



## Life Settlement - Know all your Options

### What is Life Settlement?

Life Settlement is the sale of an in-force life insurance policy to a third-party for its fair market value yielding a cash payment to the seller in excess of the policy's cash surrender value but less than its death benefit. The purchaser acquires policy ownership, becomes the beneficiary, and is responsible for future premium payments.



### When should Life Settlement be considered?

Life Settlements usually involve policies that are no longer suitable or wanted for the original planning purpose, are underperforming originally illustrated values, and/or the policy owner can no longer afford the premium payments. Policy insureds are generally age 70+ with a 2-15 year life expectancy and often have had an unfavorable change in health status since issue.

*In 2018, 2,587 Life Settlement transactions were completed in which \$3.8 Billion of total death benefit was purchased.*

### What is the Life Settlement process?

The sale of a life insurance policy involves the collection of the insured's medical records to obtain life expectancy reports, obtaining current policy values and illustrations, and the solicitation of bids.

*\$140 Billion of life insurance is lapsed or surrendered annually by seniors over the age of 65 (2018 - Life Insurance Settlement Assoc)*

As this can be a several month process requiring the release of insured medical records, it would be helpful for trustees to first have an estimate of a policy's market value based on various insured life expectancies that can be reviewed with trust parties.

### Life Settlement Market Value Projection

The TOLI Center has arranged for a prominent life settlement brokerage to provide masked (no trustee or insured names) life settlement market value projections for our clients based on general life settlement eligibility criteria. There is no fee for this service, no need for insured medical records, and no obligation to sell a policy.

*A life settlement generates an average 4-6 times a policy's surrender value (U.S. Government Accountability Office report)*

### The TOLI Center program features:

1. The trustee contacts The TOLI Center to request a life settlement market value projection. The TOLI Center will provide current policy values and illustrations to the life settlement broker.
2. As The TOLI Center does not share confidential or personally identifiable information with any third-party vendor, the trustee name and insured names will be masked unless The TOLI Center is authorized to include names to the life settlement brokerage.
3. If the Market Value Projection suggests greater value than policy surrender or lapse, The TOLI Center can introduce the life settlement broker and oversee activity between the broker and trustee. Alternatively, we can provide current policy values and illustrations to a preferred life settlement broker of the trustee.

Today, the secondary market value of TOLI policies insuring older individuals is a meaningful consideration to review with trust parties.