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The How-To Resource for Insurance Producers

NATIONAL EDITION



How to Keep Long-Term Clients with Life Settlements

BY LARRY SIMON

Selling life insurance was once thought of as a one-time transaction. But in today's environment, your life insurance clients can become lifelong clients by using life settlements. These transactions provide you with the opportunity to reconnect with clients and sell them new services.

If you are like other agents, you've helped many clients choose an appropriate life insurance policy based on their projected end-of-life needs and desires. However, as the years go by, clients' lives and financial needs can drastically change. In fact, as many of your clients approach their 70s and beyond, life insurance products may make up a disproportionate amount of their net worth. Until recently, most individuals in this situation had no choice but to continue paying premiums, let their coverage lapse, or surrender the policies for a minimal cash value.

Think of a client that you may have served 15 years ago. Imagine, for a moment, that they survived a major heart attack this past year. They may have been comfortable living on their pension, but now the bulk of their income goes toward hospital fees, doctor visits, medication, and other medical expenses. The money they would have used to pay their life insurance premium is now redirected, and their policy will lapse. This lapse occurs with more than 90 percent of policyholders.

AN OPPORTUNITY FOR AGENTS

Life settlements offer you another tool to help

your clients properly manage their wealth. Once you determine that a life policy no longer fits your client's current or future needs, you can offer a valuable service by facilitating a conversion of that life policy into cash. With the cash they earn from a life settlement, clients may reinvest in such products as fixed or variable annuities, long term care insurance, stocks, bonds, or mutual funds. Should it fit their needs, clients may also purchase a new life insurance policy with terms that are better suited to the client's current situation, such as a new individual policy or joint and survivorship coverage.

GROWTH AND SUITABILITY

The secondary market for life insurance has grown quickly and may be ready to explode. In April 2005, the Life Settlement Institute released statistics indicating that life settlements have paid life insurance policy owners an aggregate of more than \$1 billion more than cash surrender for their policies.

If you are an agent in the senior marketplace, there's a good chance that you have a client for whom a life settlement would be an appropriate solution. The mere presence of the life settlement market allows agents to gauge a policy's worth in empirical terms.

As with any insurance product, however, life settlements are not for everyone. Life settlements are designed for people who are not

suffering from a life-threatening or catastrophic illness and whose life expectancy is greater than two years but typically not more than 10. The policy must have been issued two or more years ago, generally by an "A"-rated U.S. insurance company. Any type of life insurance, even those held in irrevocable life insurance trusts, may qualify. A typical life settlement candidate has \$500,000 or more in universal life coverage.

PROVIDING SOLUTIONS FOR MANY SCENARIOS

There are various reasons why life settlements may work for some clients. Perhaps the policy owner has accumulated enough wealth that they are now essentially self-insured. In other cases, the policy premiums may have become too expensive and unaffordable and the client would like to seek other coverage. Or, a policy owner may choose to remove a policy from a taxable estate or replace a single-life policy with a joint and survivor policy.

Most importantly, a life settlement will give your client options regarding an asset that previously was not liquid. Through life settlements, agents are adding value to their client relationships and perhaps making an everyday client out of what was previously a one-time transaction customer.

Larry Simon is director, chief executive officer, and president of Life Settlement Solutions Inc., based in San Diego. For more information, visit www.lss-corp.com.

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