



# Leaving a Life Insurance Policy & Solving Problems

*trusted for life*<sup>SM</sup>

**1** Life Insurance as an Asset

**2** What is a Life Settlement

**3** Solving Problems

**4** Ideas for Consideration













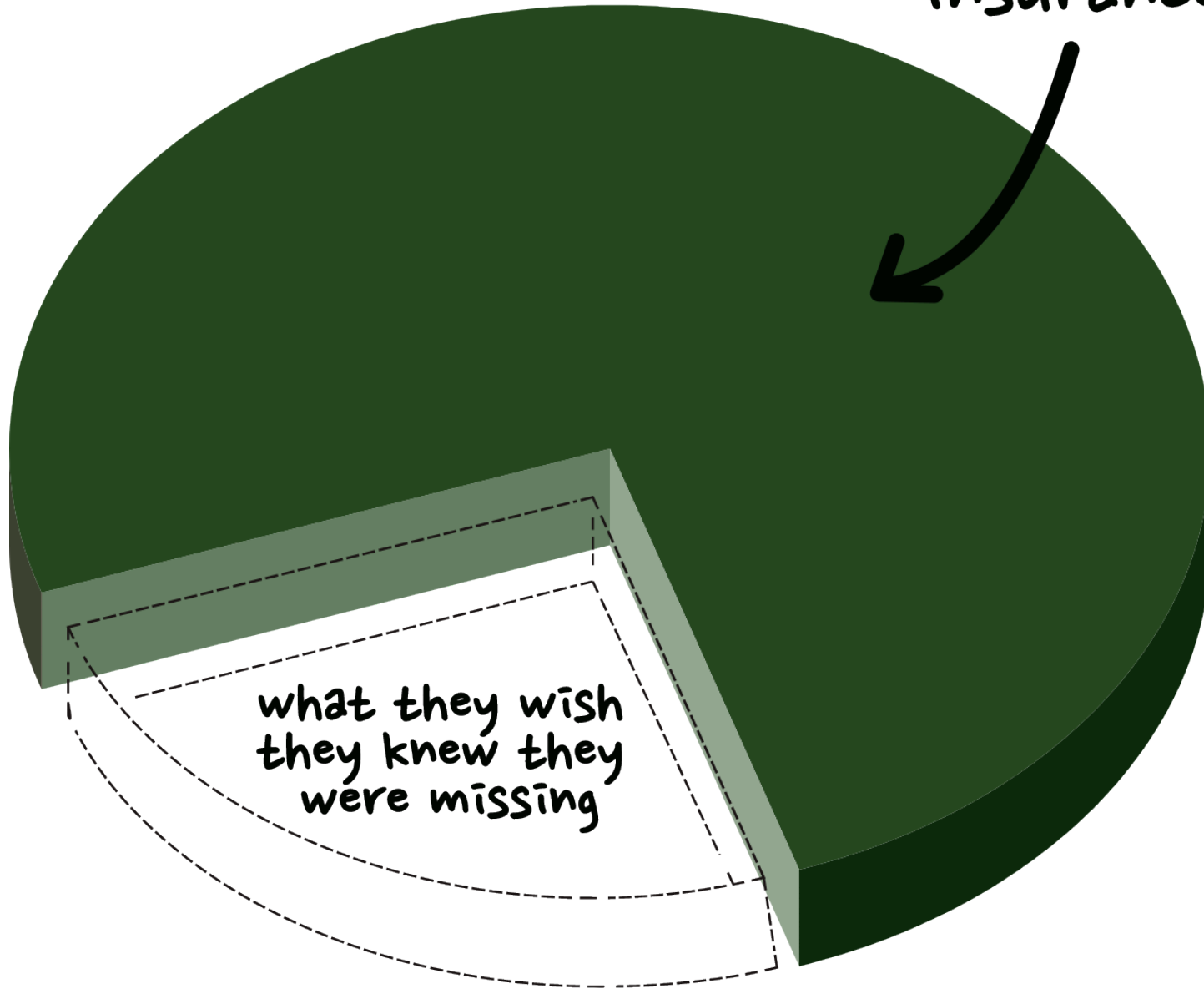


**INSURANCE  
POLICY**



*[Cursive signature]*

Your client's life insurance plan

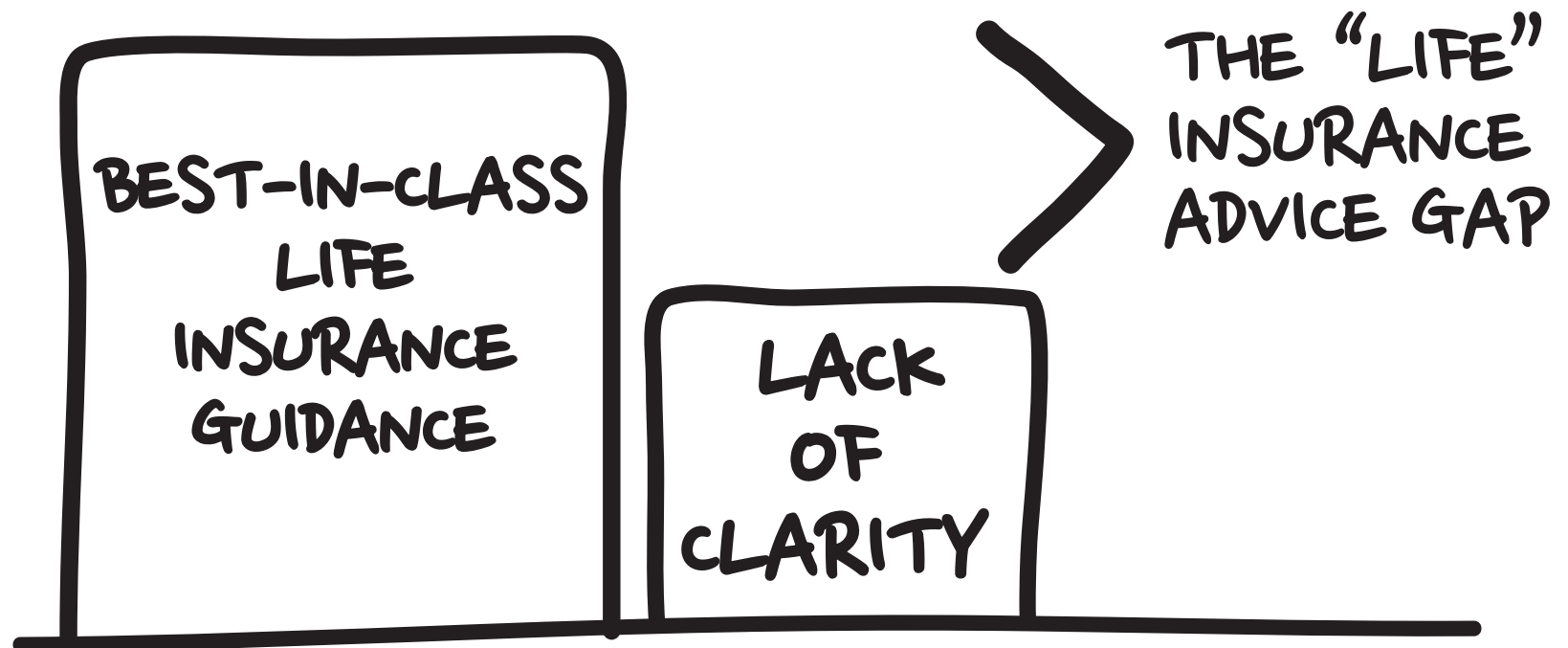


what they wish  
they knew they  
were missing



# Advice Gap

**We believe** there is an **advice gap** for “Life” insurance planning.



# 5 out of 6

life insurance policies  
never end in a death benefit



# State of the Life Insurance Industry



**20 Trillion Dollars**



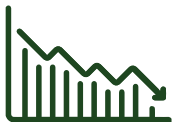
**85-90% wrong contract, wrong funding, wrong company**



**70% never reviewed after purchase**



**50% do not have agents, average age of agents is 60+**



**Falling interest rates, volatile stock markets,  
clients living longer**

# How is Life Insurance an Asset?

- + A tool to solve problems**
- + A good financial deal**
  - » cash value or death benefit**

We believe there are  
two reasons and we are  
going to talk about both

1

**Lack of  
knowledge of the  
asset**

2

**Lack of  
understanding of  
the options**



# Understanding the Asset

## **Traditional Life Insurance Analysis Includes:**

- + Premiums
- + Cash value
- + Death benefit

# Understanding the Asset

## **Best-in-Class Life Insurance Analysis Includes:**

- + Strength of insurance company
- + Underwriting analysis with life expectancy
- + Funding and premium cash flow strategy
- + Industry benchmark and stress testing
- + Alternative options

# Vital Signs Report

## Life Insurer Financial Profile

Company	Lincoln National Life Ins Co	Prudential Ins Co of America	Genworth Life & Ann Ins	Nassau Life & Ann Co
<b>Ratings</b>				
A.M. Best Company (Best's Rating, 15 ratings)	A+ (2)	A+ (2)	B (7)	B++ (5)
Standard & Poor's (Financial Strength, 20 ratings)	AA- (4)	AA- (4)		
Moody's (Financial Strength, 21 ratings)	A1 (5)	Aa3 (4)	B3 (16)	
Fitch Ratings(Financial Strength, 21 ratings)	A+ (5)	AA- (4)		
KBRA (Financial Strength, 19 ratings)				
Weiss (Safety Rating, 16 ratings)	B (5)	B (5)	C- (9)	D+ (10)
Comdex Ranking (Percentile in Rated Companies)	90	95	32	
<b>Assets &amp; Liabilities</b>				
Total Admitted Assets	294,982,188	310,652,821	21,136,422	1,211,103
Total Liabilities	286,478,753	299,055,478	20,144,668	1,103,921
Separate Accounts	171,466,339	156,445,429	5,669,757	5,505
Total Surplus & AVR	9,931,826	15,366,899	1,101,293	117,942
As % of general Account Assets	8.0%	10.0%	7.1%	9.8%
<b>Invested Asset Distribution &amp; Yield</b>				
Total Invested Assets	114,733,927	147,143,576	14,346,123	1,127,679
Bonds(%)	73.8%	66.2%	79.9%	81.1%
Stocks(%)	4.1%	5.1%	1.9%	1.9%
Mortgages(%)	11.8%	14.6%	12.0%	5.1%
Real Estate(%)	0.1%	0.3%	0.1%	0.0%
Policy Loans(%)	1.6%	2.0%	3.3%	0.3%
Cash & Short-Term(%)	2.4%	3.1%	1.7%	8.4%
Other Invested Assets(%)	6.2%	8.8%	1.2%	3.2%
Net Yield on Mean Invested Assets				
2020 (Industry Average 3.52%)	4.06%	3.41%	4.68%	3.11%
5 Year Average (Industry Average 3.97%)	4.54%	4.58%	4.75%	2.70%
<b>Non-Performing Assets as % of Surplus &amp; AVR</b>				
Bonds In or Near Default	0.0%	0.2%	0.0%	1.4%
Problem Mortgages	0.2%	0.1%	0.0%	0.0%
Real Estate Acquired by Foreclosure	0.0%	0.0%	0.0%	0.0%
Total Non-Performing Assets	0.2%	0.3%	0.0%	1.4%
As a percent of Invested Assets	0.0%	0.0%	0.0%	0.1%
<b>Bond Quality</b>				
Total Value of Bonds	87,029,743	100,218,155	11,474,337	914,661
Class 1-2: Highest Quality	96.6%	93.7%	94.7%	89.7%
Class 3-5: Lower Quality	3.4%	6.3%	5.3%	10.1%
Class 6: In or Near Default	0.0%	0.0%	0.0%	0.2%
Weighted Bond Class	1.5	1.5	1.5	1.7
<b>Income &amp; Earnings</b>				
Total Income	30,299,426	31,428,185	1,020,604	99,625
Net Premiums Written	23,004,135	25,161,765	175,248	180,996
Earning Before Dividends and Taxes	-329,434	1,887,472	-225,268	-7,457
Net Operating Earning	-198,050	1,975,642	-187,707	3,781

# LE Report



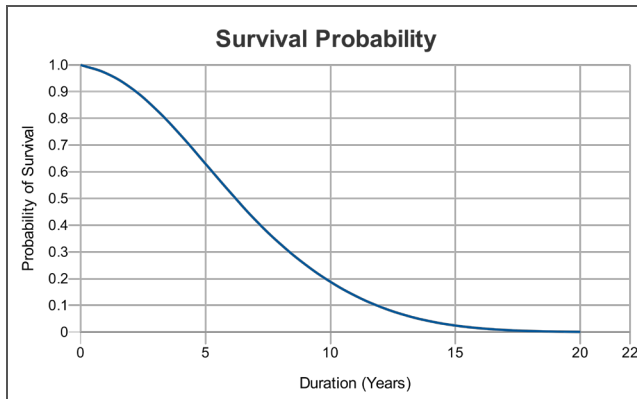
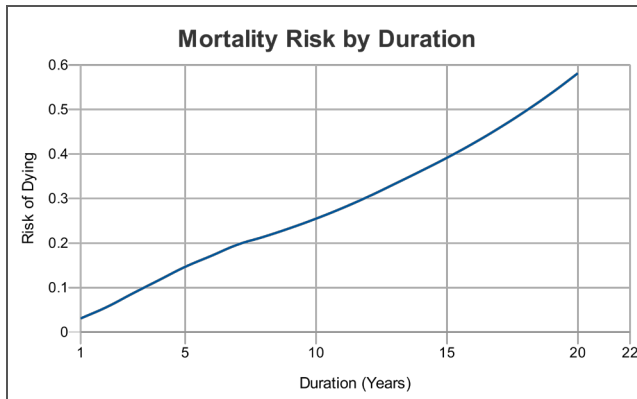
## Life Expectancy Certificate

Client: [REDACTED]

Number: [REDACTED]

Insured: [REDACTED]	Certificate Date: 12/11/2020
SSN: [REDACTED] Gender: M	Genetic Influence: Contributes
DOB: [REDACTED] Age: 87.88	BMI: 29.27 Tobacco: N
Primary: Functional	

Mortality Multiplier: 2 Mean LE (months): 80 Mortality Table: PRLS13



Year	Age	tPx	qx	dx/1000
1	88.88	0.9695	0.0305	0.0305
2	89.88	0.9150	0.0563	0.0546
3	90.88	0.8353	0.0870	0.0796
4	91.88	0.7377	0.1169	0.0976
5	92.88	0.6296	0.1466	0.1081
6	93.88	0.5216	0.1714	0.1079
7	94.88	0.4192	0.1964	0.1025
8	95.88	0.3295	0.2140	0.0897
9	96.88	0.2525	0.2335	0.0769
10	97.88	0.1882	0.2549	0.0644
11	98.88	0.1358	0.2785	0.0524
12	99.88	0.0945	0.3043	0.0413
13	100.88	0.0630	0.3326	0.0314
14	101.88	0.0402	0.3615	0.0228
15	102.88	0.0245	0.3914	0.0158
16	103.88	0.0141	0.4236	0.0104
17	104.88	0.0076	0.4585	0.0065
18	105.88	0.0039	0.4962	0.0038
19	106.88	0.0018	0.5371	0.0021
20	107.88	0.0007	0.5813	0.0010
21	108.88	0.0000	0.6291	0.0005
22	109.88	0.0000	0.6809	0.0000
23	110.88	0.0000	0.7369	0.0000
24	111.88	0.0000	0.7976	0.0000
25	112.88	0.0000	0.8633	0.0000
26	113.88	0.0000	0.9343	0.0000
27	114.88	0.0000	1.0000	0.0000

This life expectancy certificate generated by Predictive Resources, LLC. (Predictive) is an estimate of the distribution of mortality of like individuals based upon the information provided to Predictive for the insured. Predictive provides life expectancy estimates by applying proprietary methods, systems and resources to health information forwarded by client companies (Client). Life expectancy figures are estimates only. Predictive cannot and does not represent that an insured will die on or near a particular date. With respect to Assisted Living cases, the assumptions herein were developed from actual data and information believed to be reasonable; however, the data set was relatively small and Predictive Resources, LLC is not responsible for the results of its usage.



## Life Expectancy Certificate

Insured: [REDACTED]

Number: [REDACTED]

Category	Condition	+/-
Activity Level	Age appropriate	
Coronary Risk Factors	Body Mass Index	
Coronary Risk Factors	Glucose Intolerance	+
Coronary Risk Factors	Hyperlipidemia - controlled	-
Coronary Risk Factors	Hypertension	+
Functional	Multiple falls within the past five years	+
Functional	Other Functional Status Impairment	+
Functional	Weakness/fatigue	+
Gastrointestinal	Benign colon polyps	
Gastrointestinal	Diverticulosis	
Gastrointestinal	Gastroesophageal reflux with or without a hiatal hernia	
Gastrointestinal	Mild recurrent/chronic dysphagia	+
Genetic Influence	Cancer (Father)	+
Genetic Influence	Cancer (Mother)	+
Habits	No or minimal tobacco use	
Habits	Rare alcohol use	
Rheumatological	Osteoarthritis/DJD affecting weight-bearing joints	+
Rheumatological	Osteopenia	+
Rheumatological	Significant spinal disc disease/stenosis and/or radiculopathy/sciatica	+

Medical records date range of [REDACTED] with no apparent gaps in the records submitted. The subject's multiple cancer history will not have a significant impact on his LE. We underwrote this as a secondary life settlement case.

Insured-specific medical information may be confidential under state or federal law. Life expectancy information provided to a client company by Predictive may not be disclosed to any third party or used in any manner that violates any applicable law. Predictive strictly prohibits the modification, sale, transfer or disclosure of its life expectancies. Client agrees any life expectancy certificate it purchases will be used solely by Client and will not be modified, transferred, sold, distributed, posted, made available on the Internet, or unlawfully disclosed. Predictive's life expectancy certificates obtained other than directly from Predictive are expressly disclaimed by Predictive and cannot be guaranteed as authentic. Client will pay all costs and attorneys fees incurred by Predictive to enforce the terms herein. Acceptance of a life expectancy certificate constitutes agreement to these terms.

# Strategic Portfolio Analysis



## Dr. & Mrs. Insurance Review Life Insurance Summary

A	B	C
Company, Policy Number & Issue Date	Insured	Owner
1 Mass Mutual* #15xxxxx 04/01/2005 Camdex-98	Dr. Ultra Preferred	Trust
<b>Totals for Dr.</b>		
2 Mass Mutual* #62xxxxx 05/19/1997 Camdex-98	Dr. & Mrs. Select Preferred / Select Preferred	Trust
<b>Totals for SUL</b>		

\*TDC Life is not the agent on this policy.

This summary of life insurance includes projected values based on non-guaranteed elements. Information from projected values are not guaranteed and the assumptions upon which the values are based are subject to change. The actual performance of the policy may be more or less favorable than what is projected as of today because of changes in interest rates and mortality tables.

Life Summary (00070296x04757).xlsx



## Dr. Insurance Review Current \$1,000,000 Mass Mutual Universal Life Policy #15xxxxxx Issued at Ultra Preferred Rates

A	B	Dr. End of Policy Year Age
Policy Year		
1 2017 / 2018		71
2 2018 / 2019		72
3 2019 / 2020		73
4 2020 / 2021		74
5 2021 / 2022		75
<b>Totals</b>		
6 2022 / 2023		76
7 2023 / 2024		77
8 2024 / 2025		78
9 2025 / 2026		79
10 2026 / 2027		80
<b>Totals</b>		
11 2027 / 2028		81
12 2028 / 2029		82
13 2029 / 2030		83
14 2030 / 2031		84
15 2031 / 2032		85
<b>Totals</b>		
16 2032 / 2033		86
17 2033 / 2034		87
18 2034 / 2035		88 (2)
19 2035 / 2036		89
20 2036 / 2037		90
<b>Totals</b>		
21 2037 / 2038		91
22 2038 / 2039		92
23 2039 / 2040		93
24 2040 / 2041		94
25 2041 / 2042		95
<b>Totals</b>		

Date Prepared: 9/18/2017

- (1) Assumes current charges
- (2) Dr. life expectancy from

Dr. Insurance Review (00070297x040175).xlsx

**No Further Premium with Catch Up to Age 95**



## Dr. & Mrs. Insurance Review Current \$2,000,000 Mass Mutual Survivorship Universal Life Policy #62xxxxxx Issued at Select Preferred Rates

A	B	C
Policy Year	Dr. End of Policy Year Age	Mrs. End of Policy Year Age
1 2017 / 2018	71	70
2 2018 / 2019	72	71
3 2019 / 2020	73	72
4 2020 / 2021	74	73
5 2021 / 2022	75	74
<b>Totals</b>		
6 2022 / 2023	76	75
7 2023 / 2024	77	76
8 2024 / 2025	78	77
9 2025 / 2026	79	78
10 2026 / 2027	80	79
<b>Totals</b>		
11 2027 / 2028	81	80
12 2028 / 2029	82	81
13 2029 / 2030	83	82
14 2030 / 2031	84	83
15 2031 / 2032	85	84
<b>Totals</b>		
16 2032 / 2033	86	85
17 2033 / 2034	87	86
18 2034 / 2035	88	87 (2)
19 2035 / 2036	89	88
20 2036 / 2037	90	89
<b>Totals</b>		
21 2037 / 2038	91	90 (3)
22 2038 / 2039	92	91
23 2039 / 2040	93	92
24 2040 / 2041	94	93
25 2041 / 2042	95	94
<b>Totals</b>		
26 2042 / 2043	96	95
<b>Totals</b>		

Date Prepared: 9/18/2017

- (1) Assumes current charges and a 3.00% crediting rate.
- (2) Dr. life expectancy from the Society of Actuaries 2008 VBT Table ANB. Life expectancy based on a pool of lives, not specific to insured.
- (3) Mrs. life expectancy from the Society of Actuaries 2008 VBT Table ANB. Life expectancy based on a pool of lives, not specific to insured.

Dr. Mrs. Insurance Review (00070298x04975).xlsx

D	E	F	G	H
Annual Premium	Accumulation Value (1)	Surrender Value	Death Benefit	Internal Rate of Return at Death
\$0	\$274,973	\$274,973	\$2,000,000	634.68%
\$0	\$277,740	\$277,740	\$2,000,000	171.95%
\$0	\$279,418	\$279,418	\$2,000,000	94.40%
\$0	\$279,812	\$279,812	\$2,000,000	64.64%
\$0	\$278,703	\$278,703	\$2,000,000	49.01%
<b>Totals</b>				
\$0	\$275,825	\$275,825	\$2,000,000	39.43%
\$0	\$270,952	\$270,952	\$2,000,000	32.96%
\$0	\$263,899	\$263,899	\$2,000,000	28.31%
\$28,654	\$284,496	\$284,496	\$2,000,000	24.56%
\$28,654	\$304,448	\$304,448	\$2,000,000	21.59%
<b>Totals</b>				
\$57,508			\$2,000,000	21.59%
\$28,554	\$322,828	\$322,828	\$2,000,000	19.18%
\$28,854	\$339,336	\$339,336	\$2,000,000	17.19%
\$28,854	\$353,626	\$353,626	\$2,000,000	15.51%
\$28,854	\$365,298	\$365,298	\$2,000,000	14.07%
\$28,854	\$373,880	\$373,880	\$2,000,000	12.83%
<b>Totals</b>				
\$201,478			\$2,000,000	12.83%
\$28,854	\$378,877	\$378,877	\$2,000,000	11.74%
\$28,854	\$379,624	\$379,624	\$2,000,000	10.78%
\$28,854	\$375,299	\$375,299	\$2,000,000	9.93%
\$28,854	\$365,083	\$365,083	\$2,000,000	9.17%
\$28,854	\$348,894	\$348,894	\$2,000,000	8.49%
<b>Totals</b>				
\$345,748			\$2,000,000	8.49%
\$28,854	\$324,598	\$324,598	\$2,000,000	7.88%
\$28,854	\$290,357	\$290,357	\$2,000,000	7.32%
\$28,854	\$243,960	\$243,960	\$2,000,000	6.81%
\$28,854	\$182,451	\$182,451	\$2,000,000	6.34%
\$28,854	\$102,869	\$102,869	\$2,000,000	5.92%
<b>Totals</b>				
\$490,018			\$2,000,000	5.92%
\$28,854	\$10	\$10	\$2,000,000	5.52%
<b>Totals</b>				
\$518,872			\$2,000,000	5.52%

Act 10/20/2017



# Case Study

## *Manage a Portfolio*

- + Successful car dealer
- + 88yo
- + \$20M of death benefit between 5 policies, management a mess
- + \$1.24M annual premium
- + Not sure what to do
- + Did a life expectancy, 2 years to live
- + Stopped premium, saved \$2.48M in premium

# Understanding the Options

## **1** Keep Policy Until Death

- + IRR at Life Expectancy vs Alternative Investment
- + Mortality Investment = Income & Estate tax free benefit

# Understanding the Options

**2**

## **Cash It In or Keep It for Cash Value (not Death Benefit)**

- + Tax implications
- + Cash value access

# Understanding the Options

## **3** Donate It

- + Gift the life insurance policy to a charitable organization
- + They either pay premiums for death benefit or proceed with a life settlement

# Understanding the Options



## **Modify It**

- + Rate reconsiderations
- + Reduce death benefit

# Understanding the Options

## 5

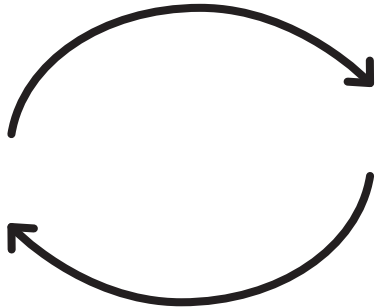
### Life Settlements

- + Alternative solution for life insurance that is unwanted or no longer needed
- + Policies can typically sell for more than the cash surrender value

# How Does The Life Settlement Process Work?

1

Transfer ownership

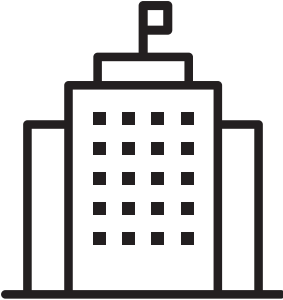


Sale proceeds paid out

2



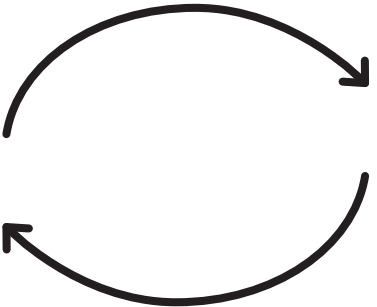
**Seller  
(You)**



**Buyer  
(Institution)**

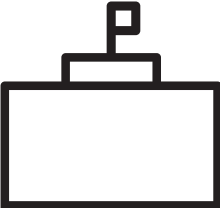
3

Makes future premium payments



Death benefit is paid out at insured's death

4



**Insurance  
Carrier**

# A History of Life Settlements

Established life insurance private property that can be sold and transferred.

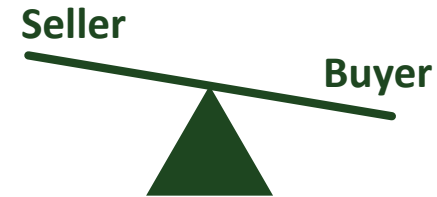
- **1911** — Grigsby vs Russell
- **1980's** — AIDS epidemic  
Viatical settlement industry emerges
- **1990's** — Rise of the life settlement market
- **2001** — Viatical settlements  
Model Act passes  
Set forth guidelines to avoid fraud and set sound business practices
- **2004** — Life Settlement Model Act Revised to provide greater protections for policy sellers
- **2009** — Life settlement market dries up due to financial meltdown
- **2015 & Beyond** — Life Settlement Market viewed as a legitimate alternative asset class.  
Investors allocate greater amounts of capital making it a seller's market.



# Options to Sell a Policy

THERE ARE THREE OPTIONS YOU CAN CONSIDER

1 *Direct Sale*



2 *Volume Broker*



3 *Boutique Broker*



# Who Purchases Life Insurance Policies as an Investment?

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## **Municipalities / Universities**

- + City of Zurich Pension Fund- \$60.04M
- + Memphis Board of Light, Gas and Water- \$28M
- + State of Michigan Pension Fund- \$610.5M
- + University of Michigan Endowment- \$75M
- + Montana Board of Investments- \$40M
- + Dauphin County Pennsylvania- \$38.6M

## **Hedge Funds**

- + KKR
- + Apollo
- + Vida
- + Broadriver
- + Riverrock

## **Life Insurance Carriers**

## **Investment Banks**

## **Mutual Funds**

# Sale Outcomes

## **Cash Sale**

Receives lump sum of cash  
now

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No death benefit

## **Retained Death Benefit Sale**

No cash now but receives part  
of the death benefit

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Pays no future premiums

## **Hybrid Approach**

Some cash now and some  
reduced death benefit later

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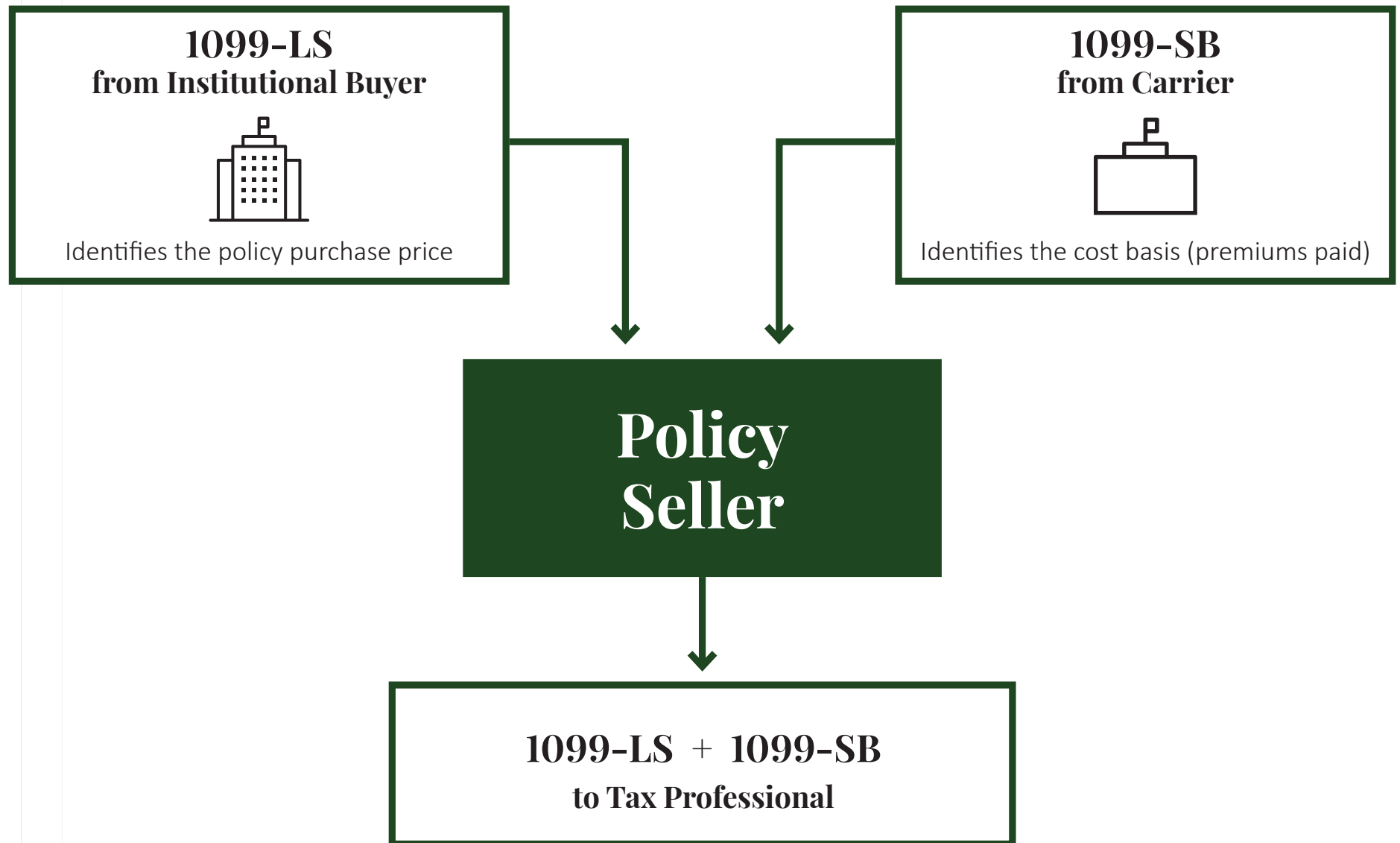
No death benefit

# Policy Analysis

## Penn Mutual

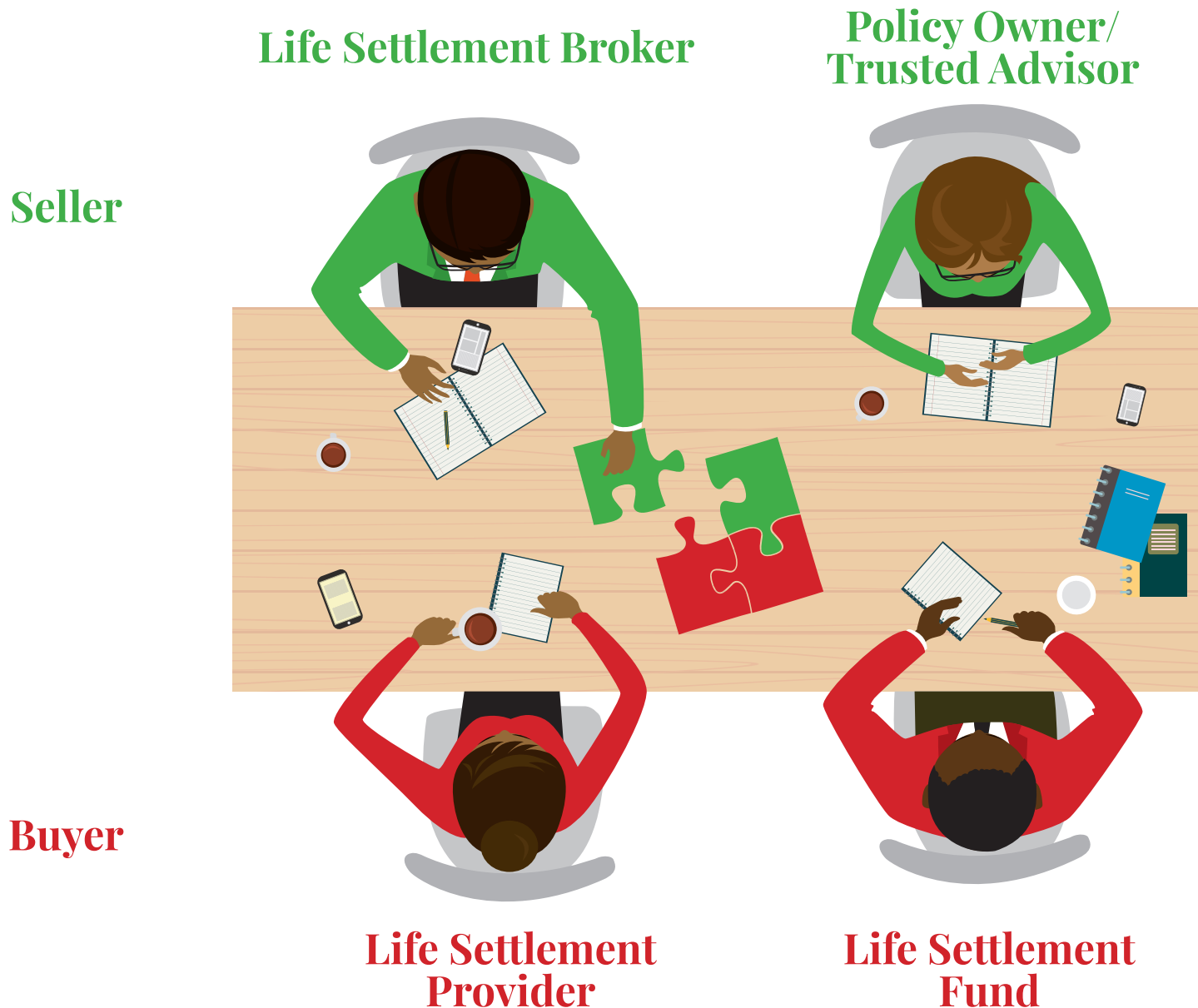
Pros	Cons
Insurance Carrier (Penn Mutual)	Issued at Standard Rates
Policy Size (\$5M)	Policy Maturity date of March 18, 2042
Insured's Age	
Low Cash Value to Death Benefit	

# Tax Reporting

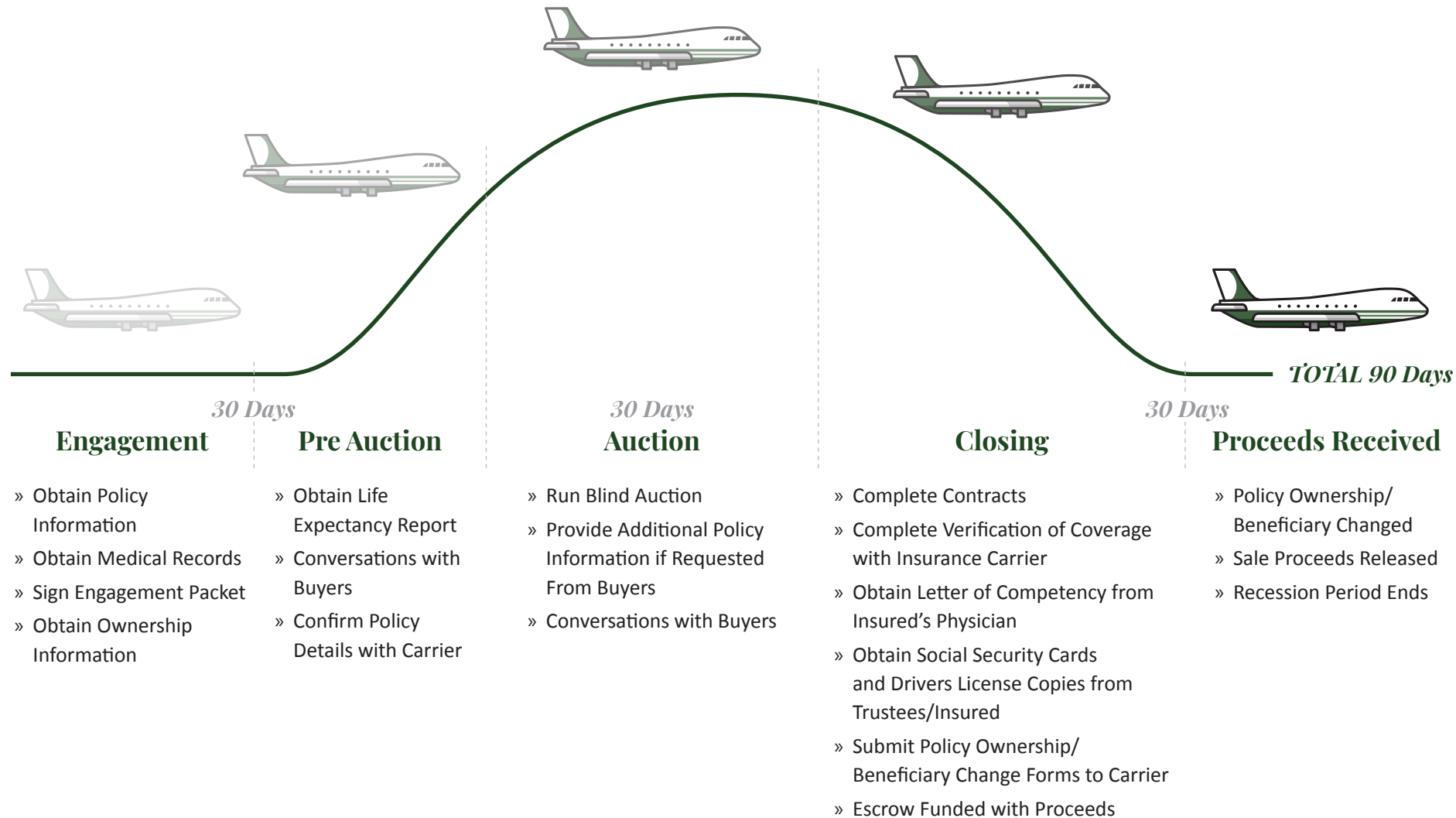


# The Life Settlement Players

WHO IS REPRESENTING YOUR CLIENT'S BEST INTEREST?



# The Life Settlement Flight Path



# Case Study

## Expiring Term Insurance

The policy owner was going to let his term insurance expire. After being told of the life settlement concept he was able to obtain a cash offer for something he thought was going to expire with no value.



<b>Client</b>	69 year old male
<b>Policy Death Benefit</b>	\$5,000,000
<b>Cash Surrender Value</b>	\$-
<b>Auction Started</b>	\$25,000
<b># of Bids</b>	15
<b>Auction Ended</b>	\$572,000
<b>Value Created</b>	<b>\$572,000</b>



# Case Study

## Life Settlement as a Donation

An alumnus donated his “life” insurance policy to his alma mater. The university was able to sell the policy for cash today and start a scholarship in the donor’s name.



<b>Donor</b>	82 year old male
<b>Policy Death Benefit</b>	\$750,000
<b>Cash Surrender Value</b>	\$134,799
<b>Annual Premium</b>	\$30,000
<b>Sold For</b>	<b>\$450,000</b>

# Case Study

## Large future premiums



<b>Client</b>	87 year old female and 89 year old male
<b>Annual Premium</b>	\$600,000
<b>Policy Death Benefit</b>	\$15,000,000
<b>Cash Surrender Value</b>	\$250,000
<b>Auction Started</b>	\$1,500,000
<b># of Bids</b>	27
<b>Auction Ended</b>	\$9,000,000 Retained Death Benefit
<b>Value Created</b>	<b>\$8,750,000</b>

# Case Study

## Worried about living too long

The family was worried about the life insurance policy expiring at the insured's age 100. To transfer the risk to another owner, they sold the policy for a lump sum of cash today.



<b>Client</b>	93 year old male
<b>Policy Death Benefit</b>	\$17,200,000
<b>Cash Surrender Value</b>	\$2,000,000
<b>Auction Started</b>	\$5,800,000
<b># of Bids</b>	4
<b>Auction Ended</b>	\$5,925,000
<b>Value Created</b>	<b>\$3,925,000</b>



# Case Study

## Policy No Longer Needed

All beneficiaries are deceased.



<b>Client</b>	72 year old female
<b>Policy Death Benefit</b>	\$4,000,000
<b>Cash Surrender Value</b>	\$20,000
<b>Annual Premium</b>	\$72,000
<b>Sold For</b>	<b>657,000</b>

# What to Look For

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## Policy Types

Universal Life (UL), Variable Universal Life (VUL), Convertible Term

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In some cases Whole Life (WL)

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Death Benefits of at least \$250,000

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Issued at Preferred Rates

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In most cases, standard and table rated policies will need a severe health impairment to outweigh the expensive premiums.

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## Insured

Age 65 and older with a health change

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Anyone age 75 and older

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# What is Needed to Determine if a Settlement is Feasible

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## **Inforce Illustration**

May need to be policy specific, but most common: minimum level annual premiums solving for \$1,000 of cash value at maturity.

## **Insured(s) Date of Birth**

## **Any Health Information on the Insured**

# Other Solutions

# Case Study

## Donate Life Insurance



- + \$3.5M Survivorship Universal Life policy that was no longer needed
- + Policy Owner donated policy and all future premiums to his alma mater.
  - » He received a charitable tax deduction for the fair market value of the policy and premium contributions.
- + Donation eventually funded renovations on campus that was named in his honor.



# Case Study

## Improve Policy and Keep



- + \$500K policy issued as a smoker 2019
  - » \$19,100 annual premium
- + Quit smoking in 2020
  - » In 2021 policy improved to non smoker
  - » \$8,961 annual premium

# Case Study

## Use IRA to Fund Life Insurance



- + \$5M in an IRA
- + No need for income
- + Plan to take RMDs and invest to ultimately give to kids

### Strategy

- + Use QCDs to reduce RMDs
- + Take remaining RMDs to fund life insurance
- + Donate remaining IRA balance to charity at death

### Result at Age 95

	Estate Tax	Assets to Charity	After Tax Assets to Family
Baseline	\$4.6M	\$0	\$6.8M
Using QCD and Life Insurance	\$0	\$5.7M	\$8.48M



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