

# Robin & Peter on LIFE SETTLEMENTS



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

Recently, there seems to be an uptick in the number of calls we are receiving from insurance agents asking about life settlements. What is interesting about many of these calls is that they are coming indirectly from consumers because the agents tell us that their client called them asking about life settlements. Fortunately for these agents and their clients, the policy owner had heard about life settlements, otherwise a significant opportunity might have been missed.

As an agent, are you negligent if your client calls you up and asks how to cancel or surrender a policy, and you don't tell them about the life settlement alternative? What if they cancel or surrender on their own and then find out that you didn't make them aware that there was a secondary market for life insurance? Shouldn't you be educating your clients? What about the attorneys, accountants and trust officers that they work with? Shouldn't you be educating them too?

Here are a few recent cases that easily could have gotten away:

- Male, age 59, with pancreatic cancer. He had a \$500,000 term policy that was at the end of the level premium paying period and the conversion period. Unfortunately, due to all the extra expenses that this devastating illness caused, he could not afford to convert the policy and really needed additional cash. His agent was on top of the situation and suggested that before the policy lapsed, he should investigate what was available in the life settlement market. His life expectancies came in at 72 and 24 months. We got him a net offer of \$320,000, a life changing amount for a man and his family in this tragic circumstance.
- Male, age 75, in pretty standard health. He had a \$300,000 term policy that was also at that end of the level premium paying period and, the conversion period. When he called his agent to drop the policy because he no longer needed the coverage, the agent said, before you do, let's see if there could be value in the secondary market. We had recently done another case with this agent and so he was aware of the possibilities. When he called, he said, I know this is a longshot, but do you think

there could be any value in this policy? The insured's life expectancy came back at 180 months. After an extensive search, we got \$5,000 for the client. Both he and his wife were thrilled! To them, this was "found" money.

- Male, age 72, with hypertensive heart disease, cerebrovascular/carotid artery disease and a neurocognitive disorder. He had a \$896,450 universal life policy for which he had not been able to make premium payments for quite some time. He was frustrated watching the cash surrender value go down each month. He realized that the chances were pretty good that the policy would run out way before his death, leaving him with no coverage and no cash! So, he told his agent that he wanted to cash in his policy, which would have gotten him \$94,647. The agent told him to wait -- that there might be a better alternative in the secondary market. His life expectancy came in at 99 months. We were able to net him \$200,000, more than twice as much as the cash surrender value and a meaningful amount of money to help with his daily living and medical expenses.

If these policy owners weren't informed of the life settlement alternative, consider all the money they would have lost and imagine the difference it would have made in their lives. As situations come up, please be sure to give us a call!

Yes - being informed does matter. What people don't know really can hurt them!

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