

## Free help with your insurance questions or complaints

Consumer Advocacy  
Hotline

Toll-free  
1-888-877-4894

Salem  
503-947-7984

E-mail  
cp.ins@state.or.us

Insurance Division  
350 Winter St. NE  
P.O. Box 14480  
Salem, OR 97309-0405

Phone: 503-947-7980  
Fax: 503-378-4351  
Web: insurance.oregon.gov



**Life insurance is a critical part of a broader financial plan. There are many options available. Seek advice from different financial advisers to find the option best suited to your needs.**

### What are life settlements?

A life settlement is the sale of your life insurance policy to a third party for a cash amount that is less than the full death benefit. The buyer becomes the new owner and/or the beneficiary of the life insurance policy, pays all future premiums, and collects the entire death benefit when you die.

### Before you sell your life insurance, ask:

- ▶ Do I still need my insurance?
- ▶ Have I discussed all my choices with my financial adviser and my insurance company or agent? For example: Do I have cash value in my policy that I can use to pay premiums or an accelerated death benefit? Can I get a loan to pay premiums, or will my beneficiaries help with making premium payments to protect their interest?
- ▶ Will this limit my ability to buy additional life insurance in the future?
- ▶ If I sell my policy, how much cash will I get?
- ▶ Does an employer or other group policy provide my life insurance? Can I sell my policy? Am I really the owner or just a certificate holder in a group policy?
- ▶ If I sell my policy, who will be the legal owner? Will the policy be resold?
- ▶ If my policy is resold, what personal or medical information can be shared with the purchasers? How often will they request my medical information? Will I be required to sign releases allowing them to contact my medical providers or family members for my health information?
- ▶ Is the broker or company I plan to work with licensed to do business in Oregon?

### If you sell your life insurance, know that:

- ▶ You may have to pay state/federal income taxes on some or all of your settlement money. It is important to consult a tax professional.
- ▶ Creditors may be able to make claims on the proceeds from your life settlement.
- ▶ A cash settlement may affect your eligibility for some government programs, such as food stamps or Medicaid.
- ▶ Your policy could be resold multiple times and future owners may have the ability to track your health.

### How do life settlements work?

- ▶ You can contact life settlement companies directly or choose a broker to help you shop for the highest cash settlement.

- ▶ You complete an application and sign a release allowing the potential buyer to use your medical records to evaluate your life expectancy.
- ▶ You select the best offer.
- ▶ Once you accept an offer, an escrow account is set up. The account holds the purchaser's money and your life insurance policy until the documents that change ownership of the policy and the beneficiary have been received and processed by the insurance company. This protects you and the buyer of your life insurance.
- ▶ You will get your cash within three business days after the life settlement company gets written proof that the changes in policy ownership and beneficiary have been processed by the life insurance company.
- ▶ You can change your mind about the settlement within 60 days from the date of the life settlement contract or 30 days after you are paid, whichever is earlier. If you cancel the settlement, you must return the cash settlement plus any premiums the buyer paid. If you die within this period, the life settlement sale is off. Your beneficiaries receive the death benefit. They must return any cash settlement funds received plus any premiums the buyer paid.
- ▶ Your contract may require you to allow future owners of your policy to regularly contact you to check your health status.

### Tips if you sell your policy

- ▶ Decide whether to sell your policy directly to a life settlement provider or go through a life settlement broker who will shop for you. If you don't use a life settlement broker, you should contact more than one company.
- ▶ You do not have to accept any life settlement offer. It is your contract; you decide what to do with it. It may be worth more if sold when you are older.
- ▶ If you learn that you are terminally ill, your estate (instead of investors) could benefit from the tax-free death benefit provided by life insurance. Proceeds from the life settlement sales are taxable. Contact your tax adviser for details.
- ▶ If you are terminally or chronically ill, Oregon law requires that buyers of your policy pay you a minimum amount based on your life expectancy and the face value of your policy. Contact the Insurance Division toll-free at 1-888-877-4894 to learn more.
- ▶ If you do sell your policy, check all application forms for accuracy, especially personal and medical information that you provide. Answer all questions truthfully.

### Stranger-originated life insurance

Contact the Oregon Insurance Division if you are offered any money or gift to purchase insurance, or if you are offered free insurance for a period of time. Call if you are asked to purchase insurance for the purpose of selling it to investors. You can reach an advocate at 503-947-7984 or toll-free at 1-888-877-4894.

### Warning about loans to buy life insurance

- ▶ Be wary of offers to loan you money to buy life insurance. For example, someone may offer you "free life insurance" for five years. Find out what strings are attached. What happens after the five years?
- ▶ Will you have to repay the loan with interest to keep the policy for your beneficiary? Are there tax consequences if the loan is pardoned?
- ▶ If you can't pay back the loan, will someone else own your life insurance and get the death benefit? Can you cancel the policy? Will you still have to pay back the loan payments?
- ▶ Will the lender have rights to part of the death benefit as collateral for the loan?



### Questions or complaints?

**Call the Oregon Insurance Division consumer advocates at 503-947-7984 or toll-free at 1-888-877-4894. You can also e-mail: [cp.ins@state.or.us](mailto:cp.ins@state.or.us)**

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