

Robin & Peter on LIFE SETTLEMENTS



May 19, 2010

The Latest from the LISA Conference

LISA, the Life Insurance Settlement Association, held its annual spring meeting in Washington, D.C. from April 28 through 30. Here are a few of the more interesting things that we heard:

Life Expectancies and Capital: As the financial markets improve, capital has begun flowing back into the life settlement space. The major reason that some investors still remain on the sidelines, however, is a lack of confidence in life expectancy analyses due to the unexpected 20-30% increase that was implemented by two major life expectancy companies in the fall of 2008. To that end, LISA and life expectancy providers are taking steps to restore confidence. First, they have pooled their data in order to produce a common industry mortality table. Second, they are working on standards to be used in reporting their actual to expected mortality results. Finally, as time passes, the life expectancy companies, as well as independent actuarial firms, are getting more and more data and experience about mortality rates in this relatively new field, which should further boost confidence in their appraisals.

Taxes: Congressman Kendrick S. Meek (D-FL), who addressed the group, has asked the IRS to review Revenue Ruling 2009-13 which deals with the tax treatment of a life settlement to the original owner. The ruling places an impossible burden on the seller by asking for calculations based on information that is simply not available. Second, it could put a senior citizen in the position of having sold a policy for an amount greater than its surrender value, but netting less after taxes. **How are they to know?** To quote Congressman Meek, *"We must protect our seniors."*

Life Settlement Legislation: 90% of the U.S. population now lives in states which have passed life settlement legislation. Fortunately for consumers, and to the dismay of the life insurance industry as represented by the ACLI (American Council of Life Insurers), legislation based on the NCOIL (National Conference of Insurance Legislators) Model Act leads the NAIC (National Association of Insurance Commissioners) Model by a wide margin.

More on Legislation: Kentucky joins Maine, Oregon, Washington, and California in requiring insurers to notify seniors that are about to lapse a policy that there are alternatives to surrender like a life settlement. Not surprisingly, this legislation is opposed by the insurance industry, but this positive trend for consumers is likely to continue as similar legislation is being proposed in other states.

Dealing with Seniors: A market research firm reported that seniors are much more concerned about safety than maximizing returns. They are primarily concerned about not doing something wrong for themselves or their family and they act on trust. Since seniors are always involved in a life settlement, we should apply this research to our dealings with them. **Confidence and trust are contagious.** Be certain that a life settlement is the right thing for your client by exploring all the alternatives to keeping a policy like premium loans, or a transfer to the heirs of the insured. When you satisfy yourself that a life settlement is the right thing, confidently express that to your senior client rather than just focusing on the monetary gain.

It's the American Way: Congressman Alan Grayson (D-FL) addressed the meeting and made the following comment: *"Life settlements are about choice. You are giving people a choice. And giving people a choice is what America is all about."*

As always, the LISA Meeting provided food for thought. It was reported that 53% of seniors still have not heard of life settlements and 62% of insureds do not know why they bought their insurance or what they have. **It looks like getting in front of clients and prospects to review their insurance never goes out of style.** If you would like to know more about the meeting, or have potential situations to discuss, please be sure to give us a call.

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