

# Robin & Peter on LIFE SETTLEMENTS



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## The State of the Market: Supply and Demand

To borrow from Mark Twain, reports of the death of the life settlement market have been greatly exaggerated. But, undoubtedly, some truly significant changes have occurred. Less than a year ago, there was more money than policies available for settlement. Today the opposite is true. In almost the blink of an eye, we've gone from a seller's market to a buyer's market.

Life settlements have been touted to investors as a pure mortality play, a non-correlated asset class that is not subject to the vagaries of the stock and bond markets. What we have learned, in this period of extreme economic turmoil, is that life settlements are not totally insulated from the economic environment. Capital of any kind has become much more scarce and, naturally, fewer dollars are available to invest in life settlements.

Additionally, standing behind the death benefit of any policy is the insurance company's claims paying ability. Investors have nervously watched as company after company has been downgraded by the ratings agencies. Others view the declines in stock and real estate prices as buying opportunities in those asset classes, which diverts some capital away from life settlements.

Nevertheless, while life settlements may no longer be perceived as bullet-proof, **considerable capital does keep flowing and we continue to close deals.** But like their home, stocks, or other assets held by your clients that have likely fallen in value, so too has the resale value of their life insurance. Yet, **if your client no longer has a need for coverage or cannot afford to pay the premiums, a life settlement still offers the opportunity to get significantly more than the cash surrender value.**

The supply side of the economic equation has also changed. We are seeing more policies than ever that are no longer wanted by clients because their financial situation is not what it once was. An estate that shrinks substantially will have a lower estate tax liability, reducing the need for life insurance bought to cover those taxes. A nest egg, that was providing retirement income and paying for life insurance premiums, is now throwing off much less income. Producers, in helping their clients adjust to their new economic reality, are bringing us policies in unprecedented numbers.

**Life settlements continue to thrive as a way to help clients maximize the value of their unwanted life insurance policies.** Although the market value of those policies is considerably less than just six months ago, we continue to obtain the highest possible value for

your clients' policies under today's economic conditions.

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