



DIRECT LIFE SETTLEMENT BUYERS VS. WELCOME FUNDS – ADVISOR BEWARE!

Background

Welcome Funds has the privilege of working with numerous financial advisors and wealth managers – and have done so for two decades – some who exclusively focus on servicing high net worth clients. One such advisor who is active in the life settlement market — and already understands the value he can create for his clients — had historically negotiated directly himself with two or three leading buyers of life insurance policies. He thought that simply engaging with more than one buyer was enough of a market channel check to provide a good barometer of the life insurance policy's value.

Each time we engaged this advisor in conversation about the benefit of working with a licensed life settlement broker, he confidently stated that all life settlement providers are essentially the same and that there is ample, inherent competition in the market to ensure fair life settlement offers for his clients' policies. After a few years of ongoing discussions with our Welcome Funds team, he finally agreed to give us an opportunity to show him what we could do and he shared two cases with us that he had already taken directly to buyers.

Case #1: The 5x Deal

The first case involved a policy owned by a 78 year-old female who had only minor health problems. The death

benefit on the policy was \$10 million. The advisor had obtained two life expectancy reports from potential buyers and the highest offer he negotiated on his own was \$110,000.

Welcome Funds immediately went to work on the case by applying our proprietary data analytics software to the policy details. Based on the information we obtained, we ordered two additional life expectancy evaluations from underwriting firms that were a more appropriate fit for evaluating the age and health impairments of the insured. As we suspected, this resulted in a lower average life expectancy opinion, which in turn increased the market value of the policy.

Our next strategic move was to approach multiple potential buyers who had not seen the case previously, increasing the competition for the policy. We were able to conduct an auction that produced 17 bids — with the final winning offer of \$600,000 for the policy, **a stunning 5x increase over the top offer the advisor had negotiated on his own.**

Not only did the client receive hundreds of thousands of dollars more with the life settlement negotiated by Welcome Funds, but the advisor also earned a higher commission on the transaction than he would have received working alone.

Case #2: Pre-Market Pricing Tells the Truth

The second case involved a 77 year-old male in excellent health who owned a policy with a \$3 million death benefit. The advisor had approached two major life settlement buyers with the case and allowed them to order the life expectancy reports to be used to determine the approximate market value of the policy. After negotiating directly with these buyers, the highest offer he secured was \$300,000.

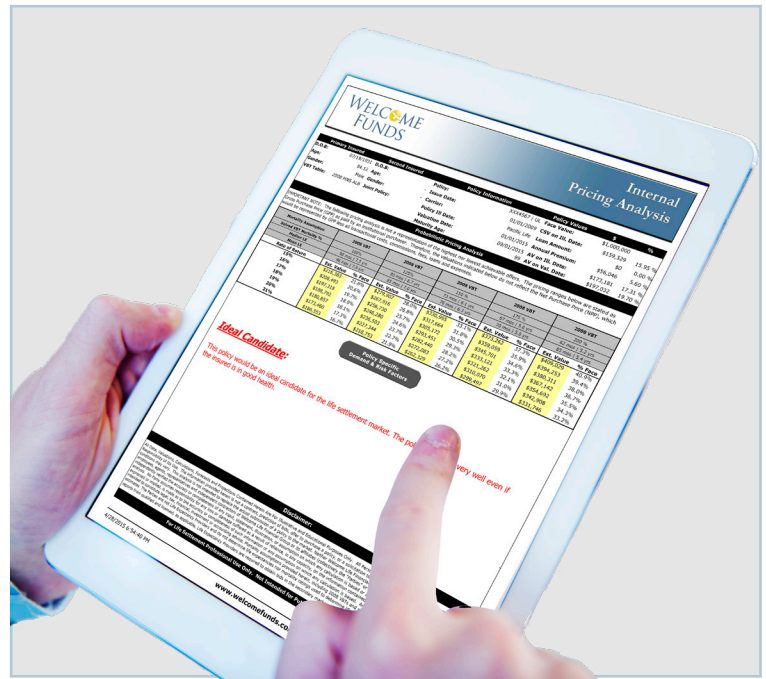
As soon as the case was assigned to Welcome Funds, we inputted the case parameters into “PriceFirst®,” an innovative pre-market pricing model that is proprietary to our firm. Price-First pre-qualifies life insurance policies before taking them to the secondary market, allowing us to predict ranges of value it is likely to have with potential buyers based on different criteria.

Next, we ordered two additional life expectancy opinions from independent firms in the industry. Armed with these new reports and the data from our pre-market pricing evaluation, we identified a realistic price range for the policy given present-day market conditions. Our conclusion was that the existing offers the advisor had obtained were low, not competitive and inconsistent with our analytics.

Finally, we conducted a formal auction for the policy by soliciting offers from qualified life settlement providers, who had not been approached previously by the advisor. The auction produced 11 bids, with a final winning offer of \$440,000, nearly **50%** higher than the offer the advisor had negotiated on his own. The client realized more than \$100,000 above what he would have received from the buyer directly and the advisor secured a larger commission as well.

Conclusion

The case studies above illustrate an important lesson when working with clients who own large life insurance policies they no longer need or can afford - it is simply not enough to go directly to the same two or three life settlement providers known for years and assume the client will receive a fair offer for his asset. The only way to ensure that the client obtains the best price available for his policy is to work with an experienced life settlement broker, like Welcome Funds, to obtain an independent pre-market pricing analysis and to conduct an open auction for the policy.



Disclaimer: Services may not be available in all states. The above case study is taken from the internal files of Welcome Funds. Case studies are provided for informational and educational purposes only. Results may vary. Qualification is based on age, health, and future premium costs, and not all policies will qualify for an offer. The client's name has been changed to protect his privacy. The following summary represents the transactional averages of Welcome Funds Inc. for policies closed between 1/1/2024 to 6/30/2024: \$1,597,955 face value, \$285,477 net amount paid to seller; 20.01% of net death benefit paid to seller; 9 bids negotiated per closed policy; and insured age of 75.97. 21 licensed Life Settlement Providers were included in our auction process and closings were completed with 12 licensed Life Settlement Providers. \$1 Billion paid to our clients and 36,000 offers negotiated are based on actual settlements negotiated by Welcome Funds Inc. since its inception.



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ABOUT WELCOME FUNDS

Partner with Welcome Funds and access our Life Settlement Platform for BGA's.

Over the past 24 years, we have served in the best interest of policy owners by maximizing life settlement offers through auction based negotiations. When buyers compete, policy owners win!

36,000+ Offers Negotiated **\$1+ Billion** Paid to Consumers **9+** Average # of Bids Per Policy



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