Robin & Peter on LIFE SETTLEMENTS

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YES . . . Policies Are Still Being Sold!

There seems to be a perception out there that investors are no longer interested in life settlements. Although the settlement marketplace has certainly changed, nothing could be further from the truth. What has happened, however, is that the criteria for policies to be attractive to investors have narrowed. But for those policies that meet the criteria, opportunity abounds!

Criteria 1: Insured's Life Expectancy Less than 144 months, Preferably Less than 120. Today investors are looking for shorter durations for their life settlement portfolios. Most attractive to investors are life expectancies of 10 years or less. With the new longer life expectancy mortality tables, this generally translates to insureds over age 75 with some decline in health since the policy was issued.

Criteria 2: Reasonably Priced Policy. Investors are price conscious about the policies they buy and about how much they will have to spend each year to keep the policy in force. A bad, expensive policy for the policy owner is also usually an unattractive purchase for investors. So expensive policies, policies with substandard ratings, or poorly performing policies are less marketable.

Criteria 3: The Right Kind of Policy. Individual universal life or term policies, which are convertible to universal life, with face amounts of $500,000 or more, from highly-rated companies are the most desirable.

Policies which meet these criteria continue to receive substantial offers in the secondary market for life insurance!

So what is a prospect in this environment? Well, it's back to basics. **A life settlement is an alternative to lapse or surrender, not to keeping a policy.** That's what life settlements were originally intended to be before the marketplace went astray and became hypnotized by speculation.

Look for a change in business situation: retirement, sale, or dissolution. Businesses and their owners and key executives invariably have a number of life insurance policies. Some link directly to the business itself like key man or buy sell; others relate to the business' impact on their estate liquidity need.

Look for a change in estate situation. Today's economic and estate tax environment means changing estate planning needs that often result in a changed insurance need. This could stem from a decline in estate value or a decline in estate tax liability. It could also result from the sale of an illiquid asset like real estate.

Look for a change personal situation. Sometimes the intended beneficiary predeceases the insured. Sometimes a change in the financial situation of the policy owner makes the policy unaffordable. Sometimes current income needs require a boost that can be provided by the proceeds of a life settlement.

The investment markets are hungry for policies that meet the current criteria. If you're not sure if you have a situation that could work, give us a call and we'll be glad to help. Life settlements continue to provide significant additional value for policies that are no longer wanted, needed or affordable. Don't overlook this opportunity for your clients.

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