

Robin & Peter on LIFE SETTLEMENTS



October 16, 2013

3 Highlights from the LISA Fall Meeting

LISA, the Life Insurance Settlement Association, held its annual fall meeting on October 9 through 11. As always, it provided some insights into where the life settlement business is now and where it is going.

- Two representatives from the American Council of Life Insurers (ACLI) addressed the meeting. Hopefully this represents some thawing in the rather icy relationship between our two industries. After all, we have some significant interests in common. For starters the ACLI and the life settlement industry are working together to try to get some relief from [Rev. Rul. 2009-13](#), which adversely affects life insurance and life settlement taxation.
- Professor Lauren Cohen of The Harvard Business School is currently using a life settlement industry case study for his classes. When interviewed about the study, Professor Cohen had some interesting comments about the industry. He said the life settlement industry solves a market failure. Without the industry, policy owners would not have the opportunity to receive fair market value for their policies. Their only option, otherwise, would be to give back the policy to the insurance company. He likened that to a homeowner who could only return his house to the bank holding the mortgage, rather than finding a buyer. He believes that the life settlement industry provides a win-win for both sides of the transaction: the seller receives more than the cash value and the buyer gets an attractive investment.
- [Medicaid life settlements](#) and long term care continue to be hot topics because Medicaid costs have an extremely significant impact on state and federal budgets. While roughly 50 million people are covered by Medicare, even more, 63 million, are covered by Medicaid. Even though only an

estimated 6% of those covered by Medicaid receive long term care, they account for one-third of all Medicaid expenditures. And rather than serving just the poor, which Medicaid was intended for, it is increasingly middle class Americans who apply for Medicaid benefits when they run out of money paying for long term care expenses. A Medicaid life settlement can allow people to stay off of Medicaid for a period of time and remain private pay patients. This increases their long term care treatment choices and reduces Medicaid spending. It is estimated that 38% of people about to apply for Medicaid own life insurance policies that might have to be given up in order to qualify. For another interesting perspective on Medicaid life settlements see this [recent article](#) from The New York Times.

A life settlement continues to be a valuable option for policy owners about to lapse or surrender a policy. As potential situations arise, don't hesitate to give us a call.

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