

# Sample disclosures

## Disclosures: Life Settlement Contracts

Oregon law allows you to sell your life insurance policy to a third party for an amount that is less than the full death benefit. The buyer becomes the new owner and the beneficiary of the life insurance policy, pays all future premiums and collects the entire death benefit when you die. This is called a life settlement contract.

### ***Before you submit an application for a life settlement or sign a contract, you should know:***

- There are possible alternatives to life settlement contracts, such as an accelerated death benefit that pays you a percentage of the expected death benefit while you are living. Many insurance policies allow the policyholder to take out a loan on the policy or withdraw cash from the policy up to its current cash value.
- A life settlement broker has a duty to represent you and your interests, not those of the life insurance company or the life settlement company that wants to buy your policy.
- You may have to pay state/federal income taxes on some or all of your life settlement money. It is important to consult a tax professional.
- Creditors may be able to make claims on settlement proceeds.
- A life settlement could make you ineligible for some government programs, such as food stamps or Medicaid. Check with the appropriate agency.
- Selling your policy may prevent you from qualifying for new life insurance coverage in the future and may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy, or certificate, to be forfeited. Consult a financial advisor.
- You can change your mind about the life settlement within 60 days from the date you enter into the settlement contract or 30 days after you are paid, whichever is earlier.
- If you cancel the settlement, you must give notice of rescission and return the cash received plus any premiums the buyer paid.
- If you die within this period, the life settlement sale is off (rescinded). Your beneficiaries will receive the death benefit. Within 60 days of your death, they must return any cash settlement funds received plus any premiums, loans and loan interest on the settlement.
- Funds will be sent to you 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.

- All medical, financial or personal information solicited or obtained by a life settlement provider (company) or life settlement broker about you, including your identity or the identify of family members, a spouse or significant other, may be disclosed as necessary to effect the life settlement between you and the life settlement company. If you are asked to provide this information, you will be asked to consent to the disclosure. The information may be provided to someone who buys the policy or provides funds for the purchase. You may be asked to renew your permission to share information every two years.
- You may be contacted about your health and your contact information (address and telephone number) as often as once every three months if your life expectancy is more than a year and monthly if your life expectancy is a year or less.
- You may be contacted only by the life settlement company or an authorized representative of the company.

## Signature required

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► Owner Signature

Date

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► Provider/Broker Signature

Date

(circle one)

*See next page for description of life settlement process*

# Sample Process Brochure

## Process of life settlements

If you decide you want to sell your life insurance policy after researching your options and consulting your financial and tax advisers...

1. Contact a life settlement broker or life settlement companies for competitive bids.
2. Complete an application for a life settlement.
3. Sign releases for your medical information so a life expectancy evaluation can be completed (more than one may be required).
4. Submit the life expectancy evaluation report and insurance policy information for competitive bids.
5. Review the settlement offers. You do not have to accept any. If you accept an offer:
  - Closing documents are prepared, including the contract for the settlement and the change of ownership forms to be submitted to the insurance company.
  - An escrow account is set up and the insurance company is notified of the new owner and that owner's rights as the new beneficiary. The new owner will pay all future premiums.
  - You get your settlement funds within three days after the insurance company gets written confirmation that the change of ownership has been completed.
  - You can change your mind about selling your policy within 60 days from the date of the life settlement contract or 30 days after you are paid. However, you must return all settlement funds if you rescind the life settlement contract.
  - You may be required to sign a release for medical information every two years. Your family members and physicians may also be contacted.