

Agent Beware of Life Settlement ‘Singles’

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Simple question: would you sell your house at an auction that had a single bidder sitting in the audience? Not very likely. You wouldn't do that because selling something to only one bidder vastly reduces the possibility that it receives fair market value. Far better to seek offers from many potential buyers, and negotiate for the best possible price. This same principle applies to life settlements.

Of course, you could try to generate multiple life settlement offers yourself. First, you will have to obtain a broker's license in any state that has licensing requirements for the life settlements industry. After that paperwork, there's more paperwork. Life settlement application forms are not standardized, so you would have to create your own and ensure they meet your state's standards. Next you would have to 'vet' several funding sources (providers), to ensure that each is fully compliant in your state, or in all the states where you do business. Because so many states are developing their initial licensing for this industry, this process must be maintained on an ongoing basis. Once you have a roster of current qualified providers, you would submit your client's life settlement application forms to as many of them as possible, along with your client's medical records. Keep in mind that any medical release must be compliant with the Health Insurance Portability and Accountability Act (HIPAA) of 1996. When you receive the settlement offers, recognize that providers are in business to make money for their investors by paying as little in life settlements as possible. That's particularly true when your amount of business comes under the providers' category of 'small fry'. So you might want to brush up on your negotiating skills, in order to get the best value for your client.

The alternative is to call an experienced life settlements broker, who will do this work on your behalf. Plus, a broker has three invaluable assets to bring to the table: leverage, negotiating experience and competition. But first, let's talk money.

Dispelling the Full Commission Myth

In general, it's not true that a single provider will pay you more to work with them exclusively. You will likely receive the same commission that you would receive from a broker. However, with a broker you do much less work and your client stands to make much more because the broker negotiates with competing providers.

It is true that if you go to a single provider you might not receive any settlement for your client or get any commission. That can happen if your client's policy does not fit that particular provider's buying parameters.

What Does A Broker Do?

The broker first analyzes the specifics of your client's case: the policy's premiums and face value, the rating of the insurance company, the state of residency of your client. Second, the broker retrieves the client's medical records. Third, the broker matches these specifics to the buying parameters of its many providers. The parameters can vary considerably, even from month to month. For example, some providers won't buy a policy unless the face value is \$250,000 or more. Others won't buy a policy if the insured's life expectancy is over five years. A good broker will maintain a large network of providers to ensure it has access to the widest possible range of buying parameters.

Further, a broker has the leverage of being a large supplier to the providers. In the majority, providers rely on brokers to produce a steady supply of qualified policies. Currently, a well-established broker can send its providers from 50 to 200 cases per month. This reality places the broker in a position of strength; clearly, it's in the providers' interest to stay on good terms with the

broker and to submit highly competitive life settlement offers.

Is One Provider's Cash Better Than Another's?

No, it is not. The only way one provider's cash is better than another's is in the amount of the offer. An experienced broker only works with reputable providers that are diligent in complying with all licensing and industry regulations. Further, all brokers and providers must follow the rules and regulations in the various states where they do business. How can one company claim it is "more compliant" than another?

So, it all comes down to agent beware! If you go to a single provider, your client may not receive a life settlement at all or may be offered far less than fair market value for his or her policy. If you submit your client's policy to more than one provider yourself, without the proper license, you may be breaking your state's laws. Working with a reputable broker is a viable option and an efficient way to ensure compliance and that your client's policy receives fair market value in a life settlement.