

# The Life Settlement Industry: The Year In Review

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2005 has proven to be another banner year for the life settlement industry. In addition to a substantial increase in membership in the Viatical & Life Settlement Association of America (VLSAA), we saw movement in the needle on a number of other fronts.

## Liberalization of Licensing Requirements

The good news is that more than half of the states now have some form of life settlement regulation. This past year Indiana, Georgia, and New Jersey joined the ranks of regulated states, and Colorado will become a regulated state on January 1, 2006. To date, 12 states now have what is called “producer authority” which enables a licensed life agent to conduct a life settlement under authority of their existing life license via a registration process with the state insurance department.

## Higher Offers from Funders

Capitalization available to funders on the secondary market increased substantially this year where we saw an influx of investment capital from Germany and England. As more money becomes available, the demand for product flow increases, thus creating an environment where offers are even more competitively priced. In addition, another factor driving an increase in the pricing of offers from funders is the involvement of life settlement brokers. We were recently asked to submit an offer on a case where the agent had received a \$400,000 offer from a funder. We shopped the case to our network of multiple funders and returned an offer nearly three times that amount. This was an eye-opening experience for the agent who saw first-hand the power of a life settlement broker to influence secondary market dynamics in favor of his client.

## Increased Value to the Consumer

As more seniors choose life settlements for unwanted policies, awareness of the product continues to increase within this demographic group. As a result, more and more seniors are approaching their professional advisors to ask about the product. Based upon the volume of life settlements we have handled over the past year, we estimate that our transactions alone are providing seniors with approximately \$10 million per month beyond the cash surrender value of their life insurance policies. Although a large percentage of these seniors are using the proceeds to purchase replacement coverage, others are using the proceeds for new investments, lifestyle needs, or for cash gifts.

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## Interdisciplinary Approach to Life Settlements

This past year we also witnessed a more collaborative or interdisciplinary approach to life settlements as CPAs, estate planning attorneys, financial planners and agents incorporate life settlements within their practice management for high net worth seniors. Working together as a team for the benefit of the senior client is always an effective strategy that supports the win-win value proposition for both the senior and the senior’s team of advisors.