

Case Studies

Buckeye Life Resources

The following examples demonstrate the potential value of life settlements:

Coverage No Longer Needed

Insured	76 y/o male
Life expectancy	9 years
Policy type	Universal Life
Death benefit	\$5,000,000
Surrender value	\$0
Proceeds to seller	\$840,000
Value created	\$840,000

Originally in place as a key-person policy for an LLC, coverage was no longer needed because one of the insureds, who was the only remaining owner of the company, retired and sold the business.

Unaffordable Premiums

Insured	82 y/o male
Life expectancy	5 years
Policy type	Universal Life
Death benefit	\$3,000,000
Surrender value	\$25,000
Proceeds to seller	\$600,000
Value created	\$575,000

The trust that owned this policy lacked the funds necessary to maintain coverage, so the proceeds of the sale were evenly divided between the trust beneficiaries.

Long Term Care

Insured	91 y/o female
Life expectancy	3 years
Policy type	Universal Life
Death benefit	\$1,200,000
Surrender value	\$25,000
Proceeds to seller	\$355,000
Value created	\$330,000

The proceeds of the sale were used to fund ongoing long-term care expenses for the insured in the face of escalating life insurance premiums, which were projected to exceed \$400k for the next three years.

Retained Death Benefit (RDB)

Insured	85 y/o female
Life expectancy	8 years
Policy type	Universal Life
Death benefit	\$2,000,000
Surrender value	\$30,000
Proceeds to seller	\$30k cash + \$900k RDB
Value created	~\$640k *

The owner could no longer justify paying premiums, but still wanted coverage for the beneficiaries of her estate. A retained-death-benefit sale satisfied both objectives.

Charitable Gift

Insured	84 y/o female
Life expectancy	7 years
Policy type	Universal Life
Death benefit	\$5,500,000
Surrender value	\$500,000
Proceeds to seller	\$500k cash + \$3M RDB
Value created	~\$2.2M *

One of multiple policies in place, the owner no longer needed this coverage and elected to gift the retained death benefit component of the sale to a charitable organization (while recouping the cash in the policy).

Lapsing Term Policy

Insured	74 y/o male
Life expectancy	4.5 years
Policy type	Term
Death benefit	\$700,000
Surrender value	\$0
Proceeds to seller	\$110,000
Value created	\$110,000

Instead of allowing his term coverage to lapse as planned, the owner converted the policy to a universal life product as part of the sale (and was reimbursed by the buyer for the conversion premium he paid).

The foregoing examples were derived from actual cases, but they are solely intended to illustrate the potential benefits of life settlements in the financial planning process and should not be relied upon as indicators of future results. Not all cases qualify for life settlement.

* Present value of the RDB (at 5% and the life expectancy)