

Selling life insurance has often been thought of as a one-time transaction. But today, your life insurance clients can become life-long by utilizing life settlements.

These transactions provide you with the opportunity to reconnect with clients and sell them new services. Indeed, you have the fiduciary responsibility to discuss this option within the client's financial plan.

You help your clients choose an appropriate life policy based on projected end-of-life needs and desires. Life insurance provides wonderful financial solutions to meet various needs of businesses and families. But as the years go by, clients' lives and financial needs often change dramatically. As many of your clients approach their 70s and beyond, life insurance products sometimes make up a disproportionate amount of their net worth.

Most clients in this situation had no choice but to continue paying premiums, let their coverage lapse or surrender for minimal cash value – until recently.

According to Milliman and Robertson, a leading actuarial consulting firm, 88% of all Universal Life policies never result in a death claim.

Think of a client to whom you sold a policy 15 years ago. He/she has a heart attack. Until then, your client was comfortable living off a pension, but now most of the income must go for medical expenses. The money that would have been used to pay for life insurance premiums is now redirected. The policy is in danger of lapsing.

#### **This client is a prime candidate for a life settlement.**

We are currently working on a life settlement case in which the proceeds will fund a couple's immediate long-term care needs. The alternative is not an option.

**Other reasons** for pursuing a life settlement include:

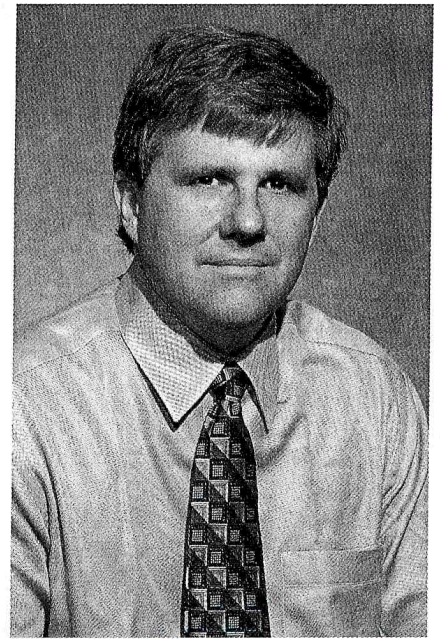
- Change in life circumstances such as death of beneficiary or divorce.
- Change in finances or estate planning needs.
- Business arrangement changes such as the key person is no longer with the company.
- Beneficiaries no longer need the policy.
- Insured wants to make a large gift to charity, an organization or family member.
- Client has an underperforming policy.

**You probably have** clients for whom life settlements would be appropriate. The mere presence of the life settlement market allows you to gauge a policy's worth in market terms. A 2006 study by LISA, the Life Insurance Settlement Association, found that nearly half of life settlement transactions resulted in the sale of a *new insurance product*.

For a long time, insurance companies were essentially the only market for this commodity in which an individual or business had been investing for many years. The advent of a secondary market for life insurance policies has now created a *free market* for policyowners to value their insurance just as they do other assets, such as their home and car.

A recent article, *The Benefits of a Secondary Market for Life Insurance Policies*, published by the American Bar Association, concluded that the secondary market is both pro-competitive and pro-consumer. Over the last five years, life settlements have paid policyowners over \$5 billion in excess of the cash surrender value.

As baby boomers retire, the life settlement market will continue its upward growth. According to Bernstein Research, by the year 2030, there will be 72 million seniors age 65+ who will control \$800 billion of life insurance, of which \$161 billion would be eligible for life settlements.



## **The Secondary Market Reconnect With Clients By Selling Them New Services**

By Steve Shorrock,  
ChFC, CLTC, FLMI

*Steve Shorrock is President of LifeVentures Corp, which designs new life insurance products and develops marketing concepts for agents, and Co-Managing Director of Select Life Settlement Corporation, 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](mailto:steve@lifeventurescorp.com)*