

Life Settlement Saves the Day

The life settlement market is clearly much different than it was 10 years ago but it is still alive and well. The target for finding a qualifying policy is much smaller today but the parameters were likely somewhat unrealistic back then anyway.

Settlements still tend to be somewhat controversial but with a straight face I will say that I cannot understand why. A legitimate, well understood life settlement is arguably the most consumer beneficial concept I have ever been a part of in my history in the life insurance market. The many, many millions of dollars I have been able to secure for clients who otherwise would have lost millions is astounding.



I know where the controversy comes from and it is generally from one of two camps. The first and lesser is simply a moral issue. Is it reasonable to sell a policy on someone's life so that a third party has financial upside in an individual's death? When you stop and think about it (and I have) there is a very long list of people and entities which are on the same side of that ledger for many transactions in life which we never second guess.

An obvious one is an insurance company paying out annuity, long term care or disability benefits. Client dying equals financial upside. Very simple. However, we don't joke about the Italian actuaries in those scenarios.

The second camp is the insurance carriers themselves indoctrinating their agents against the concept. Those which stop with indoctrinating are the less dangerous ones. Many threaten to summarily fire any representative which brings up the idea. Imagine that; firing a producer for bringing a significantly impactful financial concept to a client; a potentially life changing strategy, because there may be a negative effect on your bottom line. I see it in real life. You can imagine what's going through my mind when I am watching a sporting event and see said insurance carrier spout their flowery, client first rhetoric.

None-the-less, a success story: an advisor introduced an educational institution to me not long ago. The institution owned a million dollar policy on a long time benefactor. Unfortunately the policy was misunderstood and unmanaged and it is dying before the insured individual. In fact, there is no cash value left and they are paying monthly mortality costs to keep it alive.

In the end we managed to find \$500,000 for the institution. \$500,000! Instead of zero! Yes, that's real. \$500,000 rather than \$0. Tell me to my face that isn't the "right thing to do" and we'll see how it goes.