

Robin & Peter on LIFE SETTLEMENTS



Issue No. 105, October 24, 2019

Time is Running Out on 20-Year Term!

Some twenty years ago, in the fall of 1999, there was a large upswing in the sale of term life insurance policies due to regulatory changes. These changes required insurance companies to re-price their policies, which in most cases meant to higher rates for 2000 and beyond. This created a “fire sale” to get policies issued before the rate increases went into effect.

One of the most commonly sold policies, at the time, was 20-year term. These policies are on the verge of expiring, which means much higher premiums going forward. Some of these policies are still convertible (provisions vary by company) and policy owners who want or need to keep their insurance must convert soon or that option will be gone forever.

Some policyholders may want to convert some of the coverage, but will lapse the rest. Many policy owners, however, will not want to keep these policies at all due to the higher rates and/or changes in their insurance needs. For policy owners who are lapsing all or a portion of their policy, a life settlement could be found money! Please keep in mind that key ingredients for a term life settlement are an insured age 65 or older and convertibility to Universal Life.

The time to act is now! Life settlement transactions usually take a few months to complete. Policy owners with expiring 20-year term that was bought in the fall of 1999 may have already missed their life settlement opportunity. Those that remain eligible must start the process immediately, so that the transaction can be completed prior to the expiration of the conversion privilege.

One thing you should not do: do not ask a policy holder to convert now to preserve their ability to do a life settlement. Hoping or assuming that a life settlement offer is somewhere down the road is not sound advice as many policies do not qualify for life settlement offers. If they have an ongoing need for insurance, you should consider conversion as a possibility, but **do not ask them to speculate on a future life settlement.**

While reviewing your book of business, don't focus exclusively on expiring 20-year term, but right now, do give these policies your priority. Any time you have a senior client with expiring convertible term or a term policy nearing the end of its conversion period, they could be a prospect for a life settlement.

We can help you determine, relatively quickly, whether a life settlement may be possible if you provide us with the following:

- A conversion illustration to a current assumption universal life policy showing paying the minimum level premium, to age 100, at current rates, so that there is \$1 of cash surrender value at age 100.
- Basic medical information (known conditions, list of current medications that the client takes and information about any hospitalizations and why, within the last 5 years).

These two things will allow us to make a rapid initial assessment as to whether your client is a prospect for a life settlement. Generally, some decline in health since the policy was issued will be necessary.

If you have senior clients with expiring term of any duration that is going to be lapsed (or partially converted), be sure to give us a call. Any money that we can create with a life settlement will be most welcome. As we always say, it can't hurt to try – it can only hurt not to!

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