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# Robin & Peter on LIFE SETTLEMENTS



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## Are Producers Guilty of Letting Their Clients Miss Out On Life Settlement Opportunities?

Statistics reported at the fall Life Insurance Settlement Association meeting continue to demonstrate how many seniors are failing to take advantage of the life settlement opportunity. The Deal and Conning Research recently estimated that between \$2.1 and \$2.2 billion in face amount were transacted as life settlements in 2016. The Deal also reported that this represented 1,650 policies.

Although those statistics indicate growth in the life settlement market, contrast them with number of policies that were lapsed or surrendered by seniors. Based on the 2008 Society of Actuaries/LIMRA persistency study, it is estimated that more than 480,000 policies totaling over \$30 billion in face amount, insuring seniors over age 75, are lapsed in a single year alone! For age 70 and above, the numbers become even more staggering: 710,000 policies and \$57 billion in face amount!

**Based on the lack of submissions, this data makes it abundantly clear that producers are letting down their senior clients by failing to offer them the opportunity to sell a policy in a life settlement that is about to be lapsed or surrendered.**

But just as nature abhors a vacuum, others are filling in the void being left by insurance producers who underserve their clients. Increasingly, providers, the companies that represent life settlement investors, are cutting out the producer and going direct to clients by doing client-focused advertising in both print and electronic media.

To transact a life settlement or to surrender a life insurance policy is an important, complex and irrevocable decision. But too many producers are failing their clients by forcing them to negotiate these waters alone. And quite importantly, a life settlement is a time sensitive transaction - once the policy lapses, the settlement opportunity is gone. Clients need to be made aware of a life settlement as a lapse alternative before it occurs and no one is in a better position to make that happen than their insurance advisor, whose responsibility should be to educate them on this relatively new transaction.

Producers shy away from life settlements for largely two reasons: 1) their unfamiliarity with the transaction and 2) prohibitions imposed by their primary carrier. The first reason can be remedied by education and working with a reliable life settlement broker. The second reason will ultimately fall away as producers who fail their clients are increasingly subjected to malpractice suits and as more states enact laws requiring insurers to disclose to seniors that there are other options to lapsing or surrendering a policy.

Producers who fail to educate themselves and their clients about the opportunity presented by a life settlement are not only guilty of letting their clients down, but also shortchanging themselves. Clients who are not well-served by their insurance advisors are increasingly finding other alternatives, whether that's going direct to a provider or seeking out an advisor who will help them with a settlement. As the life settlement market grows, consumer awareness is already increasing and those consumers may well replace their insurance advisors with someone who is willing and able to look out for their best interest.

***Watch your email early in 2018 as we offer webinars on life settlements for both advisers and for their clients and prospects!***

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