

# Life Settlements: Should You Work with a Broker or a Provider?

by Larry Simon

**D**etermining whether to work with a life settlement broker or provider can be the first step to entering the life settlement industry. Many financial professionals have heard of life settlements, but have yet to work with them. Partnering with the appropriate provider or broker can help you maneuver the intricate settlement process while gaining a better understanding of various state regulations.

### Life Settlement Eligibility

To review, a life settlement is the sale of life insurance policies on the secondary market. The insured relinquishes ownership and policy obligations to a third-party life settlement company and gets an immediate cash payment, which is often significantly higher than the policy's cash-surrender value. The cash payment can then be used to fund financial planning needs. The institutional investor collects all benefits associated with the policy upon the death of the insured.

While life settlements can offer a positive benefit for many seniors, they are not for everyone. Keep in mind that such transactions are for those who are free from catastrophic disease or illnesses. Candidates must also have life expectancies longer than two years with policies that are beyond the two-year contestability period before evaluation. Historically, eligible policies needed to be more than \$250,000 in face value. However, a number of smaller policy settlement providers have expanded the marketplace to include policies with face values as low as \$50,000.

### Working with a Broker or Provider

Always consider the following factors when partnering with a provider or broker:

- The number of transacted life settlements.
- Knowledge of licensing requirements in states where the financial professional does business.

- A network of relationships with trusted settlement providers.
- The ability to get the necessary documentation to submit cases for evaluation.
- An infrastructure to support all aspects of the life settlement transaction process for clients.

### Brokers

If you have not met the above guidelines, you should work with a broker. Brokerages aggregate and submit life settlement cases to the appropriate providers for bids. Brokers can facilitate the transaction process for the professional, adding expertise to



those who are new to the life settlement industry. Brokers can also facilitate all aspects of the life settlement process including soliciting bids from multiple providers with whom they have established relationships, negotiating cases, completing contract-closing processes, and getting the necessary documentation.

Look for one with extensive state licensing, a clean history of customer and regulatory complaints, a track record of successful performance, and access to multiple providers with institutional capital. It is also a good idea to look for brokers who offer services, such as getting medical information and providing full due-diligence information, in-force policy illustrations, life expectancy reports, and structured compensation to producers.

### Providers

If you have the necessary experience and licensing, you can work directly with a life settlement provider. Providers issue bids and purchase policies on behalf of institutional investors. This is a good option for anyone who is completely familiar and comfortable with life settlements and all steps of the transaction. If you choose this option, always remember to solicit bids from at least three providers to help fulfill your fiduciary responsibility.

Look for providers with a clean history of customer and regulatory complaints, in-house legal counsel, competitive pricing capabilities, and a proven leadership team. It is also important to look for providers that are large reputable organizations with extensive state licensing, have access to institutional capital, offer full due diligence information, and have demonstrated successful performance with \$1 billion or more of purchased face value.

### How to Learn More

Working with only the best and most trustworthy life settlement brokers and providers can help you become more successful. The following websites offer detailed information on finding trustworthy brokers and companies:

- The Life Insurance Settlement Assn. ([www.thevoiceoftheindustry.com](http://www.thevoiceoftheindustry.com)).
- The National Conference of Insurance Legislators ([www.ncoil.org](http://www.ncoil.org)).
- The Life Settlement Awareness Month Web site. ([www.lifesettlementawareness-month.com](http://www.lifesettlementawareness-month.com)). You can download presentations on various life settlement related topics and a 50 state-approved continuing-education course. □

*Larry Simon is director, CEO, and president of Life Settlement Solutions Inc. in San Diego, Calif. Life Settlement Solutions and its management have purchased life insurance policies in excess of \$2 billion in aggregate face value to date. For information, visit [www.lss-corp.com](http://www.lss-corp.com) or call 858-576-8067.*