

## **The Perfect Life Settlement Candidate**

**By Staff Writer, Life Settlement Sales Resource**  
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Do you know any 75-year-old men who took out a universal life policy within the last 10 years? Perhaps his wife has passed, his kids are grown and successful, and he's simply grown tired of paying the five-digit premiums every year to keep the policy in force. Try not to make any sudden moves, but you may have the perfect life settlement candidate on your hands.

Experts on the broker and provider side of the life settlement equation agree that short of a viatical settlement candidate, where the life expectancy is determined by a medical condition, this man is what they're looking for when they seek out policies to buy.

But before you begin to quantify your life settlement potential out of your current book of business, remember that no two life settlement cases are exactly alike. They can be grouped in ranges, but there are myriad health, financial and policy issues that can affect the amount a life settlement provider will offer to the viator. All extraneous factors being equal, however, here are how some industry experts describe the perfect life settlement candidate:

### **Steve Watson, President, VSPI Inc.**

*The ideal candidate would have the following features:*

- Insured should be a male, age 75 or older and owns the policy himself with no outstanding loans on it
- The policy should be universal life issued over two years ago, but not so long ago that the cash value represents a large percentage of the face value
- The insurance company that issued the policy is A rated or better
- The premium to face ratio is low (the closer to 1 percent the better)
- The policy face is at least \$250,000, but not more than \$5,000,000.

### **John Welcom, President, Welcome Funds**

*While there are many different scenarios in which a senior can qualify for a life settlement, below is a breakdown of the typical candidate as well as the perfect candidate:*

- He should be 79 years old
- His health status should be uninsurable or high table rating
- The policy should be UL with low cash value.

*It can't be stressed enough that health is the determining factor in the qualification process. Whether a senior is 65 or 82, their life expectancy must be below 12 years. Unfortunately, many agents believe that any senior with a life insurance policy is a possible candidate. That is just not the case; healthy seniors under the age of 65 do not qualify.*

### **Rob Haynie, Managing Director, The Life Settlement Alliance Inc.**

- A perfect life settlement candidate is anyone over the age of 65 with significant health challenges, 75 with minor health challenges, over 80 in relatively good health who has a life insurance policy that has been in force for over two years
- The premiums shouldn't be more than 4 percent per year of the total death benefit; of course, if they have a shortened life expectancy, the premiums can be higher in relation to the death benefit
- We will look at any type of policy (whole life, UL, survivorship, key man, term)

- There shouldn't be large loans or significantly high cash surrender value but again, we wouldn't want to rule anyone out until we have a chance to review each policy.

### **Rob Johnson, Advanced Settlements, LLC**

*Life settlements are not only a viable cash-generating tool for seniors, they are part of a financial service professional's fiduciary responsibility to those specific clients. A scenario in which possible fiduciary concerns might arise would involve a senior policyholder who is paying high premiums on an underperforming life policy, and a life settlement could enable the client to purchase a new policy with similar coverage and lower or no annual premiums. Not to be aware of this liquidity option or to overlook informing the client of this estate planning tool may not appear to be in the client's best interests.*

*Every financial professional should be mindful of the spirit of the NASD "suitability rule" (Conduct Rule 2310) in their approach to life settlement transactions, even though the sale of a life insurance policy is not a securities transaction. The suitability rule provides that a member shall have reasonable grounds for believing that the recommended transaction is "suitable" for the customer based upon the client's entire financial and personal profile.*

*Knowing that about life settlements, here is an actual case history that describes a typical case our company seeks:*

- A 78 year-old male
- He held three UL policies totaling \$1.2 million
- The total premiums he paid on the three policies totaled \$34,960.

*The client wanted to reduce his annual premiums while maintaining similar coverage. The client used the \$400,000 offer to purchase a new \$1 million single-premium universal life policy. The client saved \$34,960 per year in annual premiums but still maintained the coverage he sought.*

### **Bari Wiggins, Policy Acquisition Director, Mutual Benefits Corporation**

*There are millions of senior citizens with current health problems who can become a life settlement candidate.*

- Our standards look for a policy seller usually 70 years of age or older and has current health problems
- Different life insurance policies are eligible for purchase including UL, whole life and level term policies, but only from B+ or higher rated carriers; of course, we also purchase policies from individuals of any age who suffer from life-threatening or terminal illnesses.

*The opportunity for a senior citizen to sell a life insurance policy is often the only way to ensure financial security. The money is usually used to upgrade medical care, pay bills and living expenses, or even fund a cherished dream.*

### **Chris Conway, Senior Business Development, Legacy Benefits Corporation**

- Legitimate providers seek to purchase life insurance policies from people who, since the date of issue, have experienced a meaningful decline in health and/or have reached an advanced age
- The face amount will be large; the ratio of the cash value to the face amount should be low

- The purpose for which the policy was originally acquired will have changed; the reasons the client seeks to sell the policy are legitimate and the outcome of selling the policy is more beneficial to the client than either keeping, lapsing or surrendering the policy.