



## **CONSUMER FRUSTRATION: NO CARRIER DISCLOSURE OF ALTERNATIVES TO LAPSING OR SURRENDERING A POLICY**

Most financial advisors have experienced first-hand clients having negative perceptions of the life insurance industry. In fact, one survey from E&Y found that American consumers had less trust in U.S. insurance companies than all but one other major industry (pharmaceutical companies claimed that dubious honor).

There are a number of contributing factors fueling negative consumer sentiment toward carriers. One of the reasons is a credibility problem created by the industry itself. Consumers are frustrated that they are not properly informed of their options by life insurance companies if they no longer need or can afford their life insurance policies.

If a policy owner concludes that his insurance policy is no longer needed or affordable — or perhaps is no longer serving its original purpose — then he needs to be aware of multiple available strategies prior to canceling, surrendering, or lapsing the policy. It is in his best interest to be knowledgeable and informed of the following three primary options:

### **1. Accelerated Death Benefit**

Some life insurance policies include an Accelerated Death Benefit (ADB) option, also known as a “living benefit.” ADB essentially allows the policy owner to access a portion of

the death benefit payment now. However, this is usually only available if a physician certifies that the insured has a life expectancy of less than six months. ADB payments, if available, will vary based on the rider in an owner's life insurance contract.

### **2. Cash Surrender Value**

If a life insurance policy has a cash surrender value, then there is an option to surrender the contract in exchange for that amount, by requesting and completing policy surrender forms from the insurer. However, prior to doing so, it is always advisable to consider the third option below, since the potential payment, by definition, will always be higher than the cash surrender value.

### **3. Sell the Policy as a Life Settlement**

Yes, there is a viable, highly regulated market to sell a life insurance policy to a third party through a transaction called a life settlement. A life settlement enables qualified policy owners to sell their coverage to a “life settlement provider” — a licensed financial entity that purchases policies on the regulated secondary market for life insurance — in exchange for a lump sum cash payment. The proceeds can be used to help pay for retirement expenses, offset expensive health care costs, or provide gifts to family members or charities. The life settlement industry has

paid billions of dollars to consumers and, according to one U.S. Government Accountability Office study, policy owners received four to eight times more money than the cash surrender values offered from life insurance carriers. In recent weeks, Welcome Funds has collected comments from a number of consumers who viewed an informative video on our firm's Facebook page, in which we recounted an actual case study of a client for whom we were able to obtain \$121,500 for a term life insurance policy that had zero cash value. These consumers were stunned to learn that their life insurance companies had not informed them of the alternatives to lapsing or surrendering a policy they no longer wished to keep in-force.

Here is just a sampling of some of their comments:

"I am sick we let our \$250,000 policy lapse when my husband turned 65 last year. (We) paid on it forever and got NOTHING! Why aren't greedy insurance companies mandated to inform their policyholders of this option before it is too late? It doesn't seem fair!"

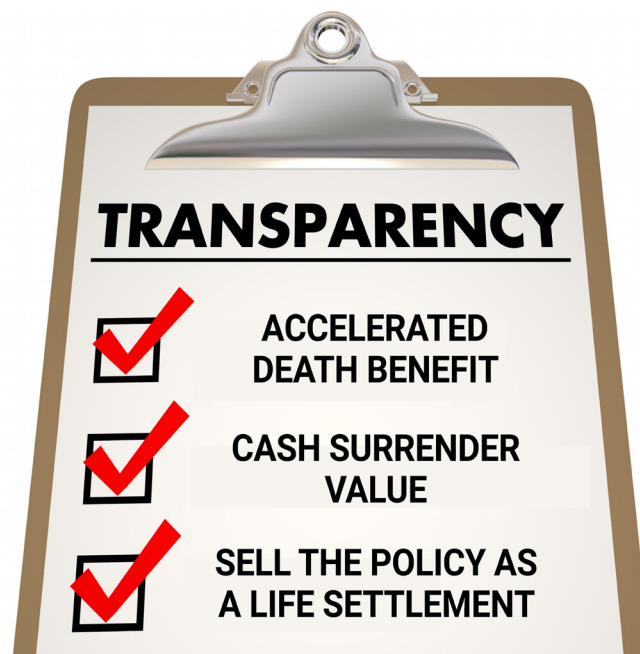
"My mom lost 20 years of paying over \$300 per month for a term policy (expired) in December 2019, my stepdad didn't mention this until February 2020!"

"This info and other options are not shared by insurers, know that for sure."

"I wish my insurance agent would have informed me of this option when I could no longer afford the payments due to losing my job. I had paid into the term life insurance for 18 years."

"Just lost my wife's policy after 30-odd years because it was term life. I picked the premium up after her retirement and paid it for years not realizing it was term life. Got a letter just last week telling me the policy was canceled with no value. All these years I just helped them make more money."

Trusted financial advisors have a unique opportunity to make sure that consumers are aware of their alternatives to lapsing or surrendering a life insurance policy. If a client decides to explore the sale of his policy, then it is advisable to work with a licensed and reputable life settlement



broker. The broker represents the client's best interests throughout both the sales and closing process. After initial eligibility is confirmed, and the applicable paperwork and authorizations are completed, the broker will attempt to negotiate with multiple qualified life settlement providers who compete to extend the best offer to purchase the policy.

For more information about the potential value of a policy owner's insurance policy, contact Welcome Funds by visiting [welcomefunds.com](http://welcomefunds.com) or calling 877.227.4484.



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## ABOUT WELCOME FUNDS

Past two decades, Welcome Funds has served in the best interest of policy owners by maximizing life settlement offers through auction based negotiations with the top buyers in the secondary market. When buyers compete, your clients win!

**36,000+**

Offers  
Negotiated

**\$1+ Billion**

Paid to  
Consumers

**9+**

Average # of  
Bids Per Policy

**CONTACT US TODAY TO FIND OUT IF YOU QUALIFY FOR A LIFE SETTLEMENT**