



# BRINGING LIQUIDITY TO LIFE

## Case Studies

### Cash Settlement

#### *Case Profile:*

Son owned a universal life policy on 79 year-old mother who was in an assisted living facility. He needed to supplement her cost of care and was struggling to make premium payments.

#### *Before Settlement:*

Death Benefit:	\$250,000
Annual Premium:	\$10,844
Cash Surrender Value (CSV):	\$0

#### *Cash Settlement:*

**\$80,000**  
**(32% of DB)**

#### *Benefits from life settlement:*

Son was able to use \$80,000 to help maintain his mother's quality of care.

### Alternative to 1035 Exchange

#### *Case Profile*

Male age 71. Trust maintained \$8M policy for estate planning purposes. Due to erosion of estate value, \$8M in coverage was no longer needed or affordable. Instead of simply executing a traditional 1035 tax-free exchange of current account values into new \$4M policy, policy was able to be settled and additional after-tax proceeds were used to more cost effectively purchase the more suitable policy.

#### *Before Settlement:*

Death Benefit:	\$8,000,000
Cash Surrender Value:	\$412,000
Basis (Premiums paid to date)	\$941,500

#### *Cash Settlement:*

(applied to replacement policy)

**\$1,104,000**  
**(268% of CSV)**

#### *Benefits from Life Settlement:*

Was able to use settlement proceeds to purchase new \$4M policy. This resulted in having lower premiums than would have been possible through a traditional 1035 tax-free exchange of the existing policies account value.

### Business Applications – Term Conversion

#### *Case Profile:*

Male age 68 is a retiring business executive. Company maintained key man Term life policy that is no longer needed and allows executive to assume ownership but he does not need the coverage.

#### *Before Settlement:*

Death Benefit:	\$500,000
Cash Surrender Value:	\$0
Policy Converted to Universal Life	
Conversion Premium	\$10,870

#### *Cash Settlement:*

**\$64,400**  
**(13% of DB)**

(plus reimbursed \$10,870 for premium outlay to convert policy)

#### *Benefits of settlement:*

Retiring executive was able to turn an unneeded, and presumed worthless policy, into a \$64K supplement to his retirement.

### Opportunities for Charities & Institutions

#### *Case Profile:*

District of Columbia based university owned a \$500,000 universal life policy that was donated several years ago by alumnus who is now 82. Due to ongoing premium requirements and desire to fund a current gift, they decided to explore a life settlement.

#### *Before Settlement:*

Death Benefit:	\$500,000
Cash Surrender Value:	\$79,000

#### *Cash Settlement:*

**\$210,000**  
**(266% of CSV and 42% of DB)**

#### *Benefits of settlement:*

University was able to increase proceeds from policy by \$131,000.

**Disclaimer:** Examples based upon files underwritten by Veris Settlement Partners, Inc. and are solely intended to demonstrate the potential benefits of a life settlement transaction and should not be relied upon as an indicator of the purchase price that will be paid for a life insurance policy.