



Why should you evaluate a life insurance policy before it is abandoned?

Studies show that 9 out of 10 life insurance policies are in danger of being lapsed or surrendered by the owner. But, according to the National Association of Insurance Commissioners (NAIC), the value that a policy owner can receive through a Life Settlement can be significantly higher. By working with a licensed life settlement provider, you can quickly determine if your client would qualify to sell their life insurance policy while it is still in-force. If there is value in the life insurance policy, you can be provided with a quote of what percentage of the face value your client could receive today as a payout for their policy.

Why is a Life Settlement Valuation Analysis So Important?

Surrender Value vs. Settlement Value – Life Settlement industry data reveals that qualified policy owners average values 5x-10x greater than surrender value in the Life Settlement market, certainly a greater option than lapsing a life insurance policy for no value after years of premium payments. The valuation range for a Life Settlement can be as low as 10% of the face value and can climb as high as 60% of the policy's face value.

Reverse Underwriting – Qualifying for a Life Settlement is the opposite of qualifying to purchase insurance. In a life settlement analysis, the older and sicker the insured life of the policy is, the higher percentage of the death benefit the policy owner will receive in a policy sale. Typically, a person who would qualify to buy a life or long-term care insurance policy, would be too young and/or healthy to qualify for a Life Settlement. The typical age range for a Life Settlement is 70-89, but younger or older applicants can qualify based on the severity of their health-related impairments.

New Value from Old Asset – Life Insurance policies are legally recognized as assets of the policy owner (U.S. Supreme Court, Grigsby v. Russell, 1911), with the right to sell the policy for its market value. Once a policy is sold, the owner will receive a lump sum cash payment that can be used in any number of ways to meet the individual financial need of the policy owner and/or those suffering from health and long-term care needs. The minimum policy size to qualify for a life settlement is a face value of \$100,000 (and there is no upper limit).

Tax Advantages – Life Settlements provide specific tax advantages for policy owners. If a policy owner is diagnosed as chronic or terminal, the proceeds from a life settlement can be tax-exempt. If a life settlement is done for a policy owner not chronic or terminal, the proceeds received are taxed at capital gain for any amount received above the basis in the policy (basis = premiums paid). However, it is highly recommended that you and your client consult with a tax advisor regarding the specific situation.

Fiduciary Responsibility – A life insurance policy is legally recognized as an asset like a home or stocks. The owners of these assets need to be informed of their options to obtain the real value of their life insurance policy. A home owner would not abandon their home without selling it; and a life insurance policy owner should not be allowed to abandon their policy without first understanding its life settlement/market value.

What if My Client has a Term Policy?

Term Policies Can Qualify – Depending on the client's health and policy design, a term policy can qualify for a life settlement. When selling a term policy, your client is receiving value for a policy that has NO surrender value. Your client is being paid for a policy with no residual cash value.

Policy Conversion – Most term life insurance policies are eligible for conversion into a permanent policy product. If the policy is still in that eligibility period and the policy does not qualify as a term policy, the policy could still qualify for a life settlement after a conversion. The Life Settlement analysis will be performed on the conversion illustration. Even better, you have the opportunity to earn the compensation from the conversion!

How is a Life Insurance Policy evaluated for a Life Settlement?

A life settlement analysis is based upon the expected future payments on the policy and an estimated health assessment of the insured(s) on the policy. A more detailed overview of the process includes:

Step One – Initial Information Required: Basic policy owner and insured information and a current in-force illustration or a conversion illustration together with a health impairment assessment.

Step Two – Analysis: Policy owner information is reviewed for age, gender, state of residence, and prevailing health impairments impacting remaining life expectancy (the life settlement market typically focuses on a range of 2-15 years).

Step Three – Results: The advisor and policy owner are presented a policy valuation analysis detailing what the owner could expect to receive as a percentage of the death benefit as a sale price for their policy. Typically, the sales process takes 60-90 days from opening the case to finalizing the sale of the policy.

Keep in mind that ALL policy types can qualify – universal life, whole life, variable life, second-to-die/survivorship, term (whether still convertible or not), indexed universal life, and group life.

LCX Life:

LCX Life is the only Life Settlement Marketing Organization (LSMO) in the insurance industry. Our mission is to work with agents, advisors, and our IMO/BGA partners to build a network of Appointed Referral Agents who are educated and supported to offer the life settlement option to policy owners contemplating lapse or surrender. We also work with independent agents, financial advisors, lawyers, accountants, and long-term care industry service providers. With LCX Life, we can rescue thousands of policies every year, and in the process, deliver a recurring revenue stream to your organization. www.lcxlife.com