Understanding Life Insurance Policy Ownership

What does ownership of a life insurance policy mean?

The owner is the individual who holds control over the policy while the insured is alive. This person has the authority to surrender, sell, or gift the policy, as well as to change the beneficiary of the policy's death benefit.

Who retains all of the rights in a life insurance policy?

The policy owner retains all rights in a life insurance policy.

The owner is the one who controls the policy during the insured's lifetime.

This individual or entity has the power to make decisions about the policy, such as changing beneficiaries, borrowing against the cash value, or surrendering the policy.

What happens to a life insurance policy if the owner dies?

If the owner of a life insurance policy dies before the insured, the policy ownership needs to be transferred.

If the policy has a named successor owner, they automatically assume ownership.

Otherwise, the policy may become part of the "deceased owner's estate", potentially going through probate to determine the new owner.

The new owner will then be responsible for managing the policy, including paying premiums and potentially making changes to beneficiaries or taking loans against the policy.

Does a will override a beneficiary on a life insurance policy?

No, a will generally does not override a beneficiary designation on a life insurance policy. Life insurance proceeds are typically distributed directly to the designated beneficiary(ies) named on the policy, bypassing the will and the probate process. This means the life insurance policy's beneficiary designation takes precedence over any instructions in the will regarding those specific assets.

What does the ownership clause in a life insurance policy say?

Under the ownership clause, the policyowner possesses all contractual rights in the policy while the insured is still alive.

These rights include the selection of a settlement option, naming and changing the beneficiary designation, election of dividend options, and other rights.

Can creditors go after life insurance after death?

Most life insurance policies are considered exempt assets, meaning they're off-limits to creditors seeking repayment. This exemption often extends to both the death benefit and any cash value accumulated in the policy.

Add a Contingent Owner

One method the policyholder can do is add a contingent owner.
The Insured can be listed as the contingent owner.