



# Life Settlements



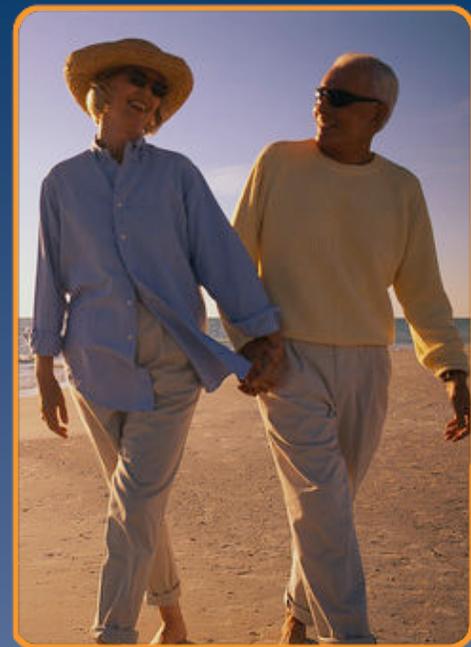
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## What is a Life Settlement?

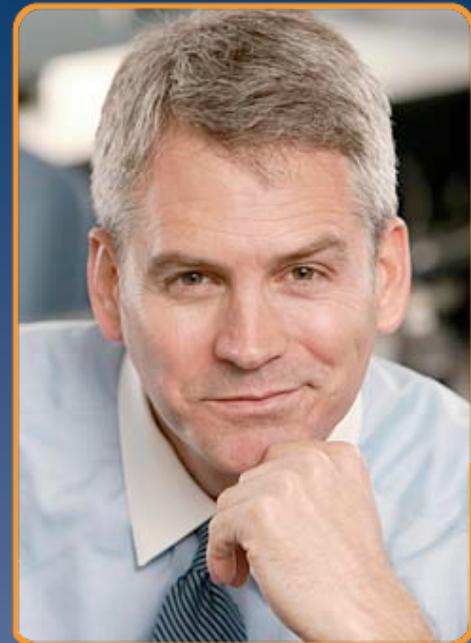
A life settlement is the sale of a life insurance policy by a senior over the age of 65 for an amount greater than the cash surrender value.

The proceeds can be used in any way and are often utilized to fund other financial products or charitable donations.



## Why choose a Life Settlement?

It is your fiduciary responsibility to inform your clients of the potential value of their insurance policies when evaluating their financial needs.



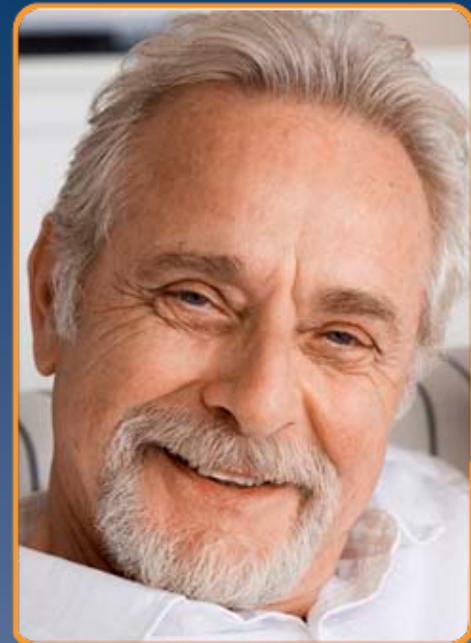
## Situations for Life Settlements

- Policy is no longer needed or wanted
- Policy is not performing
- Premium payments are no longer affordable
- Changes in estate planning needs and tax laws
- Purchase new life insurance
- Better option than lapsing the policy



## Situations for Life Settlements

- Key-man retiring or company reorganizing
- Fund health care costs
- Supplement retirement income
- Long Term Care insurance
- Charitable donations



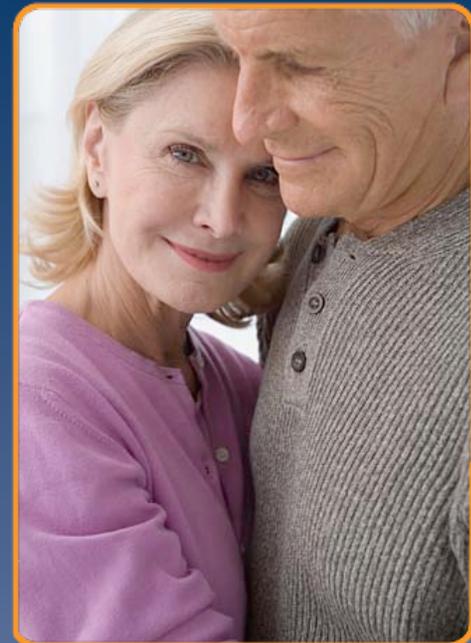
## Market Overview

This chart shows the estimated face value of life insurance policies that have been purchased in life settlements according to Conning Research.



## Target Market

- Seniors 65 and over
- Life expectancy generally 10 years or less
- Face amount of insurance \$1,000,000 and up
- Some medical history



## Types of Policies Considered

- Universal Life
- Variable Universal Life
- Joint Universal Life
- Joint Variable Universal Life
- Term Life
- Second to Die



## Who is Transacting Life Settlements?

- Producers: Insurance agents working with their clients
- Brokers: Marketing their services to Producers to “shop” a case to providers
- Certified Public Accountants
- Elder Care Attorneys
- Insureds directly



## Requirements to Process a Case

- Medical Release
- Signed Application
- Medical Records (5 years)
- Inforce Illustrations
- Life Expectancy evaluations



## What is the Process?

- You may have to apply for a Life Settlement Broker's license - check with state specific laws
- Identify Prospects - Review Book of Business
- Educate the insured
- Package the case to present to the provider
- Submit case for review



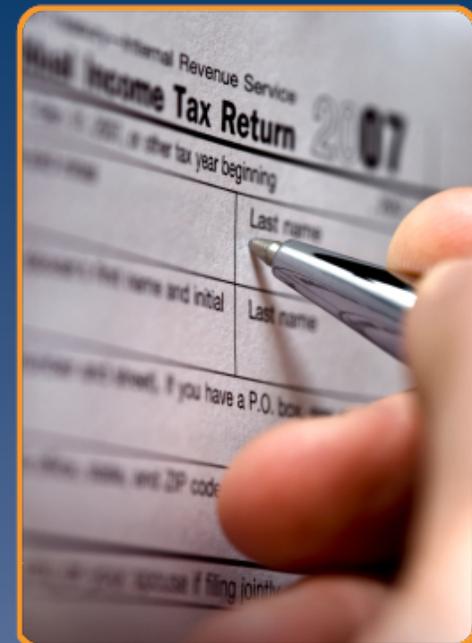
## What is the Process?

- Provider reviews medical records, inforce illustrations and Life Expectancy tables
- If within parameters, Provider makes an offer
- After acceptance, a verification of coverage with the insurance company is required
- Close the case by completing the transaction



## Tax Treatment

- No tax to cost basis
- Regular Income Tax to Cash Surrender Value
- Capital Gains over Cash Surrender Value
- Check with your Tax Advisors



## How Much Revenue Can I Earn?

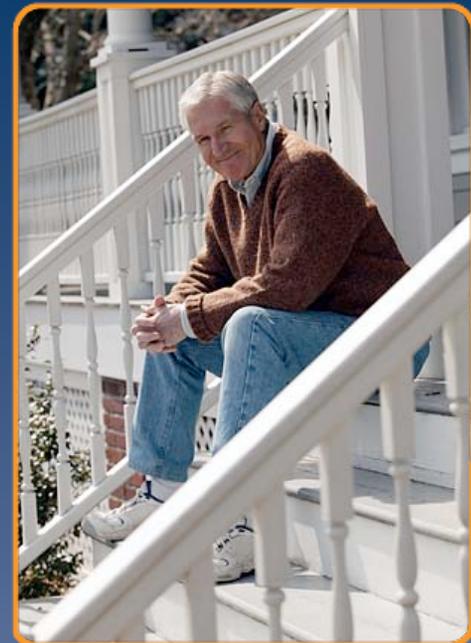
Generally, the producer makes 2% to 6% of the Face Amount of the policy.



## Example #1

\$1,000,000 Face Amount  
\$100,000 Case Surrender Value  
75 year old male

\$300,000 Gross Offer  
\$50,000 (5% Producer Commission)  
\$250,00 (Client will receive)



## Example #2

\$5,000,000 Face Amount  
\$0 Case Surrender Value  
82 year old female

\$2,365,000 Gross Offer  
\$250,000 (5% Producer Commission)  
\$2,115,000 (Client will receive)





**Thank You**



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