

Agents Need to Disclose the Life Settlement Option, According to Ruling in California Court Case

A California husband and wife brought a class action lawsuit this past January against Lincoln National Life Insurance Company, alleging they did not know they could sell their \$7.2M life insurance policy in the secondary market. The couple said that they twice had to reduce the size of the policy because they could no longer afford premiums, leaving them with only \$2M of coverage.

The lawsuit was filed on behalf of Larry Grill, his wife, Joan Grill, and Steven Grill, the trustee for the Grills' estate and owner of the \$7.2 million policy the Grills ultimately were forced to reduce to \$2 million because they couldn't afford the payments.

The Grills further alleged that the Lincoln agent gave them only two options: pay higher premiums or surrender all or part of the policy.

The third option not discussed by the agent was a life settlement, the sale of an unwanted or unneeded life insurance policy in the secondary market. In this case, as the Grills could no longer afford the premiums, they could sell the policy to an investor, usually for many times greater than the Cash Surrender Value. As such, the life settlement could provide a "win/win" scenario, where the insureds receive a payment and no longer have to pay premiums and the investor receives a non-correlated asset that will one day produce a return.

"The active concealment of the option of a life settlement is a common and regular practice employed by [Lincoln National], and indeed is a pervasive practice in the life insurance industry," the complaint said. It was filed in Federal District Court in Riverside, Calif.

The Judge ruled the plaintiffs had sufficiently alleged a duty to disclose on the part of their life insurance agent, who did not tell the Grills about the life settlement option.

This case could be significant for both the life insurance and life settlement industries. Life settlement players have long stated that insurance companies who do not permit their agents to discuss life settlements are doing their clients a disservice as they may be foregoing the very best option.

Since 2006, Veris Settlement Partners has helped policyowners receive over \$60 million more than if they surrendered their policies back to the insurance carrier. Veris Directors **Steve Shorrock** and **Russel Dorsett** served as CEOs of highly-rated insurance carriers plus Mr. Dorsett served as President of LISA, the Life Insurance Settlement Association. At Veris, our knowledge of the life insurance and life settlement market differentiates us from other intermediaries and makes us an indispensable partner from start to close.

Please call us at 631-239-6655 to get pricing on your policies.