

Robin & Peter on LIFE SETTLEMENTS



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Life Settlement Brokers - Who Needs Them?

A recent life settlement industry publication contained comments by a provider suggesting that agents may want to shop policies directly with them, rather than using a settlement broker. Taking this kind of advice from a provider is much like consulting a fox on how to protect the hen house.

Providers represent investors and are duty bound only to them. A provider gets paid by acquiring policies for investors and their job is to acquire them at the lowest possible price. Our job is to sell them for the highest price! The fewer competitors they have for a policy, the better chance they will have to acquire that policy. In addition, their compensation may be enhanced by acquiring policies cheaply. None of this makes them bad people - it just means that you and your client's best interests are not aligned with theirs.

Here's an example of a recent transaction where a producer tried to go direct to a provider, because he had what he thought was an easy, straight forward case. On his own, he was able to negotiate a \$400,000 offer for his client's \$3 million policy. Suspecting this offer was too low, but unable to do better, he ultimately came to us to shop the policy. We were able to bring the offer up to a \$1.4 million! Most alarming was that the high bidder wound up being the same one that had previously offered only \$400,000 with the comment, "No way can we can do better - grab this while you can."

Producers who go direct will typically miss out on a large portion of the life settlement marketplace as many providers will not deal directly with producers. We have relationships with over 40 providers and each of them has been required to submit to our due diligence process. When a producer goes to only a handful of providers, is it any wonder that the reduced competition does not bring the highest bids? And, have they done due diligence on the providers that they use?

Obtaining medical records and buying life expectancy reports are vital for all but the smallest of policies. We make this important investment in your cases to ensure that your client's policy will

be considered by the greatest number of potential buyers.

Although almost all providers always have some money to buy policies on the cheap, on any given day usually only a relatively small percentage have money and are actively and aggressively seeking to buy. Their investment money typically comes in tranches and when a tranche is filled, they lie low until a new batch of money comes in. **Since so few providers are actively buying with aggressive money at any point in time, submitting a case to only a limited number of providers could very well result in missing the market.**

As you can see, it is certainly in the provider's interest to have you transact your life settlement business without the use of broker. Unfortunately, that could easily be to your client's detriment and ultimately yours as well. Many states impose a fiduciary duty on the producer in a life settlement transaction and failing to adequately shop a policy would likely violate that duty. **Using a skilled, reliable settlement brokerage can assure you that the most has been done to get you and your client top dollar for their policy.**

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