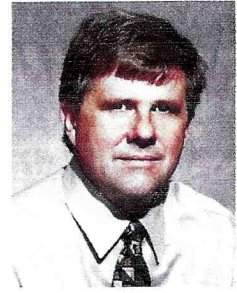


Setting Client Expectations

By Steve Shorrock, ChFC, CLTC, FLMI



Steve Shorrock

Properly setting client expectations in life settlements is crucial to the success of the entire transaction.

A life settlement is almost certainly new territory for your client. So helping him or her understand the process can be the difference between a successful transaction and a waste of everyone's time and effort. There are a number of critical points which must be properly explained. Among them:

- Explain why a life settlement could be a solution, but also fully explore the alternatives. Whether or not replacement coverage is available should certainly be discussed, as well as the potential for liquidating a current policy that is no longer wanted or needed. If premiums are no longer affordable, you may be able to offer the current policy for settlement and use the proceeds to reduce the required future outlay on a new (and possibly more efficient) policy.

Your life settlement broker should provide estimates of what a life settlement might offer for your client. You would need to provide age, gender, medical condition, type of policy, face amount, approximate policy issue date, state where the policy owner resides, and the required premium to maturity. **Be careful, however, not to set expectations too high.**

- When discussing life settlements and the settlement process, explain to your client that this is a policy

valuation process that uses both medical and actuarial information. We submit our clients' policies to as many as 30 providers, who in turn go to all their funders. As a result, the actual process from submission to offer can take several months. If the client isn't prepared for this, you can expect a lot of unnecessary phone calls and frustration.

- Provide regular updates to your client. Your broker should communicate with you on a regular basis, letting you know where things stand.
- Once final offers are presented and accepted, the contract process begins. This involves the formal acceptance by the client of a legal agreement to sell his/her their life insurance policy. Because of the complex nature of a third party securing clear title to a financial asset (the policy being settled), these contracts are voluminous and require multiple signatures. If your client isn't prepared for this, he or she may be overwhelmed and alarmed. You can resolve a lot of problems in advance if you do a proper job of setting expectations.

After all the papers have been signed, the entire transaction has to be reviewed by both the purchasing entities' respective legal departments and representing escrow agents. Additional "follow-up" documents are often requested from the funding entity in order to finalize the transaction. Here again, if your client expects this you can head off problems in advance.

Next, the proper carrier change forms need to be submitted and

approved to indicate the new owner and beneficiary as the purchasing funder. Once all of this is accomplished, the client receives the settlement funds per the settlement agreement. Your relationship with the carrier can have a tremendous impact on how long this ownership change takes, so get involved as soon as you are notified that the request for change of ownership has been sent to the carrier.

The proceeds from a life settlement can range from thousands to millions of dollars. Since large sums are being passed from one entity to another, clarity, understanding, patience and clear expectations are essential to help your clients maintain a comfort level throughout the transaction. Your client is looking to you for insight and professionalism. You should expect the same from your broker.

Taking the time to walk your clients through the process and properly setting their expectations will prove invaluable for both you and your clients. Your life settlement broker should be there to help at every stage of the process.

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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