

INCREASED COST OF INSURANCE

PROMPTS LIMITED PARTNERSHIP TO SELL POLICY THAT'S UNAFFORDABLE



THE SITUATION

Jon Smith,¹ an 83-year-old entrepreneur, had a \$1.3 million Universal Life policy on his life that was owned by a Limited Partnership. The policy was purchased in 1995 when the planned premium was \$13,000. The insurance carrier had recently and unexpectedly increased the cost of insurance on this policy as well as on other contracts it had issued during the 1990s. The premium to maintain Jon's policy to age 100 was raised to \$95,000—over seven times the original planned premium.

Since the policy was no longer needed and the premium had climbed significantly, the partnership decided to investigate a life settlement instead of surrendering the policy for the current cash surrender value. Jon had coronary issues with an estimated life expectancy of 55 to 79 months.

THE OUTCOME

ValMark's life settlement team worked with multiple providers through a bidding process to negotiate an optimum life settlement offer. This resulted in a total gross offer of **\$315,000**² (before commissions and expenses).

SUMMARY

POLICY TYPE	Universal Life
DEATH BENEFIT	\$1,300,000
CASH SURRENDER VALUE	\$173,000
ORIGINAL PLANNED PREMIUM	\$13,000
ANNUAL PREMIUMS	\$95,264 to Age 100
LIFE SETTLEMENT OFFER	\$315,000 Gross²

THE TAKEAWAY

Life Settlements can provide an attractive alternative to lapsing or surrendering an unwanted or unaffordable policy. A recent study found that life settlement investors purchased \$1.7 billion of U.S. life insurance face value in 2014, bringing the total active life settlements market to more than \$32 billion.³

¹Client name has been changed to protect confidentiality. | ²The gross offer will be reduced by commissions and expenses related to the sale. | ³Conning Inc., a leading investment management company serving the global insurance industry, 2015 Life Settlement Study | Each client's experience varies, and there is no guarantee that a life settlement will generate an offer greater than the current cash surrender value. In such cases, the client can always surrender their policy to the carrier if the coverage is no longer needed. This material is intended for informational purposes only and should not be construed as legal or tax advice or investment recommendations. Consult a qualified attorney, tax advisor, investment professional or insurance agent about the issues discussed herein. Securities offered through ValMark Securities, Inc. Member FINRA/SIPC.

