

# Life Insurance Settlements Checklist & Case Study Guide

*Help Your Clients Gain Access to New Found Money  
and Obtain a New Revenue Stream for Yourself*



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## **1. Make Sure Your Client's Policy Qualifies for a Life Settlement** *(See Qualifying Policies Below)*

- Universal Life
- Second-to-die Universal Life
- Term
- Whole Life
- Group, if convertible

## **2. Common Situations That Could Lead to a Life Settlement**

- Is the policy about to be surrendered or lapsed?
- Is there a need for additional income?
- Is there a debt that needs to be paid?
- Is the policy still needed or wanted?
- Are the premiums too burdensome?
- Is the policy under performing?
- Is there a need for long term care?
- Are there medical bills that need to be paid?
- Is there a need for educational funds?
- Death of a spouse or other intended beneficiary?
- Has there been a recent divorce?
- Has there been a change in the estate tax liability?

### **3. Common Situation for a Business Owner That Could Lead to a Life Settlement**

- Need capital for a business opportunity?
- Was the business sold or merged?
- Termination or change in executive benefit plan
- Retirement or departure from business

### **4. Process to Obtain a Life Settlement Offer**

- The policy owner and insured complete and sign a state approved application, which includes an authorization to obtain medical and insurance information.
- An in-force illustration to maturity is ordered from the life insurance company.
- Medical records, generally for the past five years, are obtained.
- Once the life settlement company has assembled the required data, it employs a unique bidding process designed to draw out the highest offer for the policy.
- When the seller accepts the highest offer, closing documents are prepared
- A settlement contract will be sent to the seller. The owner, insured, and beneficiary are required to sign.
- Once all closing documents are completed and approved, the buyer deposits the settlement funds into a third-part escrow account.
- Once the change of owner and beneficiary are completed at the life insurance carrier, the escrow agent will release the funds to the seller (either by check or wire).
- The entire process normally takes about four to five months.

## **Case Study 1**

A 72-year-old man had recently lost his wife and was downsizing many aspects of his life, yet wanted to improve his lifestyle as he got older. He sold his home and was planning on moving to Arizona. He wanted to reduce his expenses, and when he looked at his life insurance policy and increasing premium payments he was ready to let it lapse. He didn't need it anymore because both of their children were on their own, so he didn't need the proceeds and the children certainly didn't need additional expenses, such as paying the premiums on their father's policy. Luckily for him, his life insurance agent informed him that he could sell his convertible term life insurance policy for cash. As a result, he was able to receive \$400,000 from an asset that he was about to let lapse. Instead, he recovered his premium payments he had made over the years and he will now apply those funds into his long-term care needs going forward. Just as exciting, the agent was rewarded with a combined fee of \$80,000, which was a combination of the life settlement referral commission and a participation in the conversion commission.

<b>\$2,000,000</b>	<b>Convertible Term Policy</b>
<b>\$0</b>	<b>Cash Value (Term)</b>
<b>\$400,000</b>	<b>Provider Offer</b>
<b>\$80,000</b>	<b>Agent Referral, including conversion participation</b>

## Case Study 2

An 82-year-old woman was considering a 1035 exchange or simply surrendering the policy for \$525,000. She had been reading in the *New York Times* about the cost of insurance increases that have been taking place on older Americans from many of the leading life insurance carriers. Luckily, her financial advisor informed her that there was a secondary marketplace where she might be able to sell her policy for more than her surrender value. Intrigued, she accepted his invitation to shop her policy with Life Insurance Settlements, Inc. and present her policy to all the available funders who would have an interest in her policy. The exercise paid off; she received, and accepted, an offer of \$1,380,000, which is almost three times more than what she would have received had she not found out about the life settlement option through her advisor. The advisor was rewarded for his efforts with a referral fee of \$120,000.

<b>\$3,630,000</b>	<b>UL Life Insurance Policy</b>
<b>\$525,000</b>	<b>Cash Surrender Value</b>
<b>\$1,380,000</b>	<b>Provider Offer</b>
<b>\$120,000</b>	<b>Agent Referral</b>

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