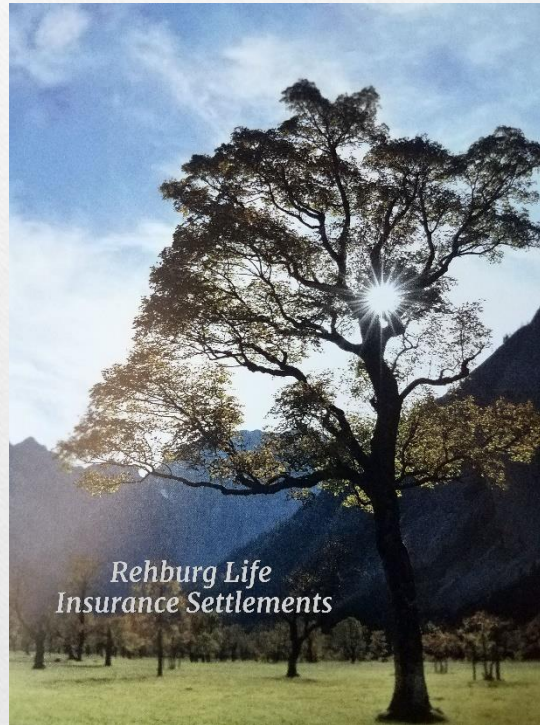


Life Insurance Settlements: Benefitting Your Client...and You!



*Rehburg Life
Insurance Settlements*

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 Life

**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

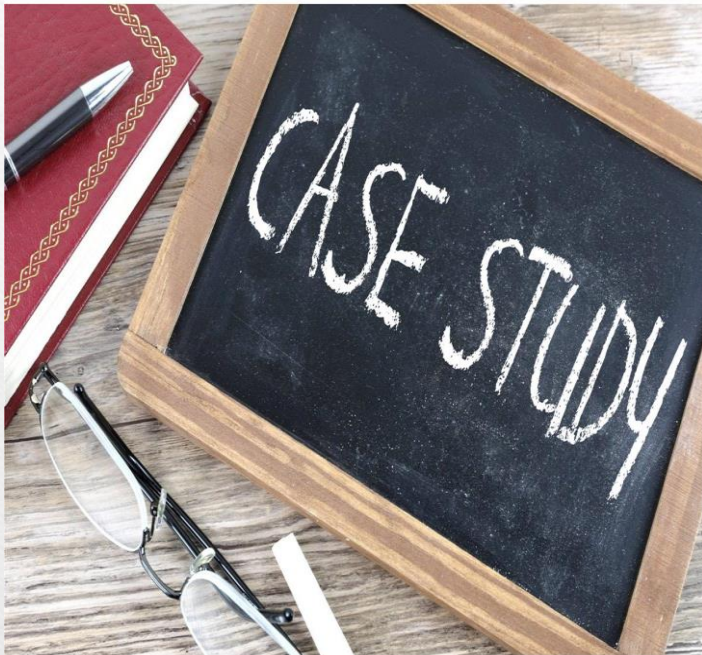
Why Would Someone Want To Sell Their Life Insurance Policy?



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

Case Studies



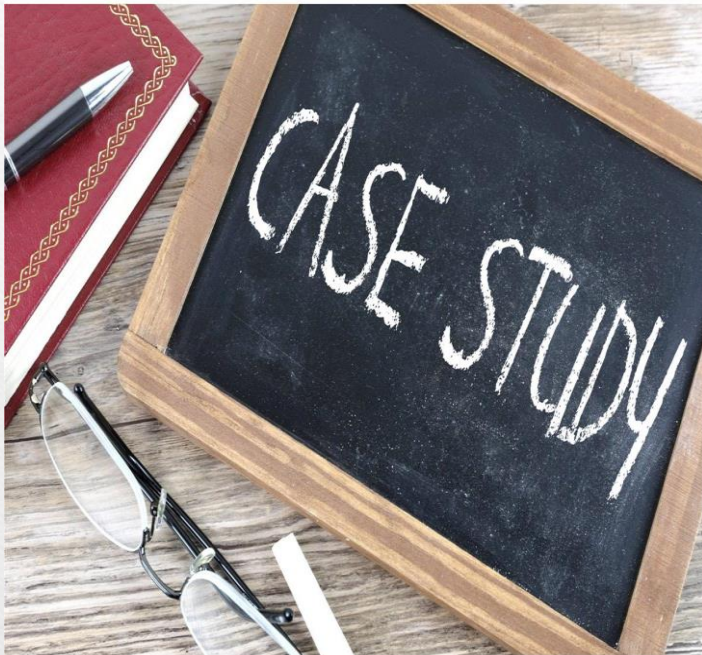
- \$1.6 million VUL
- \$8 Million Term – convertible
- \$600,000 Term – non-convertible

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

Case Studies



- \$150,000 Term
- \$300,000 UL
- \$85,000 UL
- \$80,000 UL

How Can The Proceeds From A Life Insurance Settlement Be Used?



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

Unusual Life Settlements



- \$10,000,000 Term Policy - Healthy 61 Year Old
- \$3,000,000 UL - Healthy 57 Year Old
- \$400,000 UL - Unique Retained Death Benefit

Who Are The Investors?



Who Are The Investors?





Benefits of Life Settlement Investing

- **Non-correlated returns:** life settlements have no correlation with any other asset class such as stocks, bonds, commodities or real estate; nor are they affected by politics, natural events, financial crises or uncertainties that affect other investment classes.
- **Passive, capital accumulation:** Unlike managing other real assets, FLS are maintained with minimal hassle through maturity at which time the pay-out is always at the policy's peak value.
- **Exceptional return potential:** Various academic, government and industry studies show annual average returns of a well diversified holding can exceed 12% if held to maturity.
- **Hedge against interest rate risk:** Life settlements do not lose value in rising or declining interest rate environments.



Risks of Life Settlement Investing

- **Longevity risk:** the insured outlives the life expectancy estimate delaying the payout and increasing the premiums necessary to pay on policy. This risk can be minimized with proper medical underwriting of each policy.
- **Liquidity risk:** Life Settlements are like a zero coupon bond where the returns are paid out at the end of the term so proper financial planning would reduce this risk. This is a buy and hold asset
- **Insolvency Risk:** Risk that the Issuing Insurance Carrier defaults
- **Rescission Risk:** The Risk that a Carrier Rescinds a policy (usually within the 1st two years)
- **Taxation.** The cash gain at the maturity of a life settlement policy is a taxable event that each investor must manage according to their own circumstances and tax advice.

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

How Much Is A Policy Worth?



1. \$250,000 Policy = \$128,500
2. \$250,000 Policy = \$75,000
3. \$250,000 Policy = \$8,000

Sources To Sell A Policy



- Direct
- Through a Broker

The Process



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

Consumer Protections



Transparency

Are There Any Negatives?



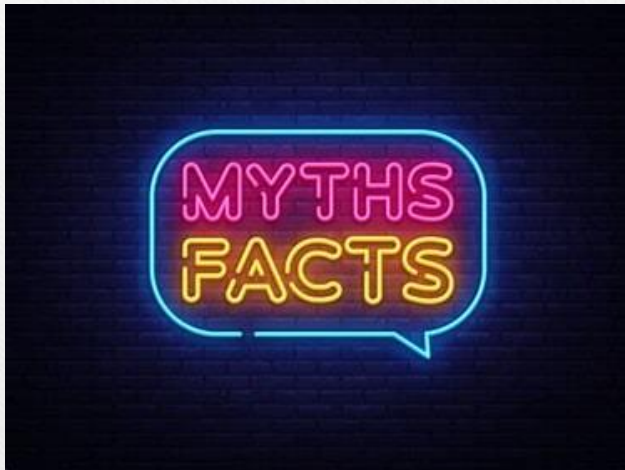
- Taxes
- Being Able to Obtain Additional Life Insurance
- Government Funding Reduction
- Creditor Debt

Myth #1



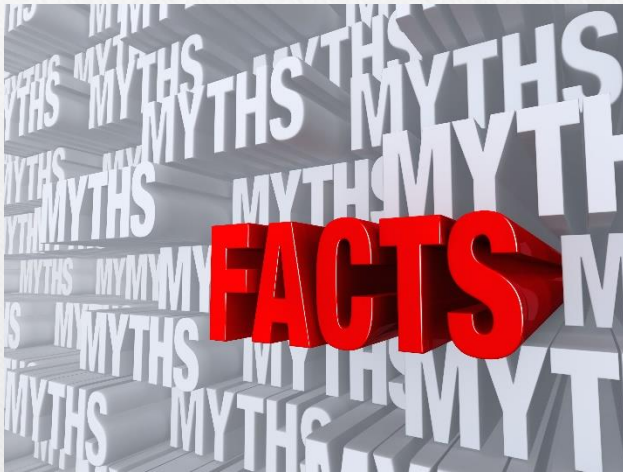
Only Permanent
Life Insurance
Policies Can Be
Sold

Myth #2



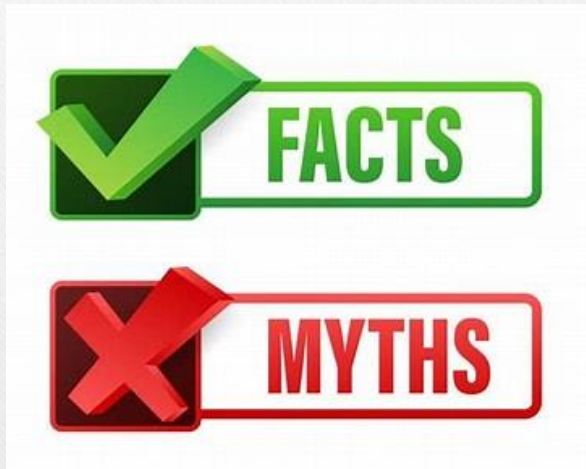
Most People Sell
Their Policies to
Pay Medical Bills

Myth #3



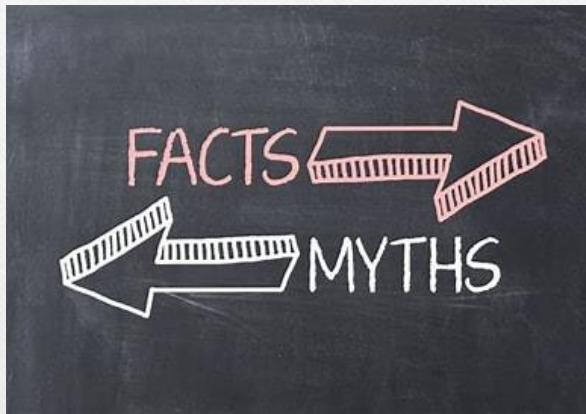
Only Large Face
Policies Can Be
Sold

Myth #4



Only The Sick
Sell Their Policies

Myth #5



Buyers Only
Want People In
Their 80's or 90's

Myth #6



Clients Have To
Sell Their Entire
Policy

Myth #7



Only Wealthy
Clients Benefit

Myth #8



The Industry Is
Not Well
Regulated or Is
Illegal

Why Should I Care?



How Does This Apply to My Clients?



- Attorneys –ILITS, Business Sale
- CPAs - Estate Taxes, Buy/Sell
- Charitable Organizations
- Fiduciaries
- Financial Advisors

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

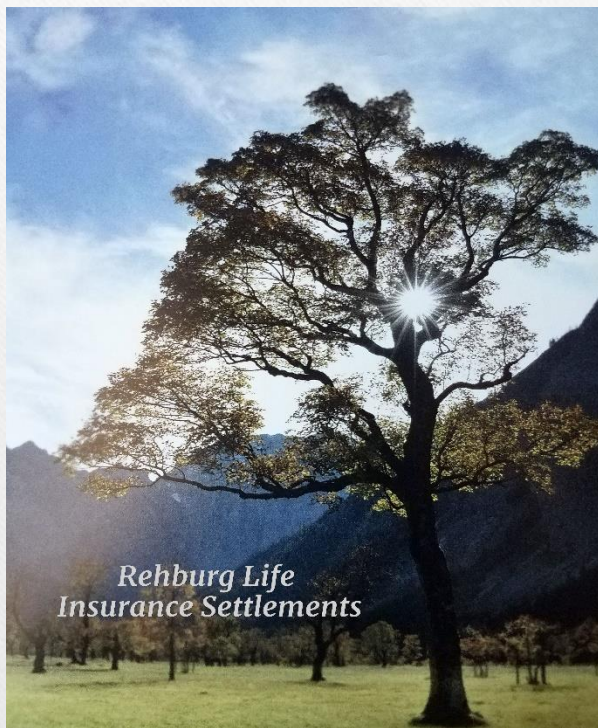
Looking for Funding for Long Term
Care Costs?

Life Insurance Settlements



Right For Your
Clients?

Free - No Obligation Appraisals



Helping People Benefit from
Unwanted/Unneeded Life
Insurance Policies

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