

# Robin & Peter on LIFE SETTLEMENTS



Issue No. 120, December 7, 2021

---

## The Two Top Sellers Now

---

While there is always some ebb and flow in the life settlement marketplace, currently, two types of policies are the top prospects. **Guaranteed universal life policies and term policies that are convertible to universal life seem to get the highest interest among buyers and result in the most sales.** Unfortunately, these life settlement opportunities are all too frequently missed.

Universal life policies with premium guarantees to at least age 105 are attractive to prospective buyers because of the certainty provided by the premium guarantee. Since these policies usually have little or no cash surrender value, the proceeds of a life settlement often represent ‘found money’ to sellers. Here are two recent case examples:

- A female, age 84, in “perfect health” with a \$5,000,000 Survivorship Guaranteed UL policy. The husband was deceased. The family no longer wanted to pay for the policy, which was issued 2007 and had zero cash surrender value. Although we received some substantial cash offers, the family was not in need of cash, but rather wanted to keep some of the death benefit. Instead, we got them a

Retained Death Benefit offer of \$2,000,000. A retained death benefit is where the buyers take full responsibility for maintaining the policy but irrevocably commit some portion of the death benefit to the sellers. The policy owners loved the idea – keep some of the death benefit, but not have to pay any more premiums.

- A male, age 93, and a female, age 90, had a \$2,600,000 Survivorship Guaranteed UL policy, issued in 2008, with a cash surrender value of \$184,500. He had mild health issues and she was in great health. They could no longer afford the premiums and called their agent to help them surrender the policy for the cash. The agent told them about life settlements and, as a result, we got them an offer of \$550,000 - about three times the surrender value.

Term policies that are convertible to universal life also make great prospects for a life settlement. Some producers and many, many policy owners are still unaware that these term policies can be sold in a life settlement transaction. Furthermore, term conversion life settlements typically result in a conversion commission, in addition to the life settlement compensation. Here are two more examples of recent cases:

- A male, age 71, had a term policy for \$750,000 which was near the end of the term conversion period. The client had serious health issues, but could not afford to convert any of the term coverage. Rather than let the policy lapse, the agent suggested applying for a life settlement, which turned out to be great advice. We got an offer of \$245,000 for the client on a policy which would otherwise have lapsed with no value.
- A male, 63, with minimal health issues, had a \$1,000,000 term policy that was coming to the end of the conversion period. He no longer wanted the coverage as he could not afford the conversion premiums. We got an offer of \$62,500 for the insured – again, on a term policy with no cash value!!

While these two types of policies are the top prospects, they are also the most frequently missed as **timeliness is an important factor for both**. For term convertible to U.L., the conversion period is the drop dead date after which a settlement is usually no longer possible. For Guaranteed U.L., which often has no cash value, a lapse can occur as soon as a premium is missed. Unfortunately, a reinstated policy usually cannot be sold as a life settlement until the new contestability period expires (usually two years).

Although guaranteed universal life and term convertible to universal life make top prospects, their time sensitive nature means that producers must really stay ahead of their clients' situations. All too often that is not the case and a meaningful, lucrative opportunity for both the client and the producer is missed.

Should you have any inkling that either of these situations exist, you should immediately contact your client, as well as us, so that we can guide you through the process to explore a life settlement. Remember, it can't hurt to ask – it can only hurt not to!

Contact us:

Robin S. Weinberger, CLU, ChFC, CLTC  
(617) 451-3343

Peter N. Katz, JD, CLU, ChFC, RICP®  
(860) 937-2936

Ria J. Johnson, CFP®  
(619) 920-4000

Share us on social media:

