



## Life Settlements – Outside the Box

LifeOptions is the nation's leading provider of specialty life insurance programs for seniors.



Our experienced insurance and financial professionals broker life settlement and other insurance programs for life insurance agencies, independent agents, financial planners and trust and estate professionals. Working with you, we offer qualified seniors the opportunity to meet their changing financial needs and protect and enhance their net worth.

# Life Settlement Outside the Box

LifeOptions is at the forefront of this rapidly growing and dynamic market. We oversee a wide range of complex processes, manage administrative details and ensure regulatory compliance. We use our capital markets experience to get the best terms from institutional investors for you and your client. We are committed to full disclosure, personalized service and professional best practices in everything we do.

## Tailored Solutions for Your Clients

Life insurance requirements change over time. When a mortgage is paid off, children become financially independent or a business is sold, for example, an existing life insurance policy may no longer be needed.

Until recently, policyholders had few options. They could allow existing policies to lapse or surrender them back to the insurance company for an amount that was typically much lower than its actual market value.

However, this has changed. Now, qualified individuals may be eligible for programs to sell policies in the secondary market and receive much higher values for these assets. In a life settlement sale, cash can be freed up to enhance an individual's current lifestyle and financial objectives.

LifeOptions offers life settlement programs as well as a full range of life insurance and annuity products. Our professionals will work with you to design a tailored solution to meet your clients' current financial planning needs.

## A Way to Build Your Business

The life settlement market reached an estimated \$10 billion in face value of transactions in 2005 and continues to grow and evolve rapidly. Underlying this explosive growth is the fact that life settlements benefit all parties involved. With an open, competitive market for these policies, the insured gains choice, flexibility and the opportunity for wealth enhancement.

Life settlements can also be an excellent new revenue source for you. Additionally, not only do you retain your commissions on the settled policy, but life settlements may create new sales opportunities for annuities, long-term care, disability insurance and other programs.

## Life Settlement Brokerage

A life settlement is made possible by a large secondary market in which licensed accredited financial institutions purchase life insurance policies for their investment portfolios. Qualified individuals receive a lump sum payout for their unwanted policies that can be significantly greater than the cash surrender value. In fact, a recent Wharton Business School study found that life insurance policies sold for an average of 3.6 times their cash surrender value in the secondary market.

In a life settlement transaction, the financial institution assumes responsibility for payment of the premiums and becomes the policy's beneficiary. The proceeds from a life settlement are unrestricted and can be used by clients as they desire – personal, family or philanthropy.

## Product Innovation

LifeOptions responds to clients' needs with innovation and flexibility. For example, we can tailor a program that allows your client to retain a lesser amount of coverage and surrender a portion of the policy to meet financial planning requirements. And we can offer sophisticated insurance products to seniors who may have sold or surrendered their old policy.

## The Best Possible Offer for Your Client

The amount of a life settlement is based primarily on the insured's age, health and future required premiums. The type of policy, rating of the carrier, face value, outstanding loans and cash value also come into play. Finally, the payout amount is affected by the market offer that your client receives. This can vary significantly. The LifeOptions capital markets department has more than 30 years of experience



designing and conducting financial auctions. We use an “open” model, ensuring that your client’s policy is reviewed by the largest possible number of potential buyers. Our interests are aligned with yours, as our compensation depends on getting the highest price possible.

**Life Settlement Case Examples\***

SEX	MALE	MALE	FEMALE
Age	79	72	76
Policy Type	Universal	Term	Survivorship
Life Face Amount	\$3,400,000	\$500,000	\$2,000,000
Cash Value	\$180,000	\$0	\$290,000
Life Settlement	\$640,000	\$71,000	\$390,000

\*Illustrative examples. All cases are confidential.

**Candidates for Life Settlements**

Life settlements may be appropriate under a number of different scenarios, for example, if estate planning requirements change, insurance premiums become a financial burden, a mortgage is paid off, children become financially independent or a business is sold. The common denominator is that the existing policy no longer fits the needs of the policyholder.

The ideal candidate for life settlements is generally age 65 and older, whose health has changed since the policy took effect and whose policy has a face value of more than \$250,000. The insured can be an individual, trust, company or not-for-profit organization. Most types of life insurance qualify for life settlements, including universal life, variable life, whole life, survivorship and some forms of term life.

**Tax Implications**

When considering a life settlement, clients should consult their tax advisors about their own tax status. In general, the proceeds from a life settlement are tax-free up to the cost basis of the original policy. The difference between the policy’s stated cash surrender value and the original cost basis is taxed as ordinary income, and anything above the cash surrender value is taxed as capital gains.

**Experienced, Effective, Easy to Do Business With**

A life settlement program is simple in concept but implementation is complex. Successful outcomes depend on the daily management of professionals from the medical, insurance, legal and investment community and a high level of administrative follow-up. They require the ability to access and negotiate with large financial institutions that provide life

**“The beauty of life settlement transactions is that every party benefits, resulting in high levels of satisfaction among the links in the chain.”**

— Journal of Accountancy,  
September 2005

settlement funding, to navigate a wide range of regulatory issues, to reach a closing as efficiently as possible and to secure the highest offer for clients. LifeOptions brings all of these skills to the table.

Our professionals have more than 30 years of combined experience designing, structuring and closing transactions for companies such as GE Capital, BenefitPort, Cendant and Citibank. We have strong, ongoing relationships in the insurance and investment communities. At LifeOptions, we specialize in the senior marketplace and we constantly monitor new products. We combine a big-picture view with painstaking attention to detail.

LifeOptions will work with you during all phases of a transaction and guide the process from start to finish. Our services include:

- ▷ Evaluating your client's policy and other factors to determine if he or she is a good candidate;
- ▷ Identifying and collecting all the information needed to estimate the amount your client can expect to receive;
- ▷ Supplying you with communication materials to educate and keep your client informed throughout the process;
- ▷ Obtaining and reviewing all of the client's medical records;
- ▷ Preparing and purchasing Life Expectancies for funders;

- ▷ Developing a comprehensive Financial Memorandum to ensure your client's case receives the highest priority among investors;
- ▷ Auctioning and negotiating for the highest offer based on our knowledge and expertise in the life settlement marketplace;
- ▷ Closing specialist to complete the process efficiently and effectively.

At LifeOptions, we work hard to obtain an offer that meets or exceeds your clients' expectations and results in the best commission for you. However, policyholders have no obligation to accept a life settlement offer, and there is typically a rescission period should they decide not to pursue it.

## **Our Commitment to Compliance and Full Disclosure**

LifeOptions has a model compliance and best practices program. We promote the principles of transparency, professional standards and improved industry relationships. We are broadly licensed and a member of the Life Insurance Settlement Association (LISA), and we carefully monitor changes in the industry.

LifeOptions has E&O insurance that covers our brokers. We can assist you in obtaining the state license information to participate in the settlement market and can provide the necessary documents for HIPAA compliance.

Above all, LifeOptions is dedicated to protecting the interest of each party involved in a transaction. Our financial interests and goals are always aligned with your goals and those of your clients. And we are committed to full disclosure, providing details of the auction and final transaction, including the amount of all offers and our fees.

## **A Partner You Can Trust**

To reap the benefits of this exciting new market, you need a partner you can trust. The most forward-thinking insurance and financial professionals are those who want the best for their clients and choose partners who work toward that end. LifeOptions has the skills and the relationships to approach life insurance outside the box. By choosing LifeOptions, you can put the life settlement market to work for you and your clients.

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