

Unlocking Value in Life Insurance

By Steven M. Shapiro, President and CEO, Q Capital Strategies, LLC

With seniors living longer than they expected when they planned for their retirement, the growing population of older Americans is constantly looking for creative solutions to ease the financial burden of a longer retirement. With interest rates still at historical lows, the situation is only exacerbated. What many seniors do not know is that there is a burgeoning market for purchasing seniors' life insurance policies. This emerging secondary market for life insurance policies, known as either Senior Settlements or Life Settlements, is growing in popularity as a way for seniors to unlock value in this previously dormant financial asset.

The asset nature of a life insurance policy was established in a landmark Supreme Court case – *Gribsy v. Russell* – in 1911 that established the personal property rights of an insurance policy owner. This case put a life insurance policy on the same legal footing as more traditional investments like stocks and bonds, allowing the policy owner to transfer and/or sell the policy to another person. Unfortunately, it has taken almost a century until a new industry was born to help seniors take advantage of the hidden value in their life insurance.

So, what exactly is a Life Settlement? A Life Settlement is a financial transaction in which a policy owner that no longer needs or wants the life insurance policy sells the policy to a third-party. When a Life Settlement is the best option, the policy owner receives more money for the policy than any other option – either surrendering the policy back to the insurance company for the cash surrender value or letting the policy lapse. The statistics on the opportunity are amazing – 88% of Universal Life insurance policies never mature in a claim; they are surrendered or allowed to lapse before death¹. The math is simple – in all Life Settlement transactions, the policy owner receives more money than any other available option, and often multiples more than the policy cash surrender value.

The prominent Life Settlement companies are backed by large institutions that are actively purchasing policies and building large portfolios of Life Settlements. In a time when the financial markets are in turmoil, these well known institutional investors, including Goldman Sachs, Bear Stearns, UBS, and Credit Suisse, have recognized the value in investing in this new asset class. Sanford C. Bernstein & Co. estimated that the market for life settlements has topped \$13 billion and could be in excess of \$160 billion by 2030.

A well-recognized industry leader in life settlements, Q Capital Strategies, has consistently delivered outstanding financial results for policy holders. The following is an example of a recently completed transaction: a 71 year-old female had a \$3,000,000 life insurance policy that

¹ *Time*, October 22, 2006

had no cash surrender value, and the next premium payment of \$89,580 was due to the insurance company. She no longer wanted the policy and had limited options since there was no cash surrender value in the policy. Her financial advisor suggested that she consider selling her policy in a Life Settlement as a means to recover some of her investment in the life insurance policy, as opposed to simply walking away with nothing if she stopped paying premiums and the policy lapsed. Q Capital Strategies purchased her policy for \$435,000, delivering an infinitely better financial option to receiving nothing for her insurance policy.

Not everyone is eligible for a Life Settlement. There are certain criteria that must be met such as age, policy amount, and type of insurance. Ask your financial advisor, insurance agent, attorney, or accountant if you qualify. With the emergence of Life Settlements, life insurance policy owners have a much better financial option for cashing out of life insurance. To find out more about the Life Settlement industry visit the websites of the Life Insurance Settlements Association (www.lisassociation.org), the Life Settlement industry's trade association, or Q Capital Strategies (www.qcapitalstrategies.com).