

Robin & Peter on LIFE SETTLEMENTS



Issue No. 110, June 18, 2020

Life Settlement Cases with Interesting Outcomes

Life settlements should be viewed as an alternative to lapse or surrender, not as an alternative to keeping the coverage. Once your clients understand this, it opens up the possibility to do one more good thing for them before their policy is terminated. Frequently, this infusion of cash makes a meaningful difference to the policy owner at a critical time in their life. Here are several cases that illustrate why you should pay attention to this option for your clients.

- Male, 91, with a \$982,136 John Hancock Guaranteed UL policy and a life expectancy of 65 months. On 8/29/2019, the initial offer was \$325,000. It was bid up several times (three funds were interested) and on 10/25/19, the final offer received was \$414,000. On 10/29/19, the client declined the offer and decided to keep the policy as he wanted a higher amount (\$10,000 more!). On 1/6/2020 we got a call from the broker that the client changed his mind and wanted to accept the offer. We went back to the fund with the highest offer and, unfortunately, we were told that the offer was no longer available. We then went back to all the funds and this time, the best offer that we could get was \$350,000. On 1/23/20, the client again declined the offer and decided to keep the policy. What makes this case interesting to note is that timing is everything! Funds available for investment don't remain idle and move on to other policies.

- Male, 67, with a \$2,000,000 Transamerica term policy and a life expectancy of 196 months. The policy owner received \$31,147. What makes this case interesting is that although \$31,147 is only 1.5% of the face amount, the client was thrilled to get the cash as opposed to lapsing the policy and getting zero!

- Male, 77, in great health with a \$1,000,000 John Hancock GUL policy. Seller received \$106,783. What makes this case interesting is that we were able to get an offer just based on the guaranteed premiums to age 105. Because he was in such good

health, medical records weren't needed! Guaranteed UL and Guaranteed Survivorship UL contracts on healthy people in their mid 70's and up can have surprising value in the life settlement market.

- Female, 91, with a \$2,000,000 Jackson National UL policy and a life expectancy of 38 months. The insured had already tried to sell this policy about a year and a half prior. At that time, her life expectancy was 77 months and the highest offer was \$250,000. The family decided to keep the coverage and try to continue paying the premiums. But a year and a half later, the family determined that, although their mother's health had deteriorated, they could no longer afford the premium payments and they needed money for their mother's care, back bills, etc. This time the highest offer was \$795,000. What makes this case interesting is that, in the interim, the insured's health had gotten much worse and, although it seemed to make even more sense to hold on to the coverage, it was simply unaffordable. The money was a huge source of relief to the family.

Want to uncover Life Settlement prospects? We have sample letters available for you to send, as appropriate, to both clients and advisors, along with new marketing pieces.

It's important to stay knowledgeable about your clients' situations and make sure that they are aware of the life settlement option. You don't want to be on the receiving end of the all too frequent phone call, "My policy lapsed – is it too late to look into a life settlement?" As opportunities come up, be sure to let us know.

As we always say, "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

Robin and Peter | 220 Boylston Street, #1204, Boston, MA 02116

© 2020 Peter N. Katz. All rights reserved.

