Accept Quality Offers While You Can

Steve Shorrock

By Steve Shorrock, ChFC, CLTC, FLMI

Veris Settlement Partners has been helping financial advisors sell their clients' life insurance policies in the life settlement market for the past five years. We have sold more than $437 million of Death Benefit and provided clients with net proceeds of more than $40 million above Cash Surrender Value.

We have also received quality offers consistent with the policies' value that were declined by advisors' clients. Some of these advisors have come back to us a year or two later, thinking their clients could now get more than the original offer. Unfortunately, that didn't happen.

Life insurance policies are valued in the secondary market by a combination of factors, including premiums to maturity and LE (life expectancy) based on medical records.

Nearly always, after a rejected offer, the revised LE did not go down significantly and the premiums to maturity often had gone up only slightly. (The clients often were not paying premiums). So the offers, if any, were significantly lower than the original ones. What's more, provider enthusiasm was often dampened by a fear that these policies could never be sold.

Here are some examples of recent Veris cases where clients thought waiting would bring higher offers. Sad fact is: the opposite happened.

Robert, a male born in 1919

We tried selling Robert's $850,000 Universal Life policy in 2008. His average LE at that time was 37 months. His policy had a Cash Surrender Value (CSV) of $41,414 and he was paying $90,091 premiums to maturity. He received a top offer of $325,000, which he declined.

Two years later, in 2010, Robert's financial advisor came back saying his client wanted us to try again to sell the policy. Robert's LE declined eight months to 29 months, the CSV dropped to $2,963 as he was no longer paying any premiums and the premiums to maturity had increased to $106,597 annually. We received a top offer of $250,000—$75,000 less than before—which the client again rejected.

Bill, a male born in 1924

The financial advisor came to us three times for a life settlement on Bill's $150,000 policy. The first time, in 2007, there was little interest in the secondary market for policies this small, so we did not receive an offer. But the market for small policies soon opened up and Veris now has a small face program using LEs based on tele-interviews with an underwriting service, IBU, instead of APS's.

In January 2010, we received an LE on Bill of 46 months. Premiums to maturity were $15,223 and the CSV was $1,000. He received an excellent offer of $41,000 which he eventually declined.

At the end of last year, Bill's financial advisor came to us again seeking to sell the policy. There remained minimal CSV in the policy and the premiums to maturity had increased to $16,790. The LE went down just two months, from 46 to 44 months. He received a smaller offer of $34,000, which he has now accepted.

Rose, a female born in 1923

Rose's advisor originally came to us in 2008, seeking to sell her $200,000 Universal Life policy. The premiums to maturity were $21,263 with $6,000 CSV. Her average LEs were 42 months. She rejected a quality offer of $95,000.

Two years later, the advisor came to us again. Her LEs had gone down to 26 months. A smaller offer of $90,000 was accepted.

Phil, a male born in 1926

Phil's advisor came to us in 2008 with a $1.5 million policy. The premiums to maturity were $108,139 and the CSV was minimal. His average LE was 50 months. He declined an offer of $505,000.

Two years later, the advisor came back. The premiums to maturity are now $116,262 and we are awaiting updated medicals to revise the LEs.

Chances are the offers will come in below the previous excellent one. FA

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