHOOSE A COMPANY TO BUY MY POLICY?

Check with the state insurance department to see if viatical companies are licensed or regulated. Be sure to get offers from several companies.

An organization that represents viatical companies is the Life Insurance Settlement Association, Orlando, FL (407) 894-3797; www.lisassociation.org

Two Internet web sites with independent information are:

- Viatical Settlements Information at <http://www.viatical-expert.net/>
- ViaticalWeb, <http://www.viatical-web.org/>

THE BOTTOM LINE

If you have a life insurance policy, you may be able to sell it and use the money however you want to. There are many companies that buy life insurance policies. Each company will have its own procedures and will come up with its own offer for your policy. Shop around for the best offer.

Selling your life insurance might affect your income taxes or financial benefits that you currently receive. Be sure to get good advice before selling your policy.

Reviewed February 24, 2014