

Robin & Peter on LIFE SETTLEMENTS



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Life Settlements: What You Don't Know Can Hurt You!

Hardly a week goes by that we don't receive at least one call from a producer inquiring as to whether a recently lapsed policy can be sold in a life settlement if it is reinstated. Sadly, the answer is no, as reinstatement generally begins a new contestability period. But more importantly, this recurring question illustrates how many clients lack the awareness of the life settlement alternative to lapse or surrender.

A 2010 study of seniors over age 65 reported by the Insurance Studies Institute revealed that:

- 40 percent have lapsed or terminated a policy (and a more recent study conducted by ICR for the Lifeline Program found this number to be even higher: 55 percent),
- 50 percent are not aware they may sell their policy, and
- 90 percent who lapsed a policy would have considered a life settlement had they been aware of the possibility.

Even more alarming is the finding that 49 percent of financial advisors lack knowledge about life settlements and, therefore, do not recommend the option. In addition, 23 percent said they are prohibited from engaging in a life settlement transaction by their insurance company.

The failure to pursue the possibility of a life settlement can be a costly mistake for you and your clients. For your clients, the cost can be measured in both dollars and quality of life. For you, it could mean lost commissions and malpractice concerns.

As your clients' primary source of information about life insurance, it falls upon you to be vigilant about policies that are about to be lapsed or surrendered and make certain that your clients are aware of the life settlement option.

Don't let your clients become another statistic for lost life settlement opportunities. Although not all policies qualify for a life settlement, it can't hurt to discuss and consider the possibility - it can only hurt not to!

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