

**ATTACHMENT A: Insurance Regulation 95-4: Viatical Settlements**

**NOTICE REGARDING VIATICATION OF YOUR LIFE INSURANCE POLICY**

Vermont law permits a terminally ill person to sell his or her insurance policy. This sale is referred to as “viatication,” but for ease of understanding, we will use the terms such as “sale,” “sell,” and “buy” throughout this notice.

You should be aware of certain facts about viatication. You should also know you have certain legal protections before you sell your life insurance policy. This notice contains general information that will help you make a decision. This notice also contains specific information about your policy and the viatical settlement provider’s offer. This information will help you make a careful comparison of your life insurance policy benefits, and the benefits you will receive if you sell your insurance policy.

We have tried to customize those parts of this notice that apply to you. All of the sections should be checked with the appropriate choice.

**Part 1: Some Basic Facts About Your Life Insurance Policy**

A. The insurance policy you are proposing to sell is with the:

Company:

Policy Number:

B. The expected death benefit for this policy is: \_\_\_\_\_

The expected death benefit is defined by the policy you are considering selling, as of the date the viatical settlement contract is signed.

C. \_\_\_\_\_ Your expected death benefit will remain stable for at least the next five years. (If this block is checked, you should skip to part D.)

**OR**

\_\_\_\_\_ Your expected death benefit will increase over the next five years, if you do not sell the policy:

Current year death benefit: \_\_\_\_\_

Year \_\_\_\_\_ death benefit: \_\_\_\_\_

D. \_\_\_\_\_ Your policy does not have a cash surrender value. (If this block is checked, you should skip to part 2, “The Viatical Settlement Contract Proposal.”)

**OR**

\_\_\_\_\_ The current cash surrender value of your life insurance policy is: \_\_\_\_\_

\_\_\_\_\_ Because you have a loan on the policy, the net cash surrender value is: \_\_\_\_\_

**OR**

\_\_\_\_\_ Since you do not have a loan on the policy, the net cash surrender value is the same as current cash surrender value.

E. If there is a net cash surrender value:

You can get a loan against the net cash surrender value from the insurance company before you sell your policy. Interest would have to be paid on the loan. In most instances, the interest you would have to pay on the loan will be lower than the percentage that would be deducted from your viatical settlement contract payment.

The amount that you would sell would be reduced to \_\_\_\_\_.

**OR**

If you do not get a loan, the viatical settlement provider will be required to give you 100% of the net cash surrender value in addition to the viatical settlement proceeds.

## **Part 2. The Viatical Settlement Contract Proposal**

A. The viatical settlement provider which is offering to buy your policy is:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Vermont License Number: \_\_\_\_\_

B. The contract you are considering entering into would sell all or part of your death benefit.

If part, the amount to be sold is: \_\_\_\_\_

C. The viatical settlement provider is offering to buy your policy for:

(Amount) \_\_\_\_\_

This amount represents \_\_\_\_\_% of the expected death benefit.

**Important note: The amount the viatical settlement provider is offering you depends on your remaining life expectancy, and is controlled by Vermont state regulation. If you wish to know the life expectancy figure the viatical settlement company is using and the minimum payout for that life expectancy which is required by Vermont regulation, you have a right to that information from the viatical settlement provider who completed this notice form.**

**You should also know:**

**\* Some or all of the proceeds of the viatical settlement may be taxed under both income and estate tax laws. A personal tax advisor should be consulted.**

**\* The proceeds of the viatical settlement could be subject to the claims of creditors;**

**\* The receipt of proceeds from a viatical settlement may adversely affect your eligibility for Medicaid or other government benefits or entitlements. You should seek advice from the appropriate agencies.**

**Part 3. How Would Viatication Work?**

- A. If you are using the services of a viatical settlement broker, that person will receive a fee of \_\_\_\_\_.

This fee may not be greater than 2% of the amount the viatical settlement provider pays you, and is paid by the viatical settlement provider, not deducted from the amount you will receive.

Only a viatical settlement broker who is licensed in Vermont, and who is acting on your behalf rather than in the interests of the viatical settlement provider, may be paid a fee.

- B. If you decide to enter into the viatical settlement contract, you still have an unconditional right to cancel the contract within seven business days of the date you and the viatical settlement provider sign the contract. When you receive the contract, it will outline what you need to do to cancel the viatical settlement contract.

If you were to die during this seven day period, the contract would automatically be rescinded, and your beneficiaries would receive your life insurance benefit.

- C. When you receive the contract, it will also tell you the date by which the viatical settlement proceeds will be available to you and the source of the proceeds, i.e. what bank or other trustee or escrow agent will be sending you the money. The viatical settlement contract and transfer of the policy is null and void if the viatical settlement provider fails to tender payment of the proceeds as provided in the viatical settlement contract.
- D. You will receive a wire transfer or cashier's check for the proceeds of the contract. The payment will be in a lump sum, but you may wish to make other arrangements for payment with the same (or any other) bank, trustee, or escrow agent. The viatical settlement provider is barred by Vermont law from offering you an installment payment plan, or other annuity or settlement plan.

**Part 4. Alternatives to Selling Your Life Insurance Policy**

- A. Some insurance policies have a provision for an accelerated death benefit, which might be a good alternative to selling your life insurance policy.

\_\_\_\_\_ Your insurance policy does not have an accelerated death benefit provision.

**OR**

\_\_\_\_\_ Your insurance policy does have an accelerated death benefit provision. You may wish to contact the insurance company to determine what the accelerated death benefit provisions are and how much money would be available to you.

The insurance company name is: \_\_\_\_\_

Address: \_\_\_\_\_

Phone number: \_\_\_\_\_

- B. You may wish to sell only the basic death benefit and retain additional benefits or optional riders that are part of your current policy.

\_\_\_\_\_ You do not have any additional benefits or optional riders attached to your policy.

(You may skip the rest of this section.)

**OR**

\_\_\_\_\_ The following additional benefits or optional riders are attached to your policy:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Important note: If you wish to retain any of these benefits or riders, you will need to determine which those are, and negotiate an adjustment to the amount the viatical settlement provider is offering you. The viatical settlement provider has the right to adjust the offer they are making to cover up to the cost of the premiums they will pay to keep these additional benefits or riders in force.**

**And, there are other options...**

If you are thinking of entering into a viatical settlement contract, the State of Vermont strongly encourages you to **explore other options** before you make a decision. There may be services and support which could allow you to meet your needs while keeping your life insurance policy in force for your beneficiaries.

You can contact any of the following programs or agencies. These agencies either administer programs you may be eligible for, or they can refer you to other organizations that may be able to help you.

Medicaid (VT Dept. of Social Welfare)	1-800-287-0589
Area Agencies on Aging	1-800-642-5119
Vermont AIDS Hotline	1-800-882-2437
Vermont Center for Independent Living	1-800-639-1522
American Cancer Society (Vermont Division)	1-800-639-1888

If you have any questions about viatication, you may also call the Vermont Department of Banking, Insurance and Securities at (802) 828-3302.