

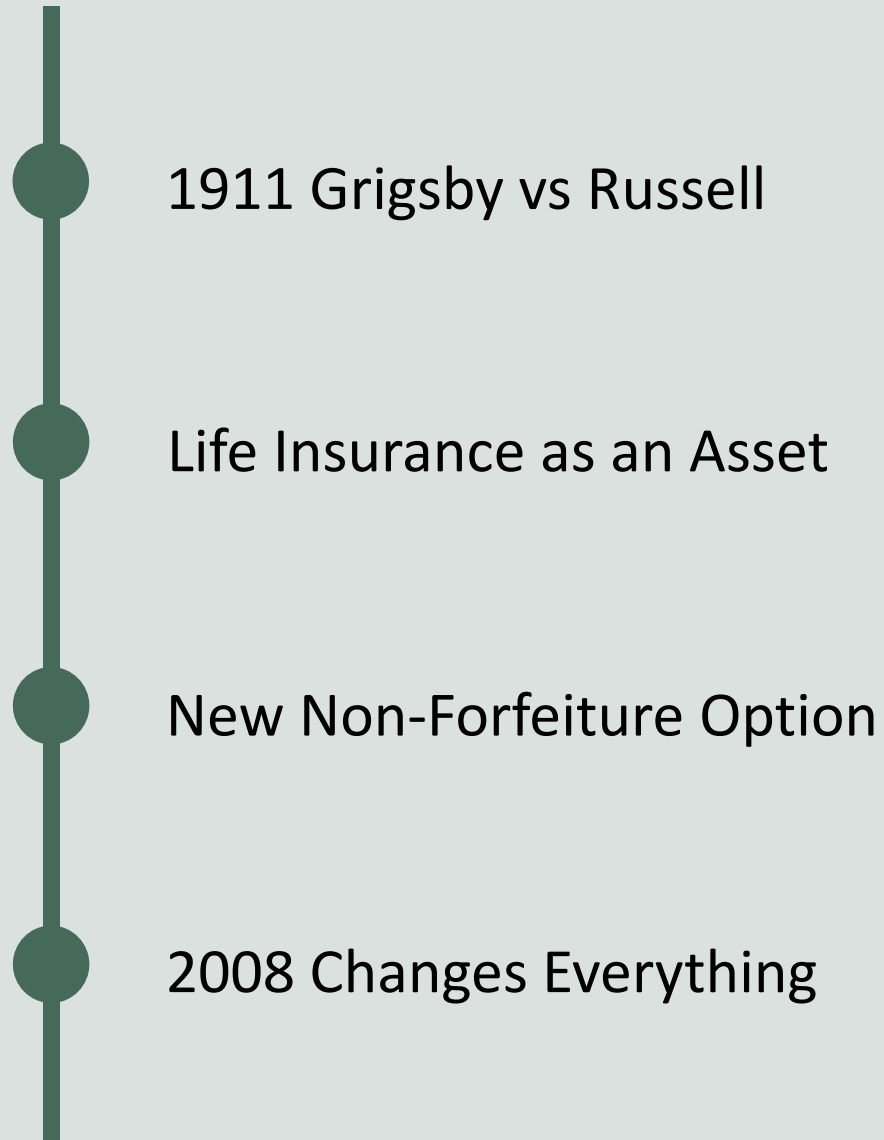


**Evergreen**

SETTLEMENTS

INTEGRITY. RELIABILITY. EXPERIENCE.

# The History of the Life Settlement Market





# The Time to Discuss Your Senior Client's Insurance Needs is Now.

## Need for Liquidity



- Loss of Income
- Growing Debt
- Supplement Retirement

## Policy Changes



- Low Interest Rates
- Rising Costs
- Underperforming Policy

## Health Considerations



- Medical Bills
- Long Term Care
- Aging in Place

## Business Developments



- Business is Sold
- Need for Cash Flow
- Bankruptcy



# The Time to Discuss Your Senior Client's Insurance Needs is Now.

## Need for Liquidity



- Loss of Income
- Growing Debt
- Supplement Retirement

Life Settlement generates

**6x** more than the policy's surrender value, on average.

## Policy Changes



- Low Interest Rates
- Rising Costs
- Underperforming Policy

**9** out of **10**

UL & Term Policies do not result in a death claim.

**\$120** billion

is lapsed or surrendered per year on insureds 65+.

## Health Considerations



- Medical Bills
- Long Term Care
- Aging in Place

The NAIC identified Life Settlements as a

**top option**

to help seniors pay for long term care costs.

## Business Developments



- Business is Sold
- Need for Cash Flow
- Bankruptcy

Business owned policies can create an

**influx of cash**

to the company balance sheet.

# Key TOLI Statistics

**20 years**

The average age  
of an ILIT

**37 years**

The average duration  
of an ILIT

**72%**

Insureds over the  
age of 60

**46%**

Insureds over the  
age of 70

**61%**

Policies over  
10 years old

including

**28%**

Policies over  
20 years old

**34%**

High Risk  
rated policies

**31%**

Projected to  
lapse prior to  
Maturity

**15%**

Projected to  
lapse prior to  
Life Expectancy

**30%**

Compromised  
"No-lapse Guarantees"

**35%**

Stopped paying  
Premiums



# Who is Eligible for a Life Settlement?



## Age & Life Expectancy

Majority is 65+ years

Life Expectancy of less than 20 years

Typically, the shorter someone's life expectancy, the greater the policy's value. However, in today's expanded marketplace, even healthy insureds over 75 are being sought by certain buyers.



## Health

Change in health since policy issuance

A change in health since the policy was issued is usually the most important factor to the value of a policy.



## Face Amount

\$100,000+

Average policy size purchased is \$1.3M

The diverse appetites of buyers have created competitive buying niches. Aggressive capital can now be found in abundance for small and large face policies. The average policy size purchased is over \$1.3M.



## Policy Type

Universal Life

IUL

GUL

Convertible Term

Whole Life including survivorships

Current assumption and GUL products account for the bulk of policies sold. Term policies that are still convertible, offer win-win scenarios for agents and policyowners alike.



# LIFE SETTLEMENT

# CASE STUDY

**INSURED:** 78 Male

**FACE AMOUNT:** \$4,300,000

**POLICY TYPE:** SVUL - PFD/Select-Smoker

**CSV:** \$240,000

**LIFE SETTLEMENT VALUE: \$705,000**

- ✓ The planning had changed dramatically since 2002
- ✓ Need for the policy diminished: Sold Business. Wife passed.
- ✓ Estate Tax Obligation was significantly reduced
- ✓ In good health. He chose to fund an annuity with the policy value
- ✓ \$465,000 more to invest!

# LIFE SETTLEMENT

# CASE STUDY

**INSURED:** 71 Male

**FACE AMOUNT:** \$1,000,000

**POLICY TYPE:** Universal Life policy - Issued PFD

**CSV:** \$0

**LIFE SETTLEMENT VALUE: \$290,000**

- ✓ The premiums were no longer affordable
- ✓ The decision to lapse the policy had been made
- ✓ The sustained low interest rate environment eroded the account value
- ✓ Reallocated financial resources to supplement retirement and long-term healthcare needs



# When Buyers Compete. Your Client's Win

**POLICY: \$1,000,000 TERM  
ISSUED PFD-PLUS**

**INSURED: 74 FEMALE IN  
BELOW AVERAGE HEALTH**

- ✓ A bid history that included 27 offers
- ✓ An increase of 300% over the initial offer
- ✓ \$315,000 more than the lapse alternative
- ✓ Full target paid to the agent

**POLICY: \$10,000,000 UL  
ISSUED PREFERRED**

**INSURED: 87 MALE IN  
AVERAGE HEALTH**

- ✓ A bid history that included 38 offers
- ✓ An increase of 385% over the initial offer
- ✓ \$1.44M more than the surrender alternative
- ✓ Buyer paid double their first offer

# Taxation: TCJA provides much needed clarity

Cost Basis is generally defined as total aggregate premiums paid since issuance of the life insurance policy (exceptions apply with respect to dividend paying/participating contracts).

Prior to TCJA and in accordance with Rev. Ruling 2009-13 the cost basis had to be reduced by the cost of insurance. This was unfavorable to policy sellers. Rev. Ruling 2009-13 also established the tax character of the gain to be Capital Gains (this was upheld in the TCJA).

Taxation Example:

Universal Life Policy

Owned for more than 365 days by current owner

Total Premiums Paid = \$150,000

Cash Surrender Value = \$20,000

Life Settlement Proceeds = \$175,000

Cost Basis = \$150,000

Long Term Capital Gain = \$25,000 ( $\$175,000 - \$150,000$ )

TCJA instituted reporting requirements: 1099's generated by Buyers & Insurance Companies for tax reporting and audit trail.



Ask Clients & Prospects

# When Can We Schedule a Policy Review?

- Does the initial need or priority still exist?
- Is the policyowner looking for liquidity?
- Is there an opportunity to reallocate premium dollars to another, more efficient policy, investment or need?
- Is the policyowner considering lapsing or surrendering the policy?
- Are their needs better met by maintaining a portion of the policy with no future premium obligation?



## Thinking of a Situation?

Evergreen can prepare you with a market analysis using as little as a current illustration and date of birth.

### Contact

James D. Camper, Jr.  
Managing Partner

E: [jim@evergreensettlements.com](mailto:jim@evergreensettlements.com)  
O: 267-293-9648  
C: 215-272-3281  
F: 1-877-336-3775

325 Sentry Parkway  
Building 5 West, Suite 200  
Blue Bell, PA 19422

[EvergreenSettlements.com](http://EvergreenSettlements.com)



**Our experience is your advantage.**