



# **iWise Insurance White Paper: *A Life Settlement Options Market Primer***

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## **Introduction**

For too long, the concept of investing has been narrowly defined by the stock market. Even so-called alternative investments—such as REITs and commodities-based funds—remain tied to traditional financial systems and subject to market volatility. However, life settlements present a compelling yet often overlooked opportunity for both policyholders and investors. By facilitating the sale of life insurance policies, policyholders can unlock liquidity from an otherwise dormant asset, while investors gain access to a unique asset class with the potential for consistent, non-correlated returns. At iWise, we specialize in connecting accredited and qualified investors to this underutilized market, helping them diversify their portfolios with a strategy designed for stability and long-term growth.

**The iWise Strategic Wealth System** integrates life settlement portfolio investments as part of a holistic private banking approach, empowering high-net-worth individuals and institutional investors to maximize their financial potential. This white paper provides a comprehensive overview of the life settlement industry, including its history, key players, regulatory landscape, and financial impact.

## **Understanding Life Settlements**

A **life settlement** occurs when a policyholder sells their life insurance policy to a third party for more than the cash surrender value but less than the full death benefit. This option provides a **powerful liquidity alternative** for individuals who no longer need, want, or can afford their policies. Many use the cash they receive to help pay for end of life and long-term care costs.

*\*The products described are intended for accredited or qualified investors who have the financial means, experience, and knowledge to make investments into complex and illiquid financial products. This information is intended for educational purposes only and should not be construed as investment or financial advice.*

Example: Lucille is 85 years old. She owns a \$1,000,000 life insurance policy. She has unfortunately developed chronic health problems and now needs nursing care that she can't afford. Lucille decides to sell her life insurance policy, instead of continuing to pay for it or letting the policy lapse. She will then use the cash to pay for her long-term care costs and gain higher value for her policy than if she surrendered it or let it lapse.

## Key Participants in a Life Settlement Transaction

- **Policyholder:** The individual selling their life insurance policy.
- **Life Settlement Broker:** Facilitates the transaction between policyholders and buyers.
- **Life Settlement Provider:** Purchases policies on behalf of investment funds or institutions. ([iWise Insurance partners](#))
- **Investors:** Accredited or Qualified investors seeking alternative asset exposure.
- **Life Expectancy Underwriters:** Actuarial firms assessing policyholder longevity.

Unlike traditional life insurance structures where policies lapse or are surrendered to carriers, the life settlement market provides greater economic efficiency by transferring policies to capital market participants.

## Historical and Legal Background

The legitimacy of life settlements stems from the [1911 U.S. Supreme Court ruling in Grigsby v. Russell](#), which affirmed that a life insurance policy is personal property—allowing policyholders to sell them like any other asset.

Over the years, the industry has evolved, with increasing regulatory oversight and consumer protections ensuring ethical transactions. Today, the life settlement market is [highly structured and governed by regulatory bodies in over 90% of U.S. states](#), reinforcing its legitimacy.

## Regulatory and Consumer Protection Landscape

The [life settlement industry is one of the most regulated financial sectors in the U.S.](#) with 45+ states overseeing transactions, covering over 90% of the population. Specifically, California has emerged as a leader in life settlement investment regulation, thanks to Senate Bill 1837, enacted in 2000. This bill provides a clear legal structure governing how life settlements are offered, who is permitted to invest, and what disclosures are required. Specifically, Section 25102(q) of the California Department of Business Oversight outlines the qualifications and investor protections required to participate in life

settlement offerings. This clarity ensures investors are operating in a transparent and legally compliant environment, reducing uncertainty and safeguarding interests.

Institutional confidence in life settlements is further underscored by the active participation of major financial entities, including Warren Buffett's Berkshire Hathaway, Vanguard, and Global Fortune 100 banks, which hold substantial life settlement portfolios. This involvement highlights [the asset class's credibility and the robustness of its regulatory and consumer protection framework](#). The body of regulations surrounding this asset class, mandate comprehensive consumer disclosures, licensing requirements, and anti-fraud measures to ensure transparency and ethical market practices. The substantial engagement of prominent financial institutions reflects rigorous due diligence and reinforces life settlements as a viable, well-regulated alternative investment for institutional portfolios

### Key regulatory developments include:

- **NAIC Model Regulation:** The National Association of Insurance Commissioners (NAIC) provides a structured framework for consumer protections, ensuring transparent disclosures and fair transactions.
- **SEC and FINRA Oversight:** Institutional life settlement funds adhere to investment regulations that protect investors.
- **Consumer Protection Laws:** Most states [prohibit life settlement transactions within the first 2 years](#) of a policy's issuance, preventing speculative trading and unethical practices.

Due to these safeguards, there have been virtually no consumer complaints against licensed life settlement companies since 2012.

### Market Opportunity: Why Policyholders Sell Policies

Life insurance policies are often [underutilized financial assets](#). Policyholders may choose to sell their policies for various reasons:

1. **Premium Costs Become Unaffordable** – Rising premiums may create financial strain.
2. **Policy Is No Longer Needed** – Estate planning, business succession, or changing family needs.

3. **Access to Liquidity** – Immediate financial needs, including retirement funding or healthcare.
4. **Better Investment Opportunities** – Policyholders may redirect funds to more profitable assets.

On average, [policyholders receive 4-7 times more from a life settlement than from surrendering their policy to an insurer](#). Yet over \$725 billion in life insurance face value is lapsed or surrendered annually, representing an enormous lost opportunity for policyholders and investors alike. In the end, the Life Settlement market provides positive benefits for the Insured, iWise, and our Accredited or Qualified investors.

## **Investor Perspective: The Case for Life Settlements**

### **Attractive Financial Characteristics**

Life settlements provide [a unique asset class with strong, uncorrelated returns](#)—an essential feature for diversified portfolios. Institutional investors are continually seeking asset classes that offer stability, yield enhancement, and portfolio diversification, particularly in an era of heightened market volatility and historically low interest rates. Life settlements present a compelling opportunity due to their non-correlated, actuarial-driven return profile. Unlike traditional equities and fixed-income investments, which are subject to economic cycles and market fluctuations, life settlements derive their value from actuarial longevity projections. This unique characteristic makes them an effective hedge against macroeconomic instability, providing predictable returns independent of broader market conditions.

In addition to their stability, life settlements offer attractive yield enhancement in a low-interest-rate environment. With institutional investors facing diminishing returns from conventional fixed-income instruments, [life settlements provide an alternative that typically targets annualized returns of 8-12%](#). This competitive yield, combined with structured premium payments and defined payout maturities, creates a reliable and actuarially sound cash flow model. As a result, life settlements serve as an effective diversification tool, enabling investors to fortify their portfolios against economic uncertainty while enhancing long-term return potential.

1. **Non-Correlation to ANY Market Volatility-** Unlike stocks, bonds, or real estate, life settlement investments [are unaffected by interest rates, inflation, or economic cycles](#). Returns are driven primarily by actuarial data, rather than market fluctuations.

2. **Predictable Cash Flow Potential-** Once purchased, returns are realized upon the insured's passing. By carefully managing longevity risk, we only utilize properly constructed portfolios with [strong actuarial predictability](#).
3. **Institutional Demand and Growth-** Life settlements have grown into a mature investment sector, with [large-scale participation from pension funds, hedge funds, and private equity firms](#). Investment volume has increased steadily, reinforcing the long-term viability of the asset class.

## Key Risks and Mitigation Strategies

While life settlements offer significant potential, investors and policyholders should carefully assess risks before engaging in transactions.

1. **Longevity Risk-** If insured individuals live longer than expected, investors must continue paying premiums for extended periods, affecting return timing.

### iWise Mitigation Strategy

- Each portfolio of Life Settlement Policies has a [fully funded premium reserve account](#) to ensure all premiums due are paid thru the updated Life Expectancy date.
- Using [conservative life expectancy estimates](#) reduces exposure to unexpected longevity trends.
- Ability to leverage [investments across multiple Life Settlement Portfolios](#) creating further Longevity Risk mitigation.

2. **Legal and Contestability Risks-** Disputes over policy ownership or contestability periods may delay payments.

### iWise Mitigation Strategy

- **ONLY** acquiring policies that have [exceeded the contestability period](#) (typically 2 years).
- [Policy Ownership 100% transferred to the Life Settlement Portfolios](#) with legal change of required beneficiary and policy owner executed.
- Engaging experienced legal teams to manage compliance.

**3. Liquidity and Capital Management-** Life settlement portfolios require [ongoing premium payments](#), necessitating careful cash flow planning.

#### **iWise Mitigation Strategy**

- Well-funded premium reserves ensure policies remain in force.
- Policies selected MUST match our stringent criteria based on 30 years of data.
- Investing through [structured funds](#) provides professional management and oversight.

### **Conclusion: A Transformative Opportunity in Alternative Investments**

Leveraging the Life Settlement Asset, presents a powerful yet often overlooked investment opportunity, offering policyholders liquidity and investors access to a stable, non-correlated asset class. As traditional markets continue to experience volatility, [high-net-worth individuals and institutional investors are increasingly seeking alternative strategies that provide both security and predictable returns](#). Life settlement options meet this need by leveraging actuarial science and structured portfolio management to create a compelling, risk-mitigated investment option.

At iWise Insurance, we integrate life settlements within the **iWise Strategic Wealth System**, allowing investors to capitalize on this asset class while ensuring ethical, transparent transactions for policyholders. With rigorous regulatory oversight, growing institutional adoption, and increasing market demand, life settlements have evolved into a well-established investment sector that delivers financial efficiency for all participants.

As the financial landscape continues to shift, those who embrace innovative, non-market-correlated investment opportunities will be best positioned for sustained success. Whether you are an investor seeking portfolio diversification or a policyholder exploring options to unlock liquidity, life settlements provide a strategic advantage. iWise Insurance is committed to guiding our clients through this market with expertise, integrity, and a commitment to long-term financial growth.

For more information on how life settlements fit into your financial strategy, contact iWise Insurance today. Let's redefine what's possible in wealth preservation and legacy planning.

Contact **iWise Insurance** at **844-464-9473** or visit [iWiseIns.com](http://iWiseIns.com)

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*\*Life settlements offered through iWise Insurance Services, LLC, are only available to accredited or qualified investors. Each investor must have a net worth that exceeds \$150,000 excluding the fair market value of their home, furnishings, and automobile, and meet other financial and eligibility requirements. iWise Insurance Services, LLC doesn't give investment, financial, or tax advice. Investors must consult their own legal, financial, and tax advisors to determine if iWise Insurance Services, LLC's offerings are appropriate for their individual investing goals. Life settlements, as with any other investment, involve a degree of risk and are intended for sale to investors capable of assuming the risks involved with this product. The information provided here is for marketing purposes only. Refer to the investment documents for a complete understanding of the benefits and risks involved prior to investing.*