

# Robin & Peter on LIFE SETTLEMENTS



November 29, 2012

## **Top Two Takeaways from the LISA Fall Conference**

On November 7 through 9, LISA, the Life Insurance Settlement Association, held its annual fall meeting in Orlando, Florida. Many topics of interest to life insurance producers, life settlement brokers, and life settlement investors were covered, but two key items stood out.

### **I. The biggest obstacle facing the life settlement industry today is the lack of consumer awareness.**

Each day elderly policyholders, ignorant of the option of a life settlement, are surrendering policies that might bring them significantly more value as a life settlement. Although a relatively new financial option, knowledge of life settlements has not filtered through to consumers the way you would expect. Producers, who traditionally look out for their clients' best interests (and their own wallets too) should be happy to spread the word. Yet many find themselves fearing to even mention life settlements to their clients as a result of rules handed down by their primary company or broker-dealer. That's the bad news.

There is good news, however, in that regulators are becoming aware how senior citizens are being shortchanged by these practices and have passed or are considering legislation or regulation that would mandate the disclosure of the life settlement option to a policyholder considering the lapse or surrender of a policy. Disclosure has already been mandated in six states, Kentucky, Maine, New Hampshire, Oregon, Washington, and Wisconsin, with more on the way.

Additionally, the legal profession is becoming aware of this malfeasance as well.

Lawyers are starting to initiate law suits against producers that have failed to disclose the life settlement option to their customers and insurance companies that are uncooperative with policyholders that are trying to settle their policies.

The life settlement industry is trying to educate consumers of this valuable option through awareness campaigns and by supporting legislation intended to apprise consumers of their right to investigate the life settlement value of a policy about to be lapsed or surrendered.

## **II. Investment money continues to find its way back into the industry.**

It is no secret that in the past few years, the combination of a poor economy and changes to life expectancy methodology drastically decreased the amount of investment money making its way into life settlements. Since bottoming out about four years ago, Investor interest has slowly, but steadily, increased, with the realization that life settlement investments offer the potential of very attractive returns in this low interest rate environment and are relatively uncorrelated to the stock market.

Interestingly, pension plans have shown the greatest increase in interest in investing in life settlements. Their long term view, combined with the attractive uncorrelated returns, make life settlements a good fit. Even more interesting are reports that some insurance companies are quietly investing in life settlement investments not only to reap good returns, but also to hedge against the mortality risks inherent in their life insurance business.

**There's no doubt about it that once a decision has been made to lapse or surrender a policy, investigating the option of a life settlement can only be a good thing for the policyholder.** As we've said before, if it was your grandparent, parent, etc., and the choice was to surrender a policy for \$91,120 or to settle it for \$330,000 (a recent case that we did), what would you want for them?

Overall, as always, attendees of the LISA conference were well rewarded by an informative meeting. The next spring meeting will be held May 21-23 in Las Vegas.

### **Contact us:**

**Robin S. Weinberger, CLU, ChFC, CLTC**  
ChFC

(617) 451-3343

[rsw220@aol.com](mailto:rsw220@aol.com)

**Peter N. Katz, JD, CLU,**

(860) 673-3642

[pkatzlife@yahoo.com](mailto:pkatzlife@yahoo.com)

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