



## Important information about your life insurance policy

### Prepared by the Maine Bureau of Insurance

**Life insurance is a critical part of a broader financial plan. There are many options available, and you have the right to shop around and seek advice from different financial advisers in order to find the option best suited to your needs.**

You are encouraged to consider the following possible alternatives to requesting a surrender of your life insurance policy, requesting accelerated death benefits under your life insurance policy, or letting your life insurance policy lapse. These alternatives include, but are not limited to:

- **Accelerated Death Benefit:** Your policy may provide an early or accelerated discounted benefit payment if you have a terminal or chronic illness.
- **Cash Surrender:** Your policy may have a cash surrender value your life insurer would pay you if you cancel it.
- **Gift:** You may be able to give your policy to your beneficiary, who would then assume responsibility for paying premiums.
- **Life Settlement:** You may be able to sell your life insurance policy to a third party for an amount greater than the cash surrender value or accelerated death benefits under your policy. You pay no further premium. The third party becomes the policyholder and receives the benefit upon the insured's death.
- **Maintain Your Policy:** You may be able to maintain your life insurance policy in force by paying the premiums directly or using your current policy values to pay the premiums.
- **Policy Changes:** You may be able to reduce or eliminate future premium payments by obtaining a paid-up policy, by reducing optional coverages, or through other options available from your life insurer.
- **Policy Loan:** You may be able to take out a loan from your life insurance company using the cash value of your policy as collateral. Loan proceeds can be used to pay the premiums or for other purposes.
- **Third-Party Loan:** You may be able to get a loan from another party to pay your policy's premiums. In return, the lender may require an assignment of a portion or all of the policy's death benefits.

These options may or may not be available depending on your circumstances and the terms of your life insurance policy. Please see your policy or contact your life insurance company, financial adviser, agent, or broker to determine your particular options.

**IMPORTANT INFORMATION:** Maine law requires life settlement brokers to have a proper license. If you are approached to sell your policy or if you are looking to sell your policy, please check with the Maine Bureau of Insurance for a list of licensed life insurance producers.

If you are a Maine resident and have questions about life insurance and your rights, contact the Maine Bureau of Insurance at 1-800-300-5000, or go to [www.maine.gov/pfr/insurance](http://www.maine.gov/pfr/insurance). Ask questions if you don't understand your policy.

### COMMONLY USED TERMS

**Accelerated death benefit:** A benefit allowing terminally ill or chronically ill life insurance policyholders to receive cash advances of all or part of the expected death benefit. The accelerated death benefit can be used for health care treatments or any other purpose.

**Cash surrender value:** This term is also called "cash value," "surrender value," and "policyholder's equity." The amount of cash due to a policyholder who cancels his or her life insurance policy before it matures or death occurs.

**Expected death benefit:** The amount that the insurance company would pay the beneficiaries named in the life insurance policy if the insured died today.

**Face amount:** The death benefit the insurer is required to pay the beneficiaries named in the life insurance policy upon the death of the insured, as stated in the policy. The actual death benefit may differ due to such factors as policy loans, failure to pay premiums, and for some types of policies, investment performance.

**Lapse:** Refers to a life insurance policy ending or expiring when a policyholder stops making premium payments.

**Life settlement:** A contract in which the policyholder sells his or her life insurance policy to a third party for a payment that is less than the expected death benefit of the policy. Life settlements include viatical settlements, defined below.

**Policy loan:** A loan issued by an insurance company using the cash value of a person's life insurance policy as collateral.

**Viatical settlement:** An arrangement in which someone with a terminal illness sells his or her life insurance policy at an amount less than the death benefit. The ill person receives cash, and the buyer receives the full amount of the death benefit. This death benefit is payable once the former policyholder dies.

*This brochure is for informational purposes only and does not constitute an endorsement of any of the options described above.*