



The Secondary Market Life Settlements Are Consumer-Friendly All Around

By Steve Shorrock,
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As a life insurance executive for my entire career and President/CEO of Bankers Life of NY from 1990 to 2003, I'm very well aware of the importance of life insurance to families and businesses and the role of you, the agent, in helping others. But often lifestyle changes dictate the review of a client's existing life insurance coverage.

The need for life insurance changes as insureds mature. Wouldn't it be great if a life policy would be designed that meets lifestyle changes through the life of the insured? Life settlements are an extension of the life insurance industry and a potential option for insureds going through these changes.

About half of life settlement proceeds are used to purchase new insurance. This includes more efficient life insurance coverage, LTC policies plus annuities to provide for lifetime income. A strong secondary market makes life insurance a more attractive product. Having a potential "exit strategy" will ultimately encourage more people to purchase life insurance, buy bigger policies and hold on to them longer. It will open the door to new products that focus on living benefits as well as death benefits.

I receive daily phone calls from agents about the viability of selling a policy in the secondary market. Since life insurance is property, insureds have the right to sell their unwanted or unneeded policies. The value provided to consumers is often multiples of the cash surrender value if they were to "settle" (surrender or lapse) with the insurance company.

Consumers can use the proceeds to support lifestyle changes. It's the agent's fiduciary responsibility to present a life settlement as an option for clients. An alarming statistic from a leading actuarial consulting firm, Milliman and Robertson, states that 88% of all UL policies never result in a death claim.

Here are examples of actual cases written by agents with whom we work. They show how consumer-friendly life settlements are.

From Bill Benedict, Vice President of Jack Quinnan Associates in Binghamton, NY

"We just completed a life settlement on Jim, age 83, a retired businessman who has been our client for

nearly two decades. Jim's UL policy with a face amount of \$540,000 was 'running out' and the premium was no longer affordable. The insurance, originally Key Person, had served its purpose and was no longer needed. We were able to receive \$101,000 of value in the policy through a life settlement. The money was well-received, especially as Jim's wife was ill and receiving experimental treatment not covered by their medical insurance. Needless to say, our clients were very pleased with what Select Life did for them. The bottom line is everybody wins."

From Paul Gomperz, President of VBS Consulting Group LLC in Millburn, NJ

"Jack has been my client for 15 years. At retirement, his \$400,000 Group Term policy was too expensive to convert. Instead he purchased a new \$400,000 UL policy that was needed for only 4 to 5 years as his estate would be set at that point. At the end of this 5-year period, Jack approached me about surrendering the policy. The cost to carry it to maturity was very expensive since Jack had paid minimum premiums. At that time, I turned the case over to Select Life and they were able to get Jack an offer of \$144,000, compared to a minimal Cash Surrender Value. Jack can now afford to pay his and his wife's LTC needs for the foreseeable future."

From Jim Meyer, Vice President of Heritage Group LLC in Melville, NY

"Our client Gladys, age 71, had a \$1 million UL policy and was paying \$72,000 in annual premiums. The cash value of the policy was \$51,000. Gladys came to us when she could no longer afford the premiums. With the help of Select Life, she wound up settling her policy for \$155,000. A very nice win for her."

June is Life Settlement Awareness Month. There is no better time to start talking with your senior clients about the benefits of a life settlement for life insurance policies that are no longer wanted or needed.