



LIFE SETTLEMENT STRATEGY

Overview

- A life settlement may be a valuable financial option for policyholders who no longer have a need for their life insurance policies or can no longer afford the premiums.
- Instead of lapsing or surrendering a policy, qualified policy owners can essentially cash in a life insurance policy in a secondary market to receive the fair market value for their asset.
- A life settlement is a financial transaction that enables qualified life insurance policy owners to receive a cash advance on their life insurance coverage by selling it to a state licensed financial institution called a life settlement provider.
- The sale of an in-force life insurance policy is similar to the sale of a home or car:
- All rights, title and beneficial interest in the policy are transferred to the buyer.
- The buyer becomes responsible for all future premium payments.
- The price paid for the policy represents the net present value of the policy, which is discounted from the face amount, and calculated by considering the future premium expenses, health prognosis of the insured, as well as other risk factors.
- Professional buyers are licensed as life settlement providers across the U.S. and are authorized to purchase policies from life insurance policy owners.



LIFE SETTLEMENT STRATEGY

Case Study

Attempts had been made to secure additional life insurance going back a couple of years with no success due to medical history.

Recent attempts in early 2014 to secure additional life insurance once again revealed that no new insurance would be available.

Heirmark proposed the idea of selling one or more life insurance policies in the secondary market as a “Life Settlement” to provide immediate cash and alleviate future premium obligations.

Through several rounds of negotiations over many days, the bidding continued to increase the offers from life settlement providers.

The client completed the life settlement of the MetLife policy shown in 2014. The client is currently completing the sale of the North American policy at this time.

CLIENT PROFILE

John Jones

73 years old

Substandard Health:

Many Health Issues

Location:

Illinois



LIFE SETTLEMENT STRATEGY

Case Study

Life Settlement Information

Extensive negotiations from several providers increased the final settlement offer to a much higher number than the initial offer price.

Here is a summary of the widespread bidding activity that propelled the offers to the final offer amount.

INITIAL OFFER:

\$431,031

OF PROVIDERS BIDDING:

7

OF ROUNDS BIDDING:

24

FINAL OFFER:

\$1,310,000

POLICY #:

123456

CARRIER:

MetLife

POLICY DATE:

02/06/03

INSURED:

John Jones

POLICY OWNER:

Mrs. Jones

BENEFICIARY:

Mrs. Jones

PRODUCT TYPE:

Universal Life

DEATH BENEFIT:

\$3,000,000

QUARTERLY PREMIUMS:

\$ 12,813 (Annual \$51,252)

ACCUMULATION VALUE:

\$ 246,459

SURRENDER VALUE:

\$ 221,079

(Cash Values as of 07/03/14)



LIFE SETTLEMENT STRATEGY

Case Study

Life Settlement Information

We explored a life settlement for this policy in 2014. After extensive negotiations from several providers, the policy owner chose not to sell. In 2016, the client asked us to price the policy again in the secondary market. Sometimes, all it takes is one good offer...

INITIAL OFFER:

\$930,000

OF PROVIDERS BIDDING:

1

OF ROUNDS BIDDING:

1

FINAL OFFER:

\$930,000

POLICY #:

111111

CARRIER:

North American

POLICY DATE:

01/16/03

INSURED:

John Jones

POLICY OWNER:

Mrs. Jones

BENEFICIARY:

Mrs. Jones

PRODUCT TYPE:

20 Year Term

DEATH BENEFIT:

\$3,000,000

ANNUAL PREMIUMS:

\$29,705

ACCUMULATION VALUE:

\$0

SURRENDER VALUE:

\$0



Disclosures

This is a hypothetical example for illustrative purposes only. The example provided is not representative of all clients' experiences and are not indicative of any future performance or results.

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