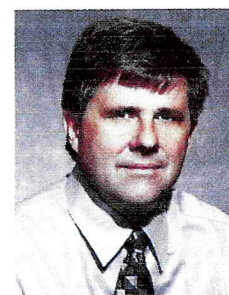


# Best Practices

By Steve Shorrock, ChFC, CLTC, FLMI



Steve Shorrock

Some financial advisors know how to put a life settlement case together; some do not. You can make life easier for everyone, especially your client, by following these steps:

**Know your client's needs**, which include the reason(s) why he or she is selling the policy and how the proceeds will be used. A client's motivation can make an important difference in the strategy and timing of a successful settlement.

**Qualify the case** Most of the market involves insureds over the age of 70 or those 65 and over with health issues. Face amounts of \$250,000 or above.

**Know the desired timetable** Getting the highest price often involves several months of preparation and marketing to get to a closing. If your client is not prepared to wait this long or if the needs are immediate, notify your life settlement broker.

**Prepare the case properly** Make certain the submission package is completed legibly and **all** pages are sent. What might be legible to you is not necessarily legible to another, especially after being faxed and/or scanned.

Collect a copy of the policy and the trust agreements, if applicable, early in the process. Collect a complete set of medical records, including any tests, hospital or specialist visits for the last five years, or ask your broker to do that after your client lists all doctors and medical conditions on the submission package.

Get a copy of the insured's driver's

license. This verifies the client's date of birth as medical records often have varying birthdates.

Notify your broker about the status of new insurance, especially if your client has been rated or declined. Obtain an illustration at minimum level premium to solve for \$1 Cash Surrender Value at age 100 or maturity. We have also found significant value in ordering the Verification of Coverage form the life company at the time the case is being submitted.

**Involve the relevant trustee, attorney or tax advisor**, if applicable. That person should be aware of the planned life settlement. Some life settlements do not close when unaware trustees or attorneys second-guess a process that is just about completed.

**Begin research on any replacement products** Nearly half of all life settlements also involve the purchase of new insurance. Quotes for replacement insurance, long-term care insurance, annuities or other products should be obtained parallel with marketing the policy for settlement. Many providers cannot sit still for long once they have made a firm offer. An accepted offer can be lost while other aspects of the transaction are being organized.

**Inform your client that he/she must continue paying premiums until the settlement money is received** Many clients mistakenly stop paying premiums and let the policy lapse or go into grace. A life settlement cannot be completed under these circumstances.

**Process closing documentation very carefully** Once an offer has been accepted, documentation

can be generated generally within days. Many transactions take weeks or sometimes months to close because of small mistakes or missing information from the client. **Careful attention** to the buyer's checklist, signature requirements and other deliverables can save a lot of time.

**Use one broker only** Choose a reputable life settlement broker to work with. When cases are submitted through multiple brokers, providers do not know who controls the case and usually provide less than optimal offers.

Following these guidelines and double-checking your work will make the life settlement process go much smoother and provide a more timely transaction for your client.

Many advisors are surprised to find out that it takes an average of 35 employee hours here at our firm to take a life settlement case from start to close. Some of that is time spent on the phone and sending e-mails regarding missing or incorrect information.

Adhering to these *Best Practices* will make all our jobs easier. **FA**

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