

# Robin & Peter on LIFE SETTLEMENTS



November 12, 2009

## Here's the Latest from the LISA Conference

LISA, the Life Insurance Settlement Association, held its annual fall meeting in New York from November 8 through 10. We were there and here are a few of the more interesting things we heard:

### ***The September 6, 2009 New York Times Article on Securitization of Life***

**Settlements:** Times reporter, Jenny Anderson, spoke at the meeting defending the article she authored. She was unable to name the sources for her grossly inflated estimate of the size of the industry, but at least she did seem to acknowledge that the number was way out of line. Also, quite interestingly, she said that she received over 900 emails from consumers, many wanting to know how they could sell their policies. That's not surprising as it is estimated that over 60% of consumers still don't know that the option of a life settlement exists.

**Variable Universal Life:** A representative of FINRA explained that ignorance about life settlements was a valid reason for so many broker-dealers to prohibit their representatives from settling VUL policies. Yet, some of these same broker-dealers have sold billions of dollars worth of VUL. Due to the disastrous performance of the stock market in recent years, many of these policies are in serious trouble. It was suggested that perhaps broker-dealers that aren't smart enough to help their clients get out of VUL policies shouldn't be allowed to get clients into them in the first place.

**More on VUL:** It was also pointed out that VUL policies usually sell at a discount to their fixed brethren largely because of the limited access to the secondary market for these policies. Instead of protecting consumers, FINRA and its broker-dealers are depriving them of full market value.

**Life Settlement Regulation:** The NCOIL (National Conference of Insurance Legislators) Model Act, which is supported by the settlement industry, is trouncing the life insurance industry-supported NAIC (National Association of Insurance Commissioners) Model which has all but shut down the settlement business in the few states that it has been enacted. In 13 of the last 17 states to take up the issue, the NCOIL model has won out. An explanation for this offered up by one elected official who addressed the meeting was, "Consumers elect legislators, not

insurance companies."

***Another Positive Trend for Consumers:*** Some of the more recently enacted life settlement legislation requires insurers to notify seniors, who are surrendering or lapsing a policy, that alternatives like life settlements exist. The latest state to join Maine and Washington with this type of disclosure is California.

***Fixing a Problem That Doesn't Exist or Maybe Just Fixing the Wrong Thing?*** It was reported that so far in 2009, the NAIC's own database contained no complaints (that's right - zero) from consumers selling their life insurance policies. Furthermore, in the last 5 years, only 9 such complaints were filed. During that same period, tens of thousands of complaints were filed by consumers regarding life insurance, annuities, and other insurance products.

As always, the LISA Conference provided some interesting food for thought. If you would like to know more about the meeting, or have potential situations to discuss, please be sure to give us a call.

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