

Robin & Peter on LIFE SETTLEMENTS



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Good News from the LISA Meeting

LISA, the Life Insurance Settlement Association, recently held its annual spring meeting in Washington, D.C. As always, there was lots of useful information and a number of positive messages about the industry. Here are a few of the highlights:

James J. Donelon, Louisiana Commissioner of Insurance and Vice-President of the NAIC (National Association of Insurance Commissioners), addressed the conference. Some key points in his remarks were:

"Policy holders need and deserve the option the settlement industry provides."

"The recession makes the life settlement option even more valuable."

"It's a property right policy holders have."

"The settlement industry's role is here to stay."

Now that forty states have passed life settlement statutes, the next step for many of them is for the state insurance department to promulgate regulations. The Commissioner commented that *"regulators should not permit the regulatory process to be allowed to become another excuse for insurers to beat up on the life settlement industry."*

Consumer Rights: Some insurers have tried to put restrictions in their policies limiting the right of policy owners to sell their policies in the life settlement market. These "poison pill" provisions have been struck down by regulators.

What's Selling? The current sweet spot is for policies with face amounts between \$1 and \$5 million that are at least 5 years old. The length of time since policy issue is due, in part, to increased life expectancy mortality tables. Because of that, a meaningful decline in health since issue is needed for a policy to have value as a life settlement. Unless some catastrophic change occurs (i.e., a heart attack, cancer diagnosis, etc.), it would likely take about five years of deteriorating health for an insured's condition to decline enough to be a candidate.

Disclosure of the Settlement Option: The NCOIL Model Disclosure Law, which requires insurers to inform senior policy owners that are about to surrender a policy that the option of a life settlement exists, has been proposed in several states. Similar laws have already been passed in four states (KY, ME, OR and WA).

Term Conversion Ruling: A recent opinion by the New York State Insurance Department went against John Hancock and in favor of the policy owner and the life settlement industry. The settlement of a term policy usually requires that the policy be converted prior to settlement. John Hancock refused a request by a policy owner to convert a policy, which was within its contractual convertibility period, on the ground it would be a new policy and therefore would be subject to New York State law restricting life settlements within two years of issue. In ruling against John Hancock, the insurance department said that a conversion is not a new policy and that the time period runs from the original issue date of the term contract. This has been normal life settlement industry practice and it's nice to have this ruling to confirm its validity.

As the economy improves, investment money is continuing to return to the market. At the same time, rates of return demanded by investors are declining. Don't let your senior clients lapse or surrender a policy without investigating the possibility of a life settlement. **It always pays to ask. It can't hurt and just might help - so don't hesitate to give us a call!**

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