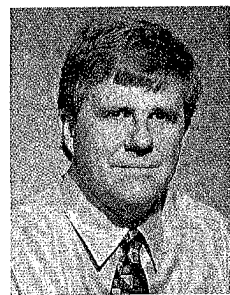




The Value of Using an Experienced Broker



Steve Shorrock

By Steve Shorrock, ChFC, CLTC, FLMI

Most people wouldn't want to be a surgeon's first patient or defended in a courtroom by a lawyer who had never before tried a case. Experience counts, especially in situations that involve complexity and require specialized knowledge.

Such as Life Settlements.

These transactions are relatively new to the financial services universe. Even the most experienced financial professionals often need help to protect their clients' interests.

Two recent cases illustrate why a professional life settlement broker with experience in both the primary and secondary markets can make all the difference.

The first involved a 66-year-old woman with an extensive history of cancer. After surviving three previous malignancies, she was diagnosed with stage IV (incurable) lung cancer in 2004, which forced her to take a retirement package.

Thanks to some good advice from her insurance agent, she exercised the conversion privilege included in her employer's group life program and was issued an individual policy for \$500,000 a year ago. She would not have otherwise been able to obtain life insurance. But the premiums turned out to be a substantial burden so she was advised to look into a life settlement.

Not surprisingly, an independent life expectancy study came back at less than three years, suggesting that the policy could be worth more than \$250,000 as a life settlement despite the high premium required to support it. But the newly-issued conversion policy did not contain the endorsement waiving con-

testability and suicide, even though it should have.

While many providers rejected the submission upon receipt, the experienced broker convinced some of them that the policy was not contestable and offered substantial value for the right buyer. Several offers were ultimately obtained and the winning bid was in excess of \$250,000.

While securing a good price was difficult, the closing process proved even more challenging.

Although the carrier, when contacted originally, agreed that the policy should be incontestable, it refused to issue the necessary endorsement to allow the ultimate buyer to get clear title.

A review of applicable law showed that a "contestable" conversion was illegal in the insured's state and that the policy had been improperly issued in several respects. A candid conversation with the state insurance department confirmed this opinion, which was eventually accepted by the carrier, who then provided the necessary endorsement. Bottom line: the elderly woman got the funds badly needed for medical care.

Without a solid understanding of both law and best practices in the primary insurance market and the ability to work closely with attorneys, this story would not have had a happy ending.

The second case involved a large

policy which had originally been issued as a split-dollar with a major multinational bank "owning" \$1.6 million of the death benefit. While the policy was very desirable from a pricing standpoint, a number of major providers "passed" fearing that the transaction would never close. Besides the need to "unwind" the split dollar endorsement, the policy was held in a complex trust arrangement and was on the verge of lapsing.

Given a thorough understanding of what was needed to happen and in what order, the experienced broker worked closely with the insurance agent and attorneys for the client, the bank and provider to develop and execute a closing strategy. The transaction was successfully executed within one month of the offer being accepted. Net proceeds of more than \$3 million were generated from the sale of a policy that was close to lapse.

Even apparently straight-forward life settlement transactions can be difficult to complete, but in complex cases, real-world experience can make all the difference. **FA**



.....
Steve Shorrock is President of LifeVentures Corp, which designs new life insurance products and develops marketing concepts for agents, and Co-Managing Director of Select Life Settlement Corporation, a life settlement firm that brokers seniors' unwanted or unneeded life insurance policies. You can reach him at his Northport, Long Island office at 631-239-6655 or steve@lifeventurescorp.com