

Robin & Peter on LIFE SETTLEMENTS



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The Life Settlement Market Grew Significantly in 2018, But Did YOU Participate in the Growth?

The Deal, a business intelligence and news service, recently wrote in their publication, *The Life Settlement Report*, that the life settlement industry saw substantial growth 2018. Their research showed a 28% increase in policies sold, to 2,587 last year from 2,027 and an even larger 35% increase in volume by face amount of about \$1 billion to \$3.8 billion. Their data was mainly based on reviewing information from state insurance departments through public records requests.

The growth can be attributed to a variety of factors. There is a continuing increase in the number of potential life settlement policies as the oldest baby-boomers are reaching age 73, bringing them closer to the sweet spot for life settlements. Investor rate of return expectations may have softened slightly, which makes more policies eligible for life settlement offers. Finally, there appears to be some increase in awareness of the life settlement option through consumer-direct advertising.

Their review of where the additional life settlement business is going reveals that all segments of the industry, however, are not sharing equally in the growth. It appears that most of the increase in volume is going to the consumer-direct segment of the market, life settlement providers who are buying policies on behalf of their investors directly from policyholders. Financial advisors are, for the most part, missing out on the industry's growth because, apparently, they are not adequately serving their clients' life settlement needs and, as a result, clients are increasingly going direct to life settlement buyers.

The growth of the life settlement industry is, overall, a positive trend for consumers, giving them an alternative to accepting an insurance company's cash surrender value, if any, when they lapse or surrender a policy. However, the swing toward consumer-direct transactions is unfortunate. This trend is likely a lose/lose proposition for both the consumer and producer.

Life settlement offers are usually maximized only when competitive bidding for policies takes place. That is often not the case when the consumer goes direct and gets, perhaps, as few as only one quote. Remember, a provider's job is to buy the policy for as little as possible and the broker's job is to sell it for as much as possible, which puts them on opposite sides of the table! Producers, typically, can generate better offers by seeking competitive bids through brokers and be fairly compensated for their efforts.

Furthermore, financial advisors can help their clients make the right decision with respect to selling or keeping their life insurance policy, something which consumer-direct buyers typically have neither the duty, the ability, nor the desire to do. They serve the best interest of their investors, not the policy owners. Brokers and producers, on the other hand, generally have a fiduciary duty to the policy owner with respect to life settlement transactions.

Sadly, the growth in consumer-direct sales is clear evidence that life insurance advisors are not doing a good job of informing their clients about life settlements. While, undoubtedly, some consumer-direct clients are hard core do-it-yourselfers, many don't know anything about life settlements until they see an advertisement. Their first encounter with the topic should have come from their life insurance advisor, not a TV ad.

In your marketing and servicing activities, make sure your clients know that life settlements exist and that you can help them with the transaction. If you are not making your clients aware of the life settlement option and your ability to guide them through the decision-making process, both you and your clients may miss out on maximizing the value of their life insurance should they go direct to buyers.

Life settlements are an alternative to lapse or surrender. It's incumbent upon you to be sure that if your client does decide to settle their policy that they get nothing less than full value for it. As situations come up, be sure to give us a call and we will both guide you through the life settlement process and pursue the best possible offer for your client.

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