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# What's Your Policy Worth to You?

By Robert S. Harting



Most people don't give their life insurance much thought once it's in place. That's a mistake. Children may have reached adulthood, businesses may have sold and estate plans may have changed. If policies are left alone and not reviewed, it's possible that people are paying high premiums for coverage they no longer need.

Many people let policies lapse or simply cash them in if premiums are too costly or coverage is no longer needed. This is one approach but usually leaves money on the table – or in the pockets of the insurance company. Another option is the life settlement market which could provide greater value than surrender and is becoming a popular method of generating cash for older adults.

## Niche Brokers Focus on the Need

Insurance brokers specializing in and experienced with helping older adults maximize value and generate cash for policies can make the difference between fair value and no value. They know the markets, understand the settlement companies and can simplify the process.

*If a life-settlement company likes its odds of turning a profit, it will buy the policy, paying out more than the policy's cash value – the amount received if the policy were canceled – but less than the face value, or death benefit.*

A broker will help identify the best life settlement company for a particular policy or situation. He or she will prep the policy to go to market. This includes creating a health profile and providing policy analytics to help buyers determine the policy's value. Once a policy goes to market, the broker negotiates on behalf of the seller, often creating competitive bidding between buyers.

Once a policy is sold to a life settlement company, the company continues to pay the premiums. The death benefit of the policy is paid to the life settlement company when the insured dies. For this reason, most prefer that the life expectancy of the insured is less than twelve years.

## Life settlements

are most likely to appeal to those ages



**65 OR OLDER**

with policies in excess of



**\$250,000**

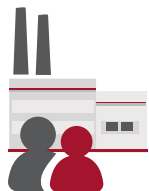
At one time life settlements were used for very large policies. Now, these companies will consider policies with value as little as \$250,000. Direct-to-consumer advertising is used to appeal to those with cash needs, although this approach often results in the seller receiving less than full market value.

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## Our Experience

At Oswald, we work with clients with complex life insurance needs. We understand the intricacies, emotions and value of life insurance. As broker consultants, we take our responsibilities very seriously and are pleased to share two of our recent success stories.



A couple in their early 70s sold a very large business and decided they did not need a large portion of the second to die life insurance that they had purchased for estate planning. They were paying \$340,000 per year for \$24,000,000 of second to die life insurance that had less than \$200,000 of cash surrender value.

### SOLUTION

Rather than cashing in the policies for \$200,000, we shopped these policies in the life settlement market. The buyer allowed the client to retain \$2M of death benefit at no cost to our client, the buyer would be responsible for ongoing premiums. In addition to the \$2M of death benefit, the client received \$500,000 in tax-free cash from the buyer.



A healthy 90-year-old female had received notice from a carrier that the premiums on her \$5.25M life insurance policy were increasing by 30% and that future increases in addition to the 30% were also possible. After the increase, it was determined that if she lived to age 98 she would have paid over \$4.4M in annual premiums to maintain a \$5.25M death benefit.

### SOLUTION

Instead of maintaining the policy, she opted to sell the policy for \$900,000 cash and gift what she was paying in annual premiums directly to her children.

**If it's time to review your life insurance policies to make the most of potential cash payouts and savings, our experts are glad to talk with you. Contact:**

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