



The Facts about Life Settlements

***What seniors
want to know.***

What is a Life Settlement?

A life settlement is the sale of a life insurance policy to an institutional money source for substantially more than its cash surrender value.

Why Do Seniors Sell Their Policies?

There are a number of factors that motivate seniors to sell their policies, including:

- Your estate planning needs have changed and coverage is no longer necessary
- Life insurance that was required for business purposes is no longer needed
- Expensive premiums are impeding your ability to take care of basic living needs
- Your priorities have changed and you want to travel and enjoy retirement
- You need money for medical expenses or to finance long-term care
- You would like to reduce your coverage by selling a portion of your death benefit
- You want to help your grandchildren pay off their student loans

Are Life Settlements Regulated?

Yes. 42 of 50 states now regulate life settlements. Brokers who handle life settlement transactions are required to be licensed in the state from which they operate, as well as be licensed in the state in which the policy owner resides.

When Did the Life Settlement Industry Begin?

The secondary market for life insurance became active approximately 20 years ago when institutional funding sources entered the market. However, the history of the industry began in 1911, when the Supreme Court ruled (*GRIGSBY v. RUSSELL*, 222 U.S. 149) that a life insurance policy is private property that can be sold at the will of the owner.

- ✓ The secondary market for life insurance offers seniors a sensible option for policies they no longer need or can no longer afford.
- ✓ Life settlements pay policyowners three to five times on average more than the cash surrender value.
- ✓ Rather than let a policy lapse or surrender it for a small cash payment, many seniors prefer to sell their life insurance policies to institutional funding sources in order to optimize the value of their insurance asset.

What Types of Policies Can Be Sold as a Life Settlement?

Most policies sold in the secondary market for life insurance are permanent life insurance policies. Examples are:

- Universal Life (UL)
- Joint Survivorship Universal Life (SUL)
- Term Policies Still Convertible to Universal Life

Variable life insurance sold in a life settlement transaction is considered a securities transaction, which may limit the number of buyers in today's marketplace.



What's the Qualification Criteria for Life Settlements?

Buyers of policies in the secondary market for life insurance are typically looking for policies insuring people who are age 65 years or older. However, without significant medical impairments, seniors who sell policies are more likely to be age 75 and older, with an estimated life expectancy of 12 years or less. The size of the policy may range on the low end from \$50,000 or \$100,000, to multi-million dollar policies as large as \$20 million or higher.

The average life settlement transaction involves policies with a death benefit of \$1-\$3 million on seniors 78 years old.

How is the Fair Market Value of My Policy Determined?

The fair market value of a life insurance policy can only be determined through a competitive bidding process. The brokering of a policy in the secondary market begins when a licensed life settlement broker submits the policy to multiple institutional funding sources. These funding sources bid against each other until the highest offer has been received and the bidding closes. The final offer is considered the "fair market value" for the policy.

How Long Does the Entire Process Take?

The process begins when you and your insurance agent have determined that selling your policy is the best option for you. Once your agent submits the case to a licensed life settlement broker, it takes approximately 60-90 days before the seller receives a lump sum payment.

What Happens After I Receive a Payment for My Policy's Fair Market Value?

Once an institutional funding source agrees to purchase your policy and you receive a lump sum payment, the funder is responsible for making premium payments until your death. The records associated with the transaction are stored in a highly confidential manner so that your identity is protected. When the funder is later informed by a designated person that you have passed away, the funder receives the policy's death benefit from the life insurance carrier.

How Do I Get Started If I Want to Sell My Policy?

Contact us! The first step in most life settlements transactions begins with the policy owner and their agent sitting down to discuss the options. Should you decide that a life settlement is the best solution, we will be happy to contact our life settlement broker to obtain the highest possible offer for your policy. Our life settlement broker is one of the most experienced brokerage teams operating in the secondary market.

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AND LIFE SETTLEMENT QUOTE.
1-888-811-2595**