



## Who We Are

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Tom Miller  
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Protecting Consumers  
Fighting Crime  
Helping Victims of  
Crime  
Working for Farmers  
Protecting the  
Environment  
Raising Child Support  
Awareness  
Representing State  
Government  
Issuing Attorney  
General Opinions  
Enforcing Tobacco Laws  
Protecting Utility  
Customers

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## Consumer Advisory Bulletin

**Consumer Alert: "Viatical Settlements"**

Here's a new term to many: "Viatical settlements." But it's a term you are more and more likely to encounter -- as an investor, or if you should become terminally ill.

Viatical settlements involve the sale of a life insurance policy by a person who is terminally ill. A terminally ill person may sell his or her life insurance policy to a "viatical settlement company" for a lump sum cash payment that is a percentage of the policy's face value. The ill person receives needed money before death, and the company obtains an investment upon which it will collect when the person dies.

Example: a viatical settlement company might pay 60% of the face value of a policy to a person whose life expectancy is under two years, and 80% to someone whose life expectancy is six months or less. The buyer becomes the policy beneficiary, pays the premiums, and collects the face value when the original policyholder dies.

Viatical settlement companies often solicit individual investors to buy an interest in these life insurance policies, sometimes offering the investors attractive rates of return. Iowans need to be careful no matter which role they are in -- whether they are terminally ill and selling their policy, or whether they are an investor buying an interest in a viatical settlement.

For the terminally ill: Before you make any major changes regarding your policy, talk to someone whose advice and expertise you can count on, such as an accountant, lawyer, or good friend. Be sure you are dealing with a reputable viatical settlement company. Are they licensed or regulated by any state or federal agency? You may desire to discuss the matter with your own insurance company. Some insurance companies will buy back the policy directly or allow accelerated death benefits.

**For potential investors in viatical settlements:**

- Deal with someone you trust. Check out the viatical company and the company providing the underlying insurance policy.
- Be sure they are solvent and reliable.
- Seek financial statements and written statements regarding past performance.
- Be skeptical of supposed "guaranteed" rates of return and "no-risk" opportunities. The rate of return depends completely on how long the ill person lives. Further, the investor may be expected to make ongoing premium payments.
- Be certain you understand the terms of any guarantee and get them in writing.
- Read all materials carefully.
- Consider all your investment opportunities and the risk of each.
- Consult with trusted experts before you invest.

For more information or to file a complaint, contact the Consumer Protection Division, Hoover Building, Des Moines, IA 50319. Phone 515-281-5926.

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