

# The Secondary Market

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## Road Map to a Successful Life Settlement

Some producers we work with have a very high success rate when they bring policies to Veris for sale in the secondary market as a life settlement. Here are five important steps they take in their life settlement business:

### 1. Finding and mining life settlements

Successful agents scan their database of policies and insureds. Producers must be vigilant looking for life settlement situations, which is usually the time between the decision to lapse or surrender a policy and when the policy is actually lapsed or surrendered. The most likely situations that could lead to a life settlement include:

- The policyowner is not paying the premiums
- Death of a spouse or intended beneficiary
- Divorce
- A decline in estate value and/or a decrease in estate tax liability
- Sale of a business or other illiquid asset
- Retiring or exiting for a business that has key person, buy/sell or executive bonus plans
- Bankruptcy or decline in value of business
- Term policies that are going to lose the conversion privilege
- Funds needed for retirement, long-term care or to repay debt

### 2. Determining with the help of Veris' expertise whether a case is viable

Generally, producers will come to Veris first to determine whether a case has value before having the submission package signed. We are very happy to price the policy with a current illustration using our advanced software as well as review medicals should the producer have them available.

On occasion, we will receive a completed submission package with no previous knowledge of the policy and the case is not viable. Perhaps there has been no change of health since policy issue, there is a maturity extension risk to the policy that cannot be overcome, the insured is too young and healthy, the policyowner is from one of the few states with restrictive laws (i.e. New Hampshire) there is an issue with the origination of the policy, etc. The experts at Veris can determine whether a case will be viable and suggest we do this at the very start of the process before a submission package has been completed.

### 3. Determining and managing client expectations

Many policyowners have very high expectations for what they should be receiving in a life settlement and Veris will let you know whether it's possible to meet the expectations. The producer needs to find out upfront what the expectations are. In some cases, the client will not have any expectations so the producer should determine if the estimated range of offers provided by Veris would be acceptable.

It's also important to make certain that the insured and policyowner realize that this is not a quick process. From submission, life settlements average three months for the policyowner to receive funds. If the policy has no or little cash value, premiums must be paid until the policy closes.

### 4. Submitting a complete file

Many Providers need **ALL** of the following in order to offer on the policy:

- Complete submission package including any state-specific forms, if applicable (We do not need originals, just a copy)
- Medicals from the past five years (If available; if not, Veris will secure these)
- Illustration with level premiums to maturity
- A copy of the policy and application
- If trust-owned, a copy of the trust
- If corporate-owned, a copy of the articles of incorporation, a list of current officers and the corporate resolution
- If premium financed, a copy of all the finance documents
- A clear copy of the Driver's License of the insured

A complete file can be the difference between a policy receiving offers and one that languishes in the market. Veris will secure other information from the insurance carrier including verification of coverage, premium history and additional illustrations if required.

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In order for the producer to receive commissions, he/she must be licensed in the policyowner's state. What this entails depends on the state and it is generally an easy process so contact Veris for the information. Producers need not be licensed to submit a case but should start the process once an offer is accepted if not before.

## 5. Getting the material needed to close

The more material that the producer provides when submitting the case, the easier it will be to close on the policy. Liz Ramirez, who runs Veris' closing department, puts color-coded stickers on the closing documents to make the process go as smoothly as possible. There will be some material requested during the close that was not asked for upfront.

Because of the complex nature of a third party securing clear title to a financial asset, the contracts are voluminous and require multiple signatures. Producers can resolve questions in

advance if they let clients know what to expect and that it will be to their benefit to sign as quickly as possible. After all the documents have been properly signed, the entire transaction is reviewed by both the purchasing entities' respective legal department and representing escrow agents.

The last hurdle is getting the ownership and beneficiary changed at the carrier. If the producer has a carrier contact to expedite the process, so much the better. Depending on producer input plus the timely manner in signing the closing documents will expedite the length of the life settlement process.

Since large sums are often being passed from one entity to another, clarity, understanding, patience and clear expectations are essential to helping clients maintain a comfort level throughout the transaction.

Most states have a 15-day rescission period after the policy proceeds are paid to the owner for the commissions to be paid.

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Since 2006, **Veris Settlement Partners** has helped policyowners receive over \$50 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.

**Now's a wonderful time to submit policies for review as the capital currently exceeds the number of policies in the market and good policies are receiving multiple offers once again.**

For more information or to get pricing on your policies with our advanced software, please contact Veris at 631-239-6655.