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Cashing In On Life Insurance / Healthy seniors selling policies for quick cash

Laura Castaneda, Chronicle Staff Writer Published 4:00 am, Tuesday, March 31, 1998

1998-03-31 04:00:00 PDT San Francisco -- Viatical settlement companies are trying to woo a new breed of clientele: healthy senior citizens.

That's a switch for viatical companies, which typically buy **life insurance** policies from the terminally ill, usually AIDS patients, who want extra money before they die.

The new emphasis is part of the viatical industry's efforts to broaden its customer base now that medical advances are allowing AIDS patients to live longer.

Relatively healthy senior citizens are prime candidates for viatical settlements with the growth of the elderly population along with concerns about the future viability of **Social Security**.

Many seniors can't afford to pay expensive monthly life insurance premiums, and need money now to pay for living expenses or medical costs not covered by health insurance.

Even affluent seniors are selling their policies because they're finding that their intended beneficiaries, often their children, are doing well and won't need the money.

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"I think it's a good thing," said viatical broker **Carole Fiedler** of **Fiedler Financial** in Sausalito. "It gives people the chance to get some cash now and save money on premiums."

With a viatical settlement, an individual sells his or her life insurance policy to a viatical settlement company for a percentage of the face value.

In return, the viatical settlement company

settlements firm plans asset sale

that purchases the life insurance policy will collect 100 percent of the death benefits after the policy holder dies.

The older the policy holder, the shorter their life expectancy, and the more money they get because viatical firms don't expect to wait long to collect the death benefits.

Life expectancy is determined by insurance actuarial tables.

Chicago-based Viaticus has sold hundreds of policies to healthy, older individuals in the past few months, said president **Gary Chodes**.

Typically, women should be at least 70 years of age and men should be in their late 60s in order for Viaticus to buy a policy, he said.

Viaticus will pay about 40 percent of the face value of a term life insurance policy, or up to 200 percent of the cash value of a whole or universal life insurance policy.

"There's a big demand for it," said Chodes. "There are many seniors with life insurance policies who need money now, and others who have policies they no longer need."

Steve Keller, president of Lexington, Ky.-based Kelco Inc., agrees. He said many retirees can no longer afford to pay life insurance premiums.

"If they can sell their life insurance policies and get something out of it as opposed to losing it all by letting it lapse, then they're way ahead of the game," he said.

Kelco said he has purchased less than 100 policies from older, healthy people in the past couple of months, and pays between 10 cents and 40 cents on the dollar.

To help spread the word to senior citizens, Kelco plans to start airing national television commercials on April 13.

ViatiCare in Minneapolis has purchased policies from healthy seniors for the past three years, but the firm has noticed a jump during the past 12 months, said chief executive **Paul J. Moe**.

About 80 percent of the insurance policies purchased by ViatiCare come from people with terminal illnesses, and the rest come from healthy seniors, he said.

Healthy seniors typically get about 40 percent of the policy's face value.

In the past, viatical settlement companies found it easy to market to AIDS patients through the gay and lesbian press and AIDS activist groups.

But viatical settlement companies have had to look for other customers because AIDS patients are living longer thanks to a potent mix of drugs called protease inhibitors.

Viatical settlements are tax-free to individuals who are diagnosed by their doctor as having approximately 24 months or less to live. Older, healthy people will have to pay taxes on the amount they receive.

A list of licensed viatical settlement companies and brokers can be obtained from the **California Department** of Insurance or the **AIDS Legal Referral Panel** in San Francisco. (See Resource Box on Page D4.)

VIATICAL SETTLEMENTS

-- AIDS Legal Referral Panel: For a list of licensed viatical brokers and settlement companies, call (415) 291-5454.

-- California Department of Insurance: For a list of licensed viatical settlement companies and brokers, call (800) 927-HELP or check the Web site at www.insurance.ca.gov/.

-- National **Viatical Association**: For a free booklet about viatical settlements, call (800) 741-9465.

-- Viatical **Association of America**: For a free brochure on viatical settlements and a list of member organizations, call (800) 842-9811.

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