

Survival Risk Insurance

Concept

- Provider agrees to pay **Survival Risk Benefit** at the end of a **Specified Period** if the insured survives such period.
- Provider will not pay any benefit if the insured fails to survive during the **Specified Period**.
- Provider will wait to receive the **death benefit** upon death of those who survived the **Specified Period**.
- Provider receives **premium(s)** from the recipient irrespective to whether insured survives or not.

SRI Premium

- Simplified concept may be thought in terms of an equation as follows: Single SRI Premium plus PV of expected death benefits after the Specified Period is equal to PV of SRI Benefit payable at the end of Specified Period. Then solve for the premium.
- SRI Benefit may be equal to Death Benefit.
- SRI premium may reflect the ongoing life insurance premiums, if any, payable to life insurance company in order to maintain the policy of a survivor after the Specified Period.

Some of the Variations

- SRI Provider may collect premiums in one year or over a period of time.
- SRI Benefit may be a smaller percentage of Death Benefit in order to reduce cost.
- SRI Provider may simply agree to pay a schedule of benefits in lieu of a single benefit payment and collect the death benefit upon death.

Applications

- COLI/BOLI
- Life Settlement policies
- Counter to Life Settlement Market

COLI/BOLI

- Create a PPVUL
- A corporation purchases PPVUL policies on key employees
- Separate Account purchases SRI on all insureds
- Partial mortality based expected death benefits may be guaranteed by the SRI provider.

Life Settlement

- Investors who purchase life settlement policies
- Specified Period may be LE(50%) or LE(85%) or LE+1 or LE+2, LE-2,.....
- Lower investment return may be guaranteed to the investors
- Insurers who may capitalize on life settlement market
- Hedge mortality risk against survival risk
- Offer SRI rider as an option so that policy owner does not need to sell the policy

Market of SRI

- Life Settlement market continues to grow
- COLI/BOLI clients continue to complain about mortality charges being excessively higher than the actual death claims during the early years
- SRI premiums are generally one time charge of 2% to 5% of face amounts



History

- Initial thinking and reasons for seeking patent.
- Surprisingly low SRI premium.
- Mortality rates used for pricing SRI premium versus mortality rates used by the recipient of SRI Benefit.
- Underwriting arbitrage.

– Prepared by: Kiri Parankirinathan