

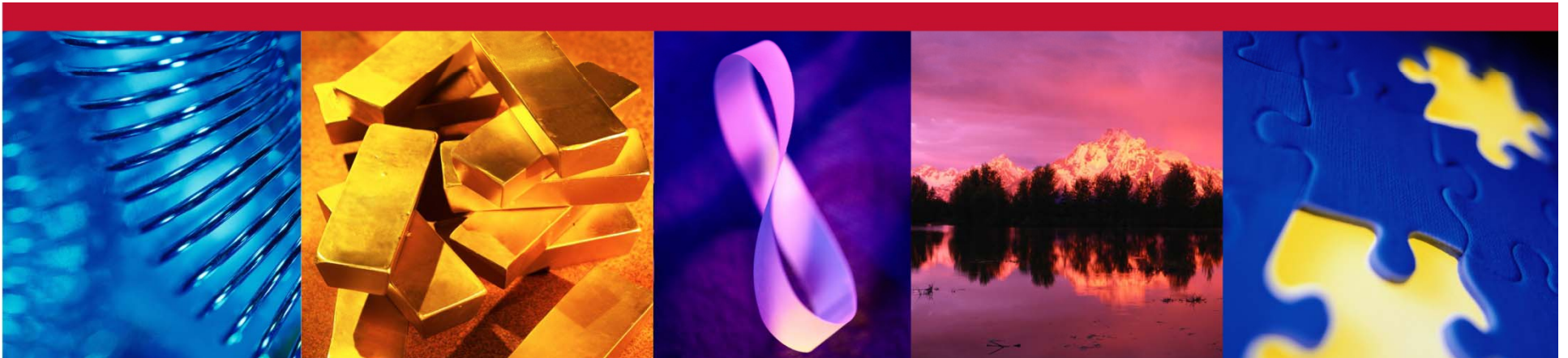


In the Secondary Market, We're First.™


Advanced Strategies Case Studies

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Webinar Instructions

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LSAM Events & Resources

- June 1 – Fundamentals of Life Settlements
- June 3 – Advanced Strategies and Case Studies
- June 8 – Investors Only Part 1 - Current Opportunities and State of the Market
- June 16 – Broker Panel: Understanding Providers and Brokers
- June 22 – The Life Settlement Marketplace - Regulatory Climate; Market Trends
- June 24 – Investors Only Part 2 - Portfolios, Securitization, Settlement Allocation impact on overall Portfolios

Continuing Education course on life settlements (www.lss.webce.com) available in all 50 states (2-8 CE Credits)

Downloadable resources and event signup at:
www.lifesettlementawarenessmonth.com

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Life



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Review of Fundamentals Class

The Basics of Life Settlements

- Benefits & Planning Options
- Market Participants & Entry
- Settlement Transaction
- Pricing Offers & Case Studies
- Pricing, Capital Supply, Mortality, Life Expectancy Trends
- Regulatory Trends

What We'll Cover Today

Case studies involving life settlements:

- Term conversion
- Restructure life insurance program
- Business owners
- Retired executives
- Buy – sell – partnership dissolution
- Charitable gifting
- Industry changes: capital supply, life expectancies, pricing trends

Fundamental Life Settlement

Client situation:

- 75 year-old male
- \$2,000,000 UL Policy purchased 5 years ago
- Cash Surrender Value of \$50,000
- Upcoming Annual Premium \$40,000
- Estate changes reduced need for coverage. Client does not wish to pay escalating premium any longer

Settlement Offers:

- Old Market: \$450,000 to \$550,000
- Current Market: LE is 25% longer; Investor IRRs increased; yields lower offers of \$200,000 to \$300,000

Term Conversion

Client situation:

- 78 year-old female
- \$1,000,000 level term policy - convertible to UL
- Upcoming annual premium \$10,000
- Insurance no longer needed for debt coverage (mortgage). Client wishes to reallocate funds

The Settlement Process:

- Client case file compiled: illustration for post-conversion UL policy
- Post-conversion UL policy evaluated & priced
- Providers offer: \$100,000 to \$150,000; Client accepts highest offer
- Policy converted; transfer of ownership contracts processed/executed
- Policy seller receives proceeds; Upon expiration of rescission period, compensation is wired to the agent/broker

Term Conversions

- Term insurance with no current perceived value
- Settlement solution:
 - Evaluate post-conversion permanent policy
 - Convert term policy to UL; Conduct settlement on UL
 - Use proceeds for current financial & insurance needs
- Agent potentially receives compensation on:
 - Conversion based on target premium (note carrier recapture rules)
 - Life settlement transaction
 - Purchase of new products to fund financial goals
- If additional insurance is being purchased, Agent must first ensure that client can obtain necessary additional insurance based on health status and insurable capacity if needed

Restructuring Life Insurance Programs

- Client insurance needs change over time due to changes in financial situation or external factors (current economic climate; tax law changes)
- Existing policies don't perform as expected resulting in escalating premiums or improperly funded insurance needs
- Clients need to restructure life insurance programs
 - \$5 million UL policy; Premiums escalated from \$75,000 to \$150,000; CSV \$242,000
 - Life Settlement offer of \$800,000
 - Proceeds used to fund \$2 million life insurance policy for reduced estate tax liability; long-term care coverage with remainder to fund a trust for wealth transfer
- Ensure that client can obtain new coverage before completing settlement

Business Insurance

- Key executives retire leaving business owners with unnecessary key employee policies
- Some retired executives receive policies as part of retirement or deferred comp packages
- Executive does not wish to keep policy in force with high premium payments – tendency to surrender for cash value
- Business needs liquidity especially in current climate
- Change of business ownership or succession plans
- Dissolved partnership – buy/sell exit strategy
- Improper asset valuation of policies when calculating value of business – critical if business is being sold
- Exit strategy for split-dollar plans

Business Insurance

- Business owner seeks to recover capital from key employee contracts insuring former executives
 - \$2 million FV; \$60,000 premium; \$190,000 CSV
 - \$3 million FV; \$72,000 premium; \$280,000 CSV
 - Life settlement offers of:
 - \$310,000 for \$2 million contract
 - \$440,000 for \$3 million contract
 - \$ 750,000 combined offer vs. \$470,000 CSV
- Some businesses sitting on several of these policies
- Might need cooperation of former exec for medical underwriting; incorporate into exec comp agreements

Retired Executive

- Key executive retires with COLI contract as part of a deferred compensation and retirement package
 - \$4 million FV
 - \$75,000 premium
 - \$240,000 CSV
- Executive does not wish to pay premiums and plans to cash surrender policy for CSV
- Advisor reviews life settlement and client agrees to investigate a life settlement evaluation
- Life settlement offer of \$450,000

Charitable Giving

- Many clients want to make charitable contributions while living
- Charity seeking funds immediately
- Eliminate need for continuing administrative or premium obligations for charity or donor
- Choice to donate policy or sell policy in secondary market and donate proceeds
- Life insurance has played an important role in charitable gifting strategies
- Settlements provide an option in appropriate cases
- Charitable donation tax deduction

Charitable Giving

- Donate policy:
 - Establish trust or donate directly
 - Continuation of premium funding/administration
 - Charity receives future benefit
- Transact a life settlement and donate proceeds:
 - Sell policy in the secondary market
 - Donate proceeds to charity in the form of cash
 - Income tax deduction equal to the asset's fair market value to fully/partially offset taxable income/gains (consult tax advisor)
 - Immediate benefit to charity
 - No ongoing premium or administrative requirements
- Could also explore using proceeds to fund charitable remainder trust with life income paid to owner

About Life Settlement Solutions

- One of the oldest and largest life settlement providers
- In excess of \$2 billion in face value closed to date
- Solely institutional capital (customer protection)
- Industry-renowned capabilities and reputation
- Member of Life Insurance Settlement Association
- AA+ rating from Scope Agency
- Expert management and employee teams
- Founder and presenter of Life Settlement Awareness Month (LSAM)®
- Developer of one of the few continuing education courses on life settlements for credit toward life agent licensing

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Resources



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The word "Life" is written in a large, black, serif font. A red, stylized circular graphic element, similar to the one in the LSAM logo, arches over the letter "e".

Life

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