

Robin & Peter on LIFE SETTLEMENTS



Issue No. 107, January 9, 2020

Can You Do a Life Settlement on a Healthy Insured?

Until recently, it was almost impossible to get a life settlement offer unless the insured had some health issues which reduced their life expectancy. However, there is a fund that has developed a proprietary strategy that has made it possible to get life settlement offers on some healthy insureds that meet certain criteria.

The parameters:

- Minimum Age: Males 73, Females 75 (best chance 80-90 years old)
- Health: Good health with no mental impairments
- Policy Age: 5+ years, occasionally less, but at least 2
- Face Amount: \$250,000 to \$20,000,000
- Policy Type: Almost any form of universal life
- Policy Pricing (level premium illustration to age 105 required): Age 80-85, premium under 4% of face; Age 86-90, premium under 6% of face

How do they do it? While they haven't shared all the details of their proprietary strategy, we know that it requires a favorably-priced policy and no medical records or life expectancy evaluations. The combination of a well-priced policy and reduced acquisition costs allow them to make offers on policies that others can't. And because of their simplified underwriting process, offers can usually be made within a few days.

Some recent case examples:

- An 86-year-old female in good health with \$600,000 universal life policy felt she could no longer afford the premiums. An in-force ledger to age 105 showed

a level premium to death benefit ratio of about 6%. While typical funders had no interest, she received \$130,000 for her policy.

· A \$3.5 million guaranteed U.L. policy on an 80-year-old male in good health had been purchased for estate planning purposes. Estate tax law changes made the policy unnecessary. The premium to face ratio was 3.6% and the net amount paid to the client was \$510,000.

All hope is not lost for a life settlement on a healthy client, even if they have already been rejected by traditional funders. If you have a client with a policy that is no longer wanted, needed or affordable and they fit these parameters, be sure to give us a call. Remember, it can't hurt to try, it can only hurt not to!

Contact us:

Robin S. Weinberger, CLU, ChFC, CLTC
(617) 451-3343

Peter N. Katz, JD, CLU, ChFC, RICP®
(860) 937-2936

Ria J. Johnson, CFP®
(619) 920-4000

John McGinty
(954) 740-2600

Share us on social media:



© 2020 Peter N. Katz. All rights reserved.