

How Life Settlement Producers are Building Their Book of Business

By MARLENE FRITH

As the life settlement industry earns its way into the mainstream of insurance solutions available to high-net-worth seniors, insurance producers are examining strategies to capture their share of this rapidly expanding marketplace. Two common business development approaches being used by producers include:

1. Reviewing their current book of business for seniors over the age of 70
2. Building their referral network among estate planning attorneys, financial planners, CPAs, and other professionals who cater to high-net-worth clients

Current clients

In terms of their current book of business, producers are approaching life settlements as the next logical stage in an insurance policy's "product life cycle." Policies that may have been purchased years ago may not be performing according to expectations, often resulting in increased premium payments and a burden to the insured. Many seniors who are stuck with these policies may not know that they have the option of selling the policy on the secondary market. Some producers who conduct policy reviews may wish to

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When discussing life settlements with a senior, one of the most important questions that financial professionals should ask themselves is: "Is a life settlement the best solution for this client in this specific situation?" A follow-up question would be: "If I were this senior, would I choose a life settlement under the same circumstances and knowing what I know about life settlements?"

Producers should thoroughly review the policy's performance and discuss the client's original intent for the policy. When presented with the idea of a life settlement by their insurance agent, high-net-worth seniors will often say they want to consult other members of their trusted team of advisors. You should offer to collaborate with the senior's CPA and estate planning attorney to evaluate all the ramifications of keeping or selling the policy, such as tax consequences, opportunities for charitable giving, the availability of less-expensive replacement coverage,

the purchase of long term care insurance using the life settlement proceeds, whether the policy is draining cash held in a trust, and so forth.

Life settlement networking

An added benefit of collaborating with a senior's team of advisors is it can lead to new professional relationships for insurance agents and provide a springboard for expanding one's referral network and for writing new insurance products. CPAs and estate planning attorneys who work on a fee-only basis are excellent sources for life settlement cases and other insurance products. Because they are accustomed to working with high-net-worth clients, fee-based professionals who have little background in the insurance industry may be looking for a resource who can help with life settlement transactions.

Another way to strengthen one's referral network is to offer assistance to CPAs or estate planning attorneys in conducting policy reviews of trust-owned life insurance. As trustees for

these policies, attorneys and CPAs are often expected to perform periodic reviews of life insurance policies and typically seek the assistance of a trusted insurance professional for this task.

Industry experts have estimated that a large percentage of life settlement transactions are conducted for the purpose of funding replacement coverage. This scenario provides an added benefit for the insurance producer, since they can receive commission on the new insurance product in addition to earning commission on the life settlement transaction.

Today's insurance producers have the opportunity to leverage the secondary market for life insurance to build their current book of business. Knowing how to approach senior clients with the life settlement "value proposition" and how to utilize their referral network effectively is essential to success in this market.

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