

Term Conversion Life Settlement

ACTUAL CASE EXAMPLE



Business Receives \$161,250 Cash Settlement from Selling Key Man Insurance Policy

This case involved a \$1.5 million term policy which was purchased 19 years ago on a 60-year-old owner/employee. The original purpose for the key man policy was to provide the business with the necessary cash flow in order to buy back company stock in the event of the employee's death.

Four years ago when the insured reached the age of 75 and the term policy was nearing expiration, the company's insurance agent facilitated the conversion of the key man term policy to a universal life policy.

Now that the insured is 79 years old and fully retired, the company decided it no longer had the need to continue the life insurance policy on him.

Asset Life Settlements brokered the transaction in the secondary market and obtained a life settlement in the amount of \$161,250. The business was glad that their insurance agent had recommended the conversion of the term policy and was thrilled to receive the cash windfall for a policy they were about to let lapse.

Key Take Aways:

Term insurance is often purchased for income protection for a limited duration. When the term period is about to expire, the policy is often allowed to lapse. Some of the most common purchasers of term insurance include business owners who use term insurance for involving company debt or to fund key man policies.

The proceeds from a life settlement can be used to pay off company loans, free up funds for capital investment, or create a severance package for a departing key person. For policy owners who want to maintain a certain amount of coverage, advise them of the option to keep some coverage and sell the balance.

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