

# Robin & Peter on LIFE SETTLEMENTS



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## Covid-19 and the Life Settlement Market

The pandemic has had a substantial impact on just about every business enterprise. Some positively, like cleaning and sanitizing supplies, personal protective equipment and toilet paper, while others have been quite negatively hit like travel, entertainment and restaurants.

The life settlement industry has been impacted from the pandemic as well. Many people that were ready to sell their policy prior to the pandemic have decided to wait, just in case they became ill. Investors, however, continued seeking policies to buy, creating a sellers' market due to the demand exceeding the limited supply of policies. This has driven up the prices for policies on the life settlement market.

But that pricing phenomenon is likely to change in the not-too-distant future as a wave of policies is primed to hit the market.

First, as more people become fully vaccinated and the virus threat diminishes, policies that had been withheld from the marketplace are likely to be submitted.

Second, the economic fallout from the pandemic means that many businesses may have to fold or at least seek a capital infusion. For businesses that fail, any number of policies bought for business or estate liquidity purposes may no longer be needed or affordable. Additionally, for a struggling business, a life settlement could be used to provide a cash injection required to save it. In other words, the economic impact on businesses will likely bring more policies to the life settlement market.

Over time, the market could become quite flush with policies and life settlement prices would likely fall. Clients are walking a tightrope between selling their policies too early if they die soon, or not getting the highest price for their policy if they wait too long to sell.

Producers are walking this tightrope alongside their clients. It's imperative that all senior clients are made aware of the life settlement option and of the current state of the market. This information guards against their waiting too long and the market risk of prices dropping. Producers must reengage with those clients who have been waiting for the risk of the pandemic to diminish, as well as to engage with clients whose businesses or finances have been adversely affected by the pandemic. What a tragedy it would be for one of your clients, who is going through a tough financial time, to lapse or surrender a policy only to find out that it could have provided them with meaningful dollars at a time they really needed cash.

To maximize the value of their policies, your clients may need to get out in front of the surge of policies likely to hit the market in the near future. Quite suddenly, the life settlement market could shift to a buyers' market, depressing the prices for the seller.

In life, timing can be everything. In this case, it could make a substantial difference in what your clients receive for their policies in a life settlement transaction. It is up to you to remain vigilant in helping your clients try to assess when is the best time to move forward with a life settlement transaction and to be sure that they are aware of the option.

**We are here to help you with your analysis, to keep you updated on the state of the market and to provide you with marketing materials to make your clients and their advisors aware of this potentially valuable option. All you have to do is ask!**

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