

# LIFE SETTLEMENT AWARENESS GROWS

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Life insurance agents and brokers looking to incorporate life settlements into their clients' financial plans may have a basic understanding of the secondary market for life insurance but may not have sufficient knowledge to offer life settlements to eligible clients.

Life settlements, also known as senior settlements, enable seniors to sell unneeded life insurance policies in a secondary market for an amount greater than the cash value offered by their insurance company, but less than the death benefit. Life settlements give seniors access to funds they might have otherwise lost had they let their policies lapse or surrender — something that occurs with nearly 80 percent of universal life policies, according to a June 2005 report by Bernstein Research.

## GETTING THE WORD OUT

The first ever Life Settlement Awareness Month took place in June 2006. The purpose of Life Settlement Awareness Month was to increase the awareness and knowledge of life settlements as well as to offer top-of-the-line marketing support, training and industry expertise to improve producer sales activities during summer — a traditionally slow sales activity time of the year.

The target audiences for this event were brokers, broker/dealers, insurance agents, insurance distribution entities, insurance companies and brokerage general agencies.

To communicate Life Settlement Awareness Month to agents and brokers, a variety of public relations and marketing tactics were implemented:

- News releases were distributed via a wire service to targeted lists via e-blasts and to editors of insurance trade publications.
- News releases were sent to targeted brokers.
- A Web site, [www.lifsettlementawarenessmonth.com](http://www.lifsettlementawarenessmonth.com), was designed and implemented to promote the event.
- The Life Settlement Awareness Month Web site contained a six-step strategy for agents and brokers wanting to incorporate life settlements into their clients' financial plans. The site was also updated during June 2006 with the most recent news releases promoting the event.

## THINGS TO KNOW

Key points to keep in mind for anyone wishing to enter the life settlement market include the following.

**Why senior market advisors need to increase knowledge of life settlements:** Financial professionals and policy owners are demanding more options for their life insurance policies than surrender, lapse or cancellation. The reasons clients opt to pursue life settlements include changes in financial situations and estate tax issues, the fact that people are living longer and the rising cost of living. As a result of these reasons, life settlements are becoming a

vital component of the financial-planning process. If an advisor chooses not to offer life settlements, his competition will, as they provide a valuable resource for serving client needs and generating additional advisor revenue.

### Key points of understanding:

Agents and brokers have a fiduciary responsibility to clients and need to know their obligations when transacting life settlements. For example, agents and brokers should know the factors that determine market valuation of the contracts they transact (premiums, life expectancies, etc.).

Agents and brokers should also work with multiple providers to ensure a competitive bidding process that will obtain a fair market value for their client's life insurance contracts or work with a qualified broker who will do that for them. Some factors for agents to confirm about providers are that they are funded solely by institutional funding, have safeguards in place to protect customer information, are properly licensed in all states where the agent/broker conducts business, have demonstrated performance in transacting business and no history of regulatory or customer complaints.

Agents also need to understand the licensing requirements in states where they conduct business and their selling-away agreements and broker/dealer requirements in relation to life settlements.

**Considerations for choosing an intermediary:** Agents and brokers

should check with any broker/dealer, broker general agency, insurance marketing platform or any other intermediary that they are affiliated with to see if they have established a life settlement program. If an agent or broker does not have an intermediary, life settlement companies can assist in finding one that suits his client needs, or refer the agent to a top life settlement broker.

When evaluating an intermediary, it's important to consider the services that it provides and the quality of the

life settlement providers who are on that intermediary's platform. For example, how will the intermediary support the comprehensive case compilation and submission process to providers? How will it obtain multiple pricing bids for your client's contract and what due diligence has it performed on the providers with whom it works? It is also important to assess the intermediary's communication processes with agents or brokers on bid or case status, as well as the

process of procurement and negotiation of pricing with funders to receive the most competitive bid.

Life Settlement Awareness Month will happen again in June, but that doesn't mean you can't get up to speed on the transactions before then. Done correctly, a life settlement can be the tool a client needs to get ahead in his retirement plan. You owe it to yourself and your clients to learn about life settlements and use them where appropriate.