Information on Viatical Settlements & Accelerated Insurance Benefits

[This is for information only and not an endorsement by the ALS Association]

Life-threatening or catastrophic illnesses can present some of life's greatest challenges to you and your friends and family. If you have been diagnosed with a life-threatening or catastrophic illness or condition, many difficult decisions will need to be made regarding a wide range of possible issues. In addition to immediate health concerns, chances are that you are giving a lot of thought to how you want to spend the time you have left and if your personal finances will allow you to accomplish the things that are important to you.

As a part of reviewing your personal finances, you should carefully consider any life insurance policies that you have. There may be many options available to you or your ill loved one with respect to obtaining cash from a life insurance policy. When you evaluate your life insurance, you may come across phrases such as "viatical settlements and/or "accelerated benefits." Being informed of your rights and options can assist you with planning your personal finances and can help provide greater peace of mind to you and your loved ones.

What Are Viatical Settlements?
Viatical settlements involve the sale of your life insurance policy for a lump sum cash payment. In a viatical settlement transaction, a person who owns an insurance policy based upon the life of an insured who has been diagnosed with a life-threatening or catastrophic illness or condition, assigns (sells) his/her life insurance policy to a viatical settlement company in exchange for a percentage of the policy's face value. If approved by the Department and the insured, the viatical settlement company may sell the policy to third party (investor).

What are Accelerated Benefits?
Some life insurance policies include coverage provisions for accelerated benefits. Accelerated benefits (sometimes referred to as "life benefits") are the proceeds that are paid by a life insurance company to a policyholder before the policyholder dies. These benefits may be included in the policy when it is purchased, although it is more common for accelerated benefits to be offered as riders or endorsements to new or existing policies.

When considering your options with an existing life insurance policy, contact your life insurance company and inquire if accelerated benefits are available. Some life
insurance companies charge additional premium to add accelerated benefits to a policy, while others offer the benefit with no additional premium up-front, but do charge when and if the option is utilized. Also, you want to see if you are eligible for accelerated benefits, as most companies only offer these benefits to policyholders that qualify under very specific circumstances as outlined in the policy or in a coverage endorsement.

For additional information please contact the Federal Trade Commission (FTC) to request a copy of the brochure, “Viatical Settlements: A Guide for People with Terminal Illnesses.

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