



Life Settlement - Know all your Options

What is Life Settlement?

Life Settlement is the sale of an in-force life insurance policy to a third-party for its fair market value yielding a cash payment to the seller in excess of the policy's cash surrender value but less than its death benefit. The purchaser acquires policy ownership, becomes the beneficiary, and is responsible for future premium payments.



When should Life Settlement be considered?

Life Settlements usually involve policies that are no longer suitable or wanted for the original planning purpose, are underperforming originally illustrated values, and/or the policy owner can no longer afford the premium payments. Policy insureds are generally age 70+ with a 2-15 year life expectancy and often have had an unfavorable change in health status since issue.

What is the Life Settlement process?

The sale of a life insurance policy involves the collection of the insured's medical records to obtain life expectancy reports, obtaining current policy values and illustrations, and the solicitation of multiple institutional buyers through an auction conducted by a life settlement broker. Alternatively, a policy owner may elect to work directly with one life settlement company; however, the auction process typically produces the highest market value.

In 2023, 3,218 Life Settlement transactions were completed in which \$4.67 Billion of total death benefit was purchased.

A life settlement generates an average 4-6 times a policy's surrender value (U.S. GAO report)

As the life settlement process can take several months, it is helpful for trustees to first obtain an estimate of a policy's market value prior to meeting with trust parties and initiating the sale process.

Life Settlement Market Value Projection

The TOLI Center has arranged for a prominent life settlement brokerage to provide masked (no trustee or insured names) life settlement market value projections for our clients assuming general eligibility criteria. There is no fee for this service, no need for medical records, and no obligation to sell a policy.

The TOLI Center program features:

- The trustee contacts The TOLI Center to request a market value projection. The TOLI Center will then provide current policy values and illustrations to the life settlement brokerage. Trustee and insured names will be masked if requested by the Trustee.
- If the Market Value Projection suggests greater value than surrender of the policy, The TOLI Center can introduce the life settlement brokerage and oversee activity throughout the process. Alternatively, we can provide current policy values and illustrations to a preferred broker of the trustee.



Today, the secondary market value of TOLI policies insuring older individuals is a meaningful consideration to review with trust parties.