

## ASSIGNMENT OF LIFE INSURANCE POLICY AS COLLATERAL

1. Assignment. For value received, \_\_\_\_\_, of \_\_\_\_\_, assignor, hereby assigns, transfers, and delivers to \_\_\_\_\_, of \_\_\_\_\_, assignee, \_\_\_\_\_ successors or assigns, policy No. \_\_\_\_\_, issued by \_\_\_\_\_, insurer, and any supplementary contract issued in connection therewith on the life of \_\_\_\_\_, of \_\_\_\_\_, and all my right, title, and interest therein except as provided in Section 3 hereof, subject to all the terms and conditions of the policy and to all superior liens, if any, that insurer may have against the policy.

2. Rights of assignee. Assignor agrees that the following specific rights pass to assignee by virtue of this agreement:

a. The sole right to collect from insurer the net proceeds of the policy when it becomes a claim by death or maturity;

b. The sole right to surrender the policy and receive the surrender value thereof at any time provided by the terms of the policy and at such other times as insurer may allow, and the full right to obtain one or more loans or advances on the policy from insurer, such rights subject however, to the provisions of Section 5a hereof;

c. The sole right to collect and receive all distributions or shares of surplus, dividend deposits, or additions to the policy now or hereafter made or apportioned thereto, and to exercise any and all options contained in the policy with respect thereto; provided, that unless and until assignee shall notify insurer in writing to the contrary, the distributions or shares of surplus, dividend deposits, and additions shall continue on the plan in force at the time of this assignment; and

d. The sole right to exercise all nonforfeiture rights permitted by the terms of the policy or allowed by insurer and to receive all benefits and advantages derived therefrom.

3. Rights reserved by assignor. It is expressly agreed that so long as the policy has not been surrendered, the following specific rights are reserved and excluded from this assignment and do not pass to assignee by virtue hereof:

a. The right to collect from insurer any disability benefit payable in cash that does not reduce the amount of insurance;

b. The right to designate and change the beneficiary; and

c. The right to elect any optional mode of settlement permitted by the policy or allowed by insurer.

4. Indebtedness secured. This assignment is made as collateral security for any and all indebtedness of assignor to assignee, either now existing or that may hereafter arise between assignor and assignee. Assignee agrees to apply any and all money received from insurer to the satisfaction of such indebtedness, and to pay to assignor, his legal representatives, heirs, or assigns, any balance remaining after payment of the indebtedness existing at the time of such payment.

5. Covenants of assignee. Assignee covenants that:

a. Assignee will not exercise either the right to surrender the policy or, except for the purpose of paying premiums, the right to obtain policy loans from insurer, until there has been

default in any of the then existing indebtedness secured by this assignment or a failure to pay any premium when due, or until thirty (30) days after assignee shall have mailed to assignor, at the address last supplied in writing to assignee, notice of intention to exercise such right, with specific reference to this assignment; and

b. Assignee will, on request, forward without unreasonable delay to insurer the policy for endorsement of any designation or change of beneficiary or any election of an optional mode of settlement.

6. Payment of charges on policy. Assignor agrees to pay, and assignee shall be under no obligation to pay, any premium, or the principal of or interest on any loans or advances on the policy whether or not obtained by assignee, or any other charges on the policy. However, any such amounts so paid by assignee shall become a part of the indebtedness hereby secured, shall be due immediately, and shall draw interest at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per year from date of payment.

Dated \_\_\_\_\_, 19\_\_\_\_.

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#### **NOTICE**

The information in this document is designed to provide an outline that you can follow when formulating business or personal plans. Due to the variances of many local, city, county and state laws, we recommend that you seek professional legal counseling before entering into any contract or agreement.