

# Robin & Peter on LIFE SETTLEMENTS



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## Life Settlement Prospecting: Focus on Potential Lapses

The American Council of Life Insurers (ACLI) reported that in 2018:

- Nearly 8 million policies lapsed without value.
- Another 1.5 million policies were surrendered.

***Alarmingly, only about 3,000 policies were sold in life settlements!*** Furthermore, the percentage of seniors lapsing or surrendering policies is likely higher than the general population because their needs and incomes change as they head into retirement.

Why are so many life settlement opportunities being missed? Unfortunately, much of the blame falls upon producers.

Some producers don't stay in contact with their clients after a policy is sold to know if a policy is about to lapse until it is too late to do anything about it, and some producers fail to share with their clients and centers of influence that the life settlement market even exists.

All too many producers focus their life settlement prospecting activities on the wrong thing. A life settlement is an alternative to lapse or surrender – not to keeping a policy. Yet, many of those who discuss life settlements with their clients present it as a way to make a “killing” on the sale of their life policy. But that cannot happen! The rate of return that life settlement investors require is such that their offers cannot be large enough to make it a better deal to sell a policy than to keep it. ***When a client says, “I’ll sell my policy if I get a good enough offer, otherwise I’ll keep it,” producers think they have a prospect, but they don’t.***

To unearth actual candidates, life settlement prospecting activities should be focused on policies that are about to lapse. As you can see from the numbers above, there are millions of prospects out there! Here are several ways to find them:

- Make sure your senior clients are aware that life settlements exist. That way, if your client is about to lapse a policy, they will call you to make sure they are maximizing its value.
- Keep track of when the conversion periods end on your clients' term policies. The end of the conversion period usually means the policy is at or nearing the end of the guaranteed level premium period and, consequently, a significant rise in premium is about to occur resulting in an increased likelihood of lapse. Additionally, when the conversion period expires that usually marks the end of when a term policy can be sold in a life settlement.
- Make sure you stay in touch with your senior clients to be aware of financial setbacks, health issues, retirement, sale or termination of a business, family changes like divorce or the death of a spouse or child. These events could mean a policy is no longer wanted, needed or affordable and about to be lapsed or surrendered.

***To make it easier for you to find prospects, we have sample letters available for you to send, as appropriate, to both clients and advisors, along with new marketing pieces. All you have to do is ask.***

Of the roughly \$700 billion in life insurance face amount that was lapsed or surrendered in 2018, less than 1% resulted in a life settlement. What's more, lapse rates tend to rise during economic downturns like the period we are in now. A life settlement represents a chance to do one more good thing for your clients by maximizing the value of policies that would just lapse or be surrendered. All too many of those opportunities are being lost – opportunities that could make a meaningful difference in your clients' lives.

**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

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