

Robin & Peter on LIFE SETTLEMENTS



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Life Settlements and *The New York Times*

During the past few months, life settlements have gotten some well-deserved good publicity aimed at informing consumers of their options. Recently, [we wrote of Betty White's video](#) and now we'd like to call your attention to an article that was in the Sunday, August 12th *New York Times* magazine section entitled, "[Are You Worth More Dead Than Alive?](#)" A balanced, favorable article coming from *The New York Times*, which has in the past been somewhat less than favorably disposed towards life settlements, is a huge step forward for the industry and for consumers.

While giving numerous examples of the benefits of life settlements, the article also discusses those who tried to take advantage of this new concept by selling stranger originated life insurance (STOLI). They exploited loopholes in existing insurance laws until those laws caught up with the marketplace. Unfortunately, these activities gave a great idea a black eye. STOLI was wrong, **but it is right to give consumers, who have already decided to lapse or surrender their policy, the opportunity to see if they can get more money in the secondary market than the cash surrender value. Exploring a life settlement should always be an option offered to senior policyholders who are about to terminate a policy.**

There are those who oppose settlements saying that the policyholder is better off to keep their coverage. This line of reasoning is correct only if the policyholder can afford the premiums and needs or wants the coverage. No investor would buy a policy if it did not make financial sense to keep it. But to the folks who need money to pay their mortgage, to pay for their health insurance or health care, to pay their daily living expenses, or whatever their financial need might be, we as financial service professionals have a way to help them out. We cannot turn our backs on our clients.

The New York Times article reported that some have thought it "creepy" for an investor to own a policy on their life. After all, the sooner they die, the greater the profit. But on closer examination, the owner of a life income annuity is in essentially the same position. The insurance company is obligated to send checks until the insured dies and the sooner that happens, the less the insurance company will have to pay and the greater its profit. Yet, who could argue that life annuities are anything less than a valuable retirement planning tool.

So as a producer, what is your responsibility? The inescapable answer is that you must at least make it known to your clients that the option of a life settlement exists, even if you can't handle the case yourself! Over 90% of the U.S population lives in states that authorize and regulate life settlements. Furthermore, 5 states now mandate the disclosure of the life settlement option by insurers to seniors who are lapsing or surrendering a policy. Can other states be far behind?

Doing the right thing ultimately wins out. We have a responsibility to those policyholders that we represent. The time to do the right thing is now.

Contact us:

Robin S. Weinberger, CLU, ChFC, CLTC

(617) 451-3343

rsw220@aol.com

Peter N. Katz, JD, CLU, ChFC

(860) 673-3642

pkatzlife@yahoo.com

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