



Questions you should ask:

- 1. Is the principal and return on my investment guaranteed?**
- 2. How is the return on my investment calculated?**
- 3. When is the principal and return on my investment paid?**
- 4. Will I ever be asked to pay the premiums for the insurance policy?**
- 5. Who is responsible for monitoring the status of the insurance policy and the insured?**
- 6. What fees and costs, if any, am I responsible for paying?**
- 7. Is the life insurance policy past the contestable period?**



*A viatical settlement is a complex financial arrangement which may require professional guidance. You may want to consult with an accountant or an attorney.*

This publication was issued as a joint public service by the  
Kansas Insurance Department  
Sandy Praeger, Commissioner  
And the  
Office of the Kansas  
Securities Commissioner

**Kansas Insurance Department**  
**Sandy Praeger, Commissioner**

420 S.W. 9th St.  
Topeka, KS 66612-1678

1-800-432-2484  
785-296-3071

E-mail : [commissioner@ksinsurance.org](mailto:commissioner@ksinsurance.org)  
Homepage: [www.ink.org/public/kid](http://www.ink.org/public/kid)

**Office of the Kansas**  
**Securities Commissioner**

618 S. Kansas Ave.  
Topeka, Ks. 66603

1-800-232-9580  
785-296-3307

Homepage: [www.ink.org/public/ksecom](http://www.ink.org/public/ksecom)

# Investing In A Viatical Settlement

What to  
Know Before you  
invest in a Viatical  
Settlement



Kansas insurance Department  
Sandy Praeger, Commissioner

Office of the Kansas  
Securities Commissioner



# Investing in A Viatical Settlement

*Viatical settlements allow life insurance policy holders to sell their policies to investors for an immediate cash benefit. In return, the purchasers of the viatical settlement assume responsibility for paying the remaining premiums and become the beneficiaries of the life insurance policy.*

*As an investor, you may have been approached by a viatical company or broker to invest in a viatical settlement. Before putting your savings into this type of investment, it is critical that you understand the risks involved, know how your investment will be used, and what the likely return will be.*

*This pamphlet is designed to provide some of that information. However, it only provides a starting point. If you have additional questions, please call us.*

**Kansas Insurance Department**  
Consumer Assistance Division  
1-800-432-2484

**Kansas Securities Commissioner**  
Investor Services  
1-800-232-9580

## Be an informed investor

**Investing in a viatical settlement involves risks.** Viatical settlements are not like “certificates of deposit” —here’s why.

- ◆ **Viatical settlements are not a liquid investment.** There is no return on the investment until the death benefit is paid. If you invest in a viatical settlement, you will not have access to these funds until after the insured dies.
- ◆ **The annual return on a viatical settlement investment can never be guaranteed because it is impossible to reliably predict an individual’s actual life span.** Improved medical treatments further increase the difficulty of making an accurate prediction.
- ◆ **Policy premiums must continue to be paid until the insured individual dies.** Find out who will be responsible for paying the premiums; what guarantees are in place; and whether there is a chance you will have to invest more money. If the premiums are prepaid, know who will be responsible for making the premium payments if the insured lives beyond the life expectancy.
- ◆ **Funds invested in viatical settlements may not be eligible for an IRA, 401(k), or Keogh.** If you invest these funds in a viatical you will lose the favorable tax advantage. Check with your tax advisor about the IRS rules.

## Watch for these other risks

**You could be investing in a policy with special risks if...**

- ◆ **the policy is still in the “contestable” period.** This means a life policy is less than two years old, and the insurance company could refuse to pay the death benefit for various reasons.
- ◆ **it is a “term” life policy** issued for a certain number of years. An insurance company will not pay the death benefit if the insured outlives the term period of the policy.
- ◆ **it is a “group” policy** which is usually owned by an employer or other organization. A group policy can be terminated by the employer or the insurance company and there may be higher premiums or limits on the insured’s rights to convert to an individual policy.

## Agents/Brokers must be licensed

- ◆ Before you invest in a viatical settlement make sure the agent/broker is properly licensed to sell viaticals.
- ◆ Agents/Brokers may need to be licensed by both the Kansas Insurance Department and the Kansas Securities Commissioner.
- ◆ To find out if someone is licensed to sell viaticals call:

Kansas Insurance Department  
1-800-432-2484  
And  
Kansas Securities Commissioner  
1-800-232-9580