

## **Rhode Island Notice to Inform Policyholders of Alternatives to the Lapse or Surrender of a Policy**

### **Important information about your life insurance policy from the Rhode Island Department of Business Regulation, Insurance Division**

***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 options best suited to your needs.***

You are encouraged to consider the following possible alternatives if you are considering 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.
- **Converting Your Policy to Permanent Insurance:** Your policy may have a conversion feature allowing it to be converted from a term policy to a permanent life insurance policy like a whole life or universal life policy.
- **Converting Your Policy to Long Term Care Insurance:** Your policy may have a feature allowing it to be converted into a policy that provides long-term care health insurance coverage or into a long-term care benefit plan, which would be able to pay some or all of your costs if you develop the need for assistance with multiple activities of daily living, or ADLs.
- **Gift:** You may be able to gift 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 that, under Rhode Island law, must be 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.

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*Rev. 10/1/18*

- **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.
- **Replacing your Policy:** You may be able to replace your policy with a policy from your insurer or another insurer to better suit your insurance needs or ability to pay for life insurance.
- **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 advisor, insurance producer to determine your particular options.*

If you're a Rhode Island resident and have questions about life insurance and your rights, contact the Department of Business Regulation, Insurance Division at 1-401-462-9520, or go to <http://www.dbr.ri.gov/insurance>

### **Ask questions if you don't understand your policy.**

Here is a list of 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 requests the insurance company cancel their life insurance policy before it matures or death occurs.
- **Expected death benefit:** The face amount of the policy, less any policy loan amounts, that the insurance company is expected to pay the beneficiaries named in the life insurance policy upon the death of the insured.

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- **Lapse:** Refers to a life insurance policy ending or expiring when a policyholder stops making premium payments.
- **Life settlement:** Refers to a contract in which the policyholder sells his or her life insurance policy to a third party for a one-time cash payment which is greater than the cash surrender value, but less than the death benefit of the policy. A life settlement includes a viatical settlement, defined below.
- **Paid-up:** An option built into many permanent life insurance policies that allows a policyholder to stop paying premiums while keeping a portion of his/her policy in force.
- **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.

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*Rev. 10/1/18*