

Robin & Peter on LIFE SETTLEMENTS



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What Makes a Case?

In our day-to-day conversations with producers, one of the most frequently asked questions we receive is to briefly describe the parameters for a prospective life settlement case. Although there are no specific requirements, here are some general criteria to look for:

- Face amount: Generally \$500,000 and up, but there are exceptions. For example, Medicaid life settlements can go as low as \$50,000.
- Health: Some decline in health since the policy was issued; should generally now be rated or uninsurable.
- Age: 70-plus works best, but the younger the insured, the more significant the health issues required. Occasionally down to 65 or less, but with very, very serious health problems.
- Policy: Single-life UL and term convertible to UL, survivorship life with one deceased. (Whole life and survivorship, with two alive, are rare, but possible, if really significant health impairments exist.)
- Insurance company: Generally require well-rated companies.
- Situation: A life settlement should be considered only as an alternative to lapse or surrender, not as an alternative to keeping a policy. With today's life expectancies and investor rate of return requirements, you will never get a good enough offer to make it beneficial to sell a policy as an alternative to keeping it. Only once the lapse/surrender decision has been made should a life settlement be investigated. Additionally, life settling and replacing does not work either because, if the insured is healthy enough to qualify for new coverage at more attractive pricing, then the old policy won't work for a settlement. What could work, if appropriate, is settling an individual policy on an unhealthy insured and using the proceeds towards a survivorship policy with a healthy spouse.

Many producers would like to help their clients with policies that are about to be lapsed or surrendered, but they are not sure what makes a case nor how to proceed. Give us a call and we'll be glad to help you determine if a life settlement is a possibility, as well as help you through the process. Remember, if in doubt, it can't hurt to ask.

Contact us:

Robin S. Weinberger, CLU, ChFC, CLTC
(617) 451-3343

Peter N. Katz, JD, CLU, ChFC
(860) 673-3642

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