

# How to Get Started in the Life Settlements Industry

by Larry Simon

**B**efore beginning the intricate life-settlement process, it is important to determine whether to work with a broker or directly with a life-settlement provider and to know the difference. A provider is an organization that issues bids and purchases policies on behalf of its institutional investors, while brokerages aggregate and submit life settlement cases to providers on the client's behalf. Life settlements are in a specialized segment of the life-insurance industry with a number of regulatory requirements that must be followed. Because of this, it is important for financial professionals to evaluate their experience when considering with whom to partner. Consider the following factors before deciding between working with a brokerage or provider:

- Number of life settlements transacted in the past
- Knowledge and ownership of licensing requirements in the state where business is conducted.
- The ability to obtain necessary documents required for submission for case evaluations.

- A network of relationships with reputable providers.
- A system to support the life-settlement transaction process for eligible clients.

Financial professionals who do not meet these requirements may benefit from working with a broker. A broker can help facilitate the life-settlement process by soliciting bids from multiple providers, dealing with case negotiations, and completing the closing process. Financial professionals who feel they do not meet the requirements can work directly with a provider. When using this option, it is important to get competitive offers and solicit bids from at least three proven providers.

## Due Diligence When Considering a Partner

Financial professionals should always perform due diligence by gathering information on brokers and providers from a number of trustworthy sources. This can help ensure that the clients' needs are met, that all regulatory requirements are followed, and that they are working with the best providers and brokers.

When considering a provider, look for large, reputable organizations with extensive state licensing, in-house legal counsel, a successful leadership team, and demonstrated performance -- typically \$1 billion or more of purchased face value. Also, look for providers that use institutional capital, have competitive pricing capability, have a clean history of customer and regulatory complaints, provide educational resources on the industry, and provide full due diligence information.

Many of the same rules apply when searching for a qualified broker. It is important to focus on those who have extensive state licensing, access to a number of providers with institutional capital, demonstrated performance, a clean history regarding customer and regulatory complaints, and the provision of full due diligence information. Additionally, brokers should offer structured compensation to producers and numerous services including procurement of medical information, marketing and educational tools, enforcement of policy illustrations, and reports on life expectancy.

## How to Learn More

Life settlements can be a beneficial financial tool for financial professionals who are looking to expand their practice and fulfill professional responsibilities to clients. Those interested in beginning to transact life settlements can look to a plethora of Websites dedicated to the secondary market. They can offer more detailed information on the industry and on the settlement process. Associations, such as the Life Insurance Settlement Association (LISA), The National Association of Insurance Commissioners (NAIC), and the National Conference of Insurance Legislators (NCOIL), all provide updates on changing industry regulations and policies, as well as other industry-related information. Financial professionals can also learn more through broker and provider Websites, relevant articles in trade publications, Life Settlement Awareness Month Webinars, and state-approved continuing education courses for life insurance or other professional licensing. □

*Larry Simon is director, chief executive officer and president of Life Settlement Solution Inc., based in San Diego. Life Settlement Solutions Inc. founded Life Settlement Awareness Month to provide training on life settlements for financial professionals and the opportunity to earn CE course credit. For more information visit [www.lss-corp.com](http://www.lss-corp.com) or call 858-576-8067.*