

# Robin & Peter on LIFE SETTLEMENTS



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## Recent Cases Show How Life Settlements

### Uncover Surprising Value

A lot has been written, lately, about the increased amount of money flowing into the settlement market. Hopefully, this publicity has gotten your attention so that you will get to your clients before they lapse or surrender a policy. In addition, you should be sure that all the accountants, attorneys and trust officers that you know are educated about life settlements so that they can make you aware of their clients who are about to lapse or surrender a policy. The additional settlement value can make a meaningful difference in people's lives.

Here are a few cases that we recently worked on:

#### **\$2,450,000 Survivorship UL policy on a male 77 and a female 76.**

Due to a reduced need for insurance to pay estate taxes and a need for the cash that was going toward premium payments, the clients were going to surrender their policy for \$354,153. Their agent suggested trying a settlement, but wasn't too optimistic because he was under the impression that there wasn't much of a market for survivorship policies. Things have changed and now buyers have a much better understanding of survivorship mortality. As a result, the client received an offer of \$555,670. That's \$200,000+ more than would have been received had they surrendered the policy! And, for what it's worth, we had three companies competing against each other, whereas, in the past, we'd be lucky to have one fund interested in a survivorship policy.

#### **\$2,000,000 UL policy on a female 87.**

The client was quite unhappy with the performance of her policy. She was disappointed that the current cash surrender value was only \$85,271, much less than illustrated when policy was purchased and she couldn't afford the increased premium that would be required to continue the policy. Before surrendering the contract, her agent came to us and we were able to get the client an offer of \$350,000. She was delighted because it was a

lot closer in amount to the original cash value projections from 14 years ago.

**Three \$500,000 Term policies on a male 70, totaling \$1,500,000.**

All three policies were coming to the end of the term conversion period and the client was going to let these policies lapse. The original purpose was key man coverage to cover business loans and now the policies were no longer needed. His agent brought up the idea of trying to sell them in the secondary market as "anything was better than nothing!" The client received \$56,280 and was thrilled; as was the agent who earned commissions on the term conversions that were required for the life settlement.

**\$1,350,000 Survivorship UL policy, however, the husband was deceased and the wife was 92.**

The policy was going to lapse without value and the client could not afford the premiums that were about to skyrocket due to her advanced age. Doing a settlement for very old clients requires extra special consideration. But the projected premiums made keeping the policy simply impossible. We got the client a net offer of \$255,000, a welcome surprise and important money to help maintain her lifestyle.

Once the decision has been made to lapse or surrender a policy, you owe it to your clients to investigate the alternative of a life settlement. As situations come up, be sure to give us a call - we are delighted to answer your questions. Please keep in mind that the settlement process takes about 3-4 months and so it's a good idea to start the conversation about 6 months before a potential lapse.

Remember, it can't hurt to try - it can only hurt not to!

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