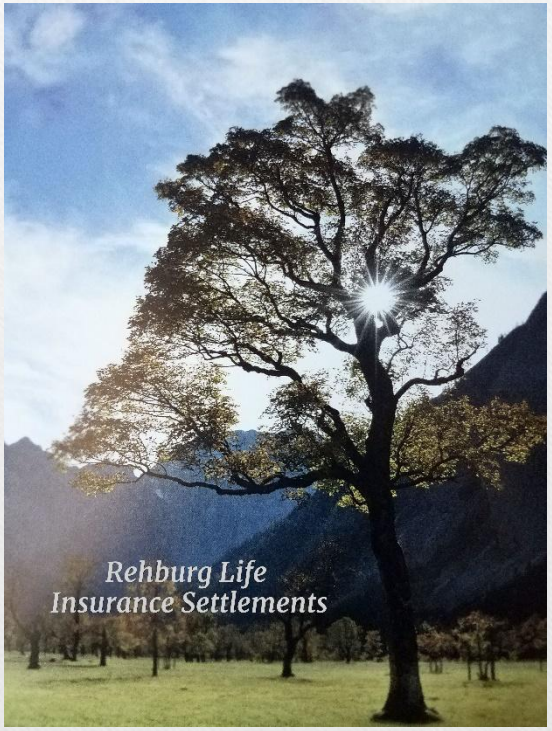
Life Insurance Settlements:
An Additional Fundraising Opportunity



Current Life Insurance Market Statistics

- First Life Insurance Company
- U.S. Leading Insurance Premium Writing Country
- 259 Million Life Insurance Policies in Force
- $19.8 Trillion in Face Value
- $642.5 Billion of Life Insurance Benefits Were Lapsed or Surrendered - 9.18 million policies (American Council of Life Insurance Fact Book of 2021)

Senior Life Insurance Market

Over Age 65:

- 38 Million Life Insurance Policies
- Face Value of More than $3 Trillion

Over Age 70:

- $257 Billion in Whole Life
- 370 Billion in Universal Life
- $60 Billion in Variable Universal

Expanding Senior Population – 42 Million in 2012 to an estimated 70 Million in 2030

Did You Know?

According to the Insurance Studies Institute, more than **500,000** seniors lapse their life insurance policies annually, only **1250** take advantage of a life insurance settlement.

About **90%** of seniors report that they would have considered a life insurance settlement if they had been made aware of the option.

What Is A Life Insurance Settlement?

A life insurance settlement is a financial transaction in which a policy owner sells an unwanted or unneeded life insurance policy to a third party. The purchaser becomes the new owner and beneficiary of the policy and is responsible for all subsequent premium payments but gets the death benefit.

The Evolution Of Life Insurance Settlements

1911 – Grigsby v. Russell

1980's – AIDS Epidemic

1995 – Life Insurance Settlement Association (LISA) Formed – Only 3 states had regulations

2008 - Over 30 new laws have been passed to strengthen consumer's rights and create a more sound and transparent regulatory structure for market participants. NCOIL and NAIC

Today - $25.1 billion in force, $2.4 billion annually. Regulated 46 states and Puerto Rico. 7 states mandate insurance companies disclose options to lapse or surrender

Why Would Someone Want To Sell Their Life Insurance Policy?

The 7 Most Common Reasons are:

1. The sale of a business or illiquid asset
2. Business owner retiring or exiting the business
3. A decline in estate value and/or decrease in estate tax liability
4. Term policies or riders that are about to expire, lose their conversion privilege or come to the end of their current premium guarantee
5. Retirement
6. The policy is no longer affordable due to policy performance
7. Chronic illness

What Types of Policies Can Qualify For A Life Insurance Settlement?

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

How Can the Proceeds from a Life Insurance Settlement Be Used?

- Create Capital for Charitable Giving
- Charitable Gift Annuity - Supplement Income
- Fund Investments
- Provide for Educational Funds or Current Gifts
- Create Capital for Business Opportunities
- Pay for Medical Expenses
- Lower Debt
- ANYTHING - The Proceeds are Unrestricted

More Is Better

After all alternatives have been considered and the conclusion is that it is time to lapse or surrender a policy, a life settlement can offer **significantly greater value!**

Let's Look at Some Academic Proof…

Academic Proof

2002 – Wharton School

- 1584 Policies
- $93.4 Million Cash Surrender Value
- $336.3 Million Life Settlement Value

2010 U.S. GAO Report – U.S. Govt. Accountability Office

- 1020 Policies
- $37.4 Million Cash Surrender Value
- $269 Million Life Settlement Value

2013 London Business School

- 9000 Policies - $24 Billion in Death Benefit

Who Are The Investors?

Who Are The Investors?

How Much Is A Policy Worth?

1) $250,000 Policy = $128,500

2) $250,000 Policy = $75,000

3) $250,000 Policy = $8,000

Are There Any Negatives?

- Taxes
- Being Able to Obtain Additional Life Insurance
- Government Funding Reduction
- Creditor Debt

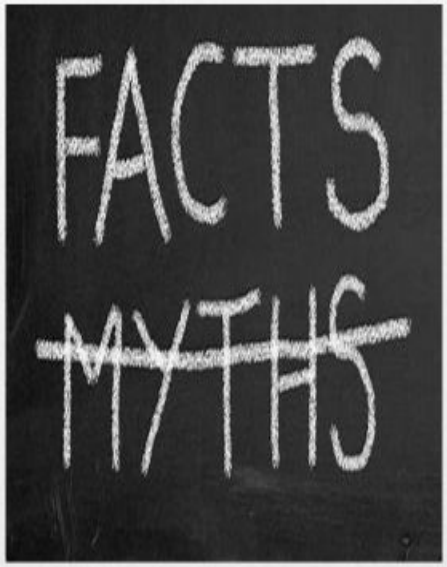
The Process

1. Application
2. Copy of the Policy
3. Medical Records
4. Illustration
5. Offer Made
6. Escrow

Consumer Protections

Transparency

8 Myths About Life Insurance Settlements



1. Only permanent life insurance policies can be sold
2. Most people sell their policies to pay medical bills
3. Only large face policies can be sold
4. Only the sick sell their policies
5. Investors only want people in their 80's or 90's
6. Clients have to sell their entire policy
7. Only wealthy clients benefit
8. The industry is not well regulated or illegal (STOLI)

The Big Picture

WIIFY?

Getting Over the "Ick" Factor - How to Talk With a Client About Selling a Policy

Annual Review

Life Circumstances Changed?

Budget Changed?

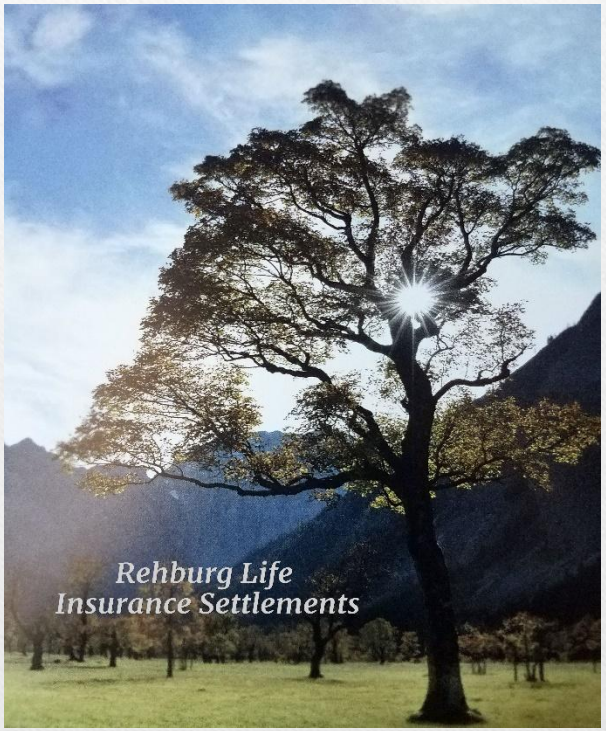
Still Want to Keep the Policy?

Ready to Lapse or Surrender

Life Insurance Settlements

Right For Your Donors?

Free - No Obligation Appraisals



Helping People Benefit from Unwanted/Unneeded Life Insurance Policies

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