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## Most Older Americans Lose Their Life Insurance

The great majority of Americans are completely unaware that more than eight out of ten of the life insurance policies – *currently about 26 trillion dollars in coverage* – now in effect in this country will never pay the death benefit to the beneficiaries of the policy. They will either be canceled by the insurance carrier for non-payment of the premiums or surrendered back to the insurance company for a small amount of money.

This is a terrible shame because very often it doesn't have to happen.

There is a common misconception that the life insurance industry makes its enormous profits by wisely investing the money it collects in premium payments from its policy owners – and they invest so wisely as to make a significant profit after paying death benefits when policies mature upon the death of the insured. This is simply not the case. The life insurance industry's profit comes from its ***lapse rate***, the percentage of policies which are cancelled by the insurance carrier for non-payment of the premiums. All the money the life insurance company has collected from the policy owner since the policy was issued is pure profit because the cancelled policy never pays a death benefit to their original beneficiaries.

Every day untold billions of dollars in life insurance coverage expire because the policy owners are no longer able or willing to pay the premiums on their policies, which are then cancelled by the carrier. Most life insurance policy owners are unaware of other options, such as conversions and in the case of many older Americans, the life settlement option.

A life settlement is the sale of a life insurance policy to a third-party investor, usually an institution. The seller receives a cash payment for the policy and is relieved of the burden of the premium payments. The investor/purchaser becomes the new owner of the policy and assumes the responsibility for the premium payments until the policy matures. The investor then collects the death benefit of the policy upon the death of the insured.

According to a recent Government Accounting Office report (July 2010), selling off a life insurance policy to a reputable senior life settlement company brings a policy owner profits that range from **TWO TO TEN** times as much as simply surrendering their policy back to the insurance company. Each case will, of course, depend on its own unique circumstances.

Most Americans are entirely unaware of the life settlement option because they make the error of discussing their life insurance needs only with a life insurance agent. This is a big mistake. Many life insurance agents fail to let their clients know about options since they are under pressure from the insurance companies they represent to refrain from helping clients with certain kinds of advice, especially life settlements.

People should talk about their own personal financial capabilities and unique insurance needs with a qualified **independent** wealth/retirement/estate planning professional who is familiar with life insurance settlements and whose **only** concern is for their clients' best interest.

A study by the ***Insurance Studies Institute*** in February 2010 determined that only one in ten Americans utilizes the services of a qualified financial professional.

## **LIFE SETTLEMENT**

The purchase price of a life settlement for an investor is determined by carefully considering the policy insured's assumed life expectancy along with the cost of premiums to keep the policy in force within its term. Thus, a life settlement will allow many insured persons to turn a relatively untouchable asset into something immediately liquid and useable.

**THERE IS NEVER ANY COST OR OBLIGATION TO APPLY FOR A LIFE SETTLEMENT WITH A REPUTABLE LIFE SETTLEMENT BROKER.**

Life settlements are also increasingly recognized, regulated and monitored by state laws, but many policy holders are still unfamiliar with the procedure and benefits. Established industry leaders are now emphasizing the need for life settlement education for financial professionals so that the benefits can be accurately presented to all those who might be interested and eligible.

A very fair and reasonable question is:

***“WHY HAVEN'T LIFE INSURANCE POLICY OWNERS  
KNOWN ABOUT LIFE SETTLEMENTS BEFORE?”***

The answer is that the life insurance industry generally has opposed disclosures to the public of the options which can prevent lapsed or surrendered policies it sees themselves as losing control. Most life insurers don't want the American public to know of options which they can use to their own advantage.

In 2002 a well-known life insurance company issued a directive to all its agents informing them that if they participated in or facilitated a sale of one of their policies to a third party they would be terminated by that company.

In August 2010 a large life settlement company filed a lawsuit against a life insurance company in New York for its persistent attempts to prevent its policy owners from selling their policies to life settlement investors. Other litigation will certainly follow.

Six states have recently enacted legislation requiring life insurance companies to inform their policy owners that they have right to sell their policies and more than thirty have guaranteed the right to sell a policy that an owner has held for two-years. More states will certainly follow this pattern, though another ten states which have been heavily lobbied by the insurance industry have placed various constraints on policy sales by the owners if the policies have not been in effect for at least four or five years.

The very simple reason that most Americans are completely unaware that they can sell their life insurance policy to a third party is that there have been an increasingly concerted and concentrated effort by the life insurance companies to keep this important alternative unknown to consumers. Insurers believe that their industry is harmed by the life settlement option for its policy owners.

A recent report from the Insurance Studies Institute (ISI) verifies that the life insurance industry, the Life Insurance Secondary Market (LISM), attorneys, financial advisors and the media have done a wholly inadequate job of informing the public of the life settlement option.

When the public finally does begin to catch onto life settlements, then a lot of money will be back in the hands of people who had been saving it for a long time.

# Life Settlement Criteria

## People

- the insured person is 65 years or older.
- the face amount of the policy is a minimum of \$10,000.
- the policy has been active for at least two years.
- the policy has a low cash surrender value.
- the premiums are less than 8% of the death benefit of the policy per annum.

## Policies

- Universal, Whole or Variable Life
- Term (*if convertible*)
- Survivorship (*any type*)
- Adjustable Life
- Joint First to Die