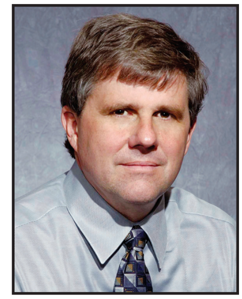
Good Life Settlement Cases Are Finding Offers Once Again



Steve Shorrock

By Steve Shorrock, ChFC, CLTC, FLMI

The worst financial crisis in the past 80 years has had a dramatic impact on the entire financial services industry. Despite the many positive aspects of life settlements as an asset class, the general lack of liquidity and extreme aversion to risk caused institutional investors to at least temporarily leave the space. The number of life settlement cases that closed went down dramatically from 2008 to 2009; by some accounts as much as 80%. Professional money managers, however, cannot remain on the sidelines forever, and the number of potential buyers has gradually increased over the past year—particularly in the last three months.

Cases which fit comfortably within the "buy-box" are once again finding offers. Universal Life and Convertible Term policies that have been in force for more than three years with efficient premiums and consistent life expectancies (LEs) less than 160 months are attracting multiple offers which provide reasonable value to policy owners. There is little appetite in the current market for any type of variable or Whole Life policy and the market for second to die (SUL) is still fairly limited. Here are some examples of just a few of the current cases that have received offers at our firm, Veris Settlement Partners:

$5 Million Universal Life policy

A 70-year-old man with coronary artery disease. His LEs (156 and 163 months) are "long" in the current market environment, but they are consistent and therefore credible. There was no Cash Surrender Value (CSV). The premiums to maturity are $185,000 or 3.7%. A gross offer of $240,000 was accepted and the case is in the closing process.

$4 Million total on three Universal Life policies

81-year-old male with LEs of 70 and 79 months. The premiums to maturity are 6.5% of face amount on each policy (which he can no longer afford) with no virtually no CSV. The top offer is currently 16.5% of face on all three policies.

$3 Million Universal Life policy

An 89-year-old woman with coronary artery disease with her LEs of 43, 45 and 52 months. There was no Cash Surrender Value as the family was paying minimum premium, which they could no longer afford. The premiums to maturity are $242,372 or 8.1%. Several buyers were interested in the policy and the top gross offer was $725,000, which was enthusiastically accepted.

$2 Million Universal Life policy

An 81-year-old man no longer wanted to pay the $101,285 premiums (5.1% of face amount) and pursued a life settlement. His LEs were 122 and 130 months. The CSV in the policy was just above $3,000. He accepted the top gross offer of $271,000.

$1.25 Million Universal Life policy

A 67-year-old male smoker with coronary artery disease. LEs of 114 and 147 months. The premiums were $37,767 or 3.0%. There was no cash in this policy and a $206,000 gross offer was accepted.

$1Million Survivor Universal Life policy

The elderly couple owning this policy could no longer afford the premiums of $117,574 or 11.7% of face amount. The husband is 92 years old and his LEs were 29 and 36 months. His wife is also 92 and she had a LE of 20 months. A gross offer of $160,000 was accepted.

$850,000 Universal Life policy

A 91-year-old man with LEs of 30 and 32 months. The family could no longer afford the premiums of $135,651 (16.0% of face). Given the short LEs, several buyers are interested in this policy and the high offer is currently $270,000.

$600,000 Universal Life policy

A 70-year-old man who had suffered a heart attack 17 years ago and has diabetes. His LEs were 160 and 168 months: long because he is still relatively young for a life settlement, but they were also consistent. The policy was issued Standard in 1992, before his heart attack. The premiums to maturity are $17,178 or 2.9% and there was no CSV; the policy owner was no longer willing to pay the premiums and had intended to let the policy lapse. Several buyers were interested in the policy and the top gross offer was $40,000, which was accepted. FA

Steve Shorrock is President of LifeVentures Corp, which designs new life insurance products and develops marketing concepts for agents, and Director of Veris Settlement Partners, a life settlement firm that brokers seniors' unwanted or unneeded life insurance policies. You can reach him at his Northport, Long Island office at 631-239-6655 or steve@lifeventurescorp.com