

Robin & Peter on LIFE SETTLEMENTS



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More Life Settlement Providers Going Direct - Sidestepping Producers

Life settlement providers are the companies that buy life insurance policies on the life settlement market on behalf of investors. Although most providers try to acquire life insurance policies through life settlement brokers and life insurance producers, lately, an increasing number of them are directly marketing to consumers.

While approaching consumers directly is not new, there has been a substantial uptick in this type of marketing. Providers have been using various types of media including television, print advertising, social media and internet ads to try to attract consumers who would like to sell their policies.

The advantage of marketing to consumers directly had been primarily that providers could obtain policies at a lower price by eliminating the middlemen and avoiding the competitive bidding process that brokers use to assure policy owners they are getting the best price for their policy.

But a major reason for the expansion into direct to consumer marketing at this time is the lack of policy flow from traditionally sourced policies through producers.

Producers aren't presenting potential life settlement policies to the market for mainly two reasons: (1) they lack knowledge of life settlements and (2) they are barred from helping their clients with a life settlement by their primary life insurance company or their broker dealer.

The first reason can be easily remedied. Producers can make it their business to become more knowledgeable about the marketplace so that they can properly serve clients who no longer want, need, or can afford a policy.

The second reason is more problematic as career agents are subject to their

company's rules, even when they are not in the best interests of their clients.

Internal pressuring by producers to have companies change their rules hasn't seemed to help much because few companies have seen fit to loosen the prohibition on life settlement transactions. It seems the most likely way to end the practice would be to promote laws like the one recently enacted in Georgia.

The new law, "The Life Insurance Consumer Disclosure Act," reads in part: ". . . an insurer shall not terminate or otherwise penalize an agent for apprising a policy owner of alternatives to the lapse or surrender of an individual life insurance policy . . ." Interestingly, both of the Georgia bill sponsors - Sen. Marty Harbin (R), who introduced the Senate version, and Rep. Carl Rogers (R), who brought up the House version - are former life insurance agents. So the path for producers that seems more likely to produce a change is not pressuring their companies, but rather pressuring their lawmakers.

Although direct marketing to consumers may give consumers access to an opportunity that they may not be aware of, providers represent investors and not consumers. This means that a consumer may not be getting the best deal possible. It's up to producers to try to change that situation so that their clients are not underserved.

Should you want additional information about how to identify situations that indicate a policy may be lapsed or surrendered, opportunities to uncover life settlement situations or to determine if a policy might qualify for a life settlement, please be sure to give us a call. Once a decision has been made to lapse or surrender a policy, you owe it to your client to investigate the option of a life settlement. Remember, it can't hurt to try - it can only hurt not to!

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