

# Bill Boersma - Blog

## What's up with Life Settlements

After all the activity and fuss regarding life settlements over the past number of years, why isn't there as much conversation now as there used to be? Where is this market heading? Who should be paying attention?

I've had a hand in the life settlement market for over a dozen years, seeing the early market, the dramatic growth, the benefits, the abuse, the evolutions of the concept into strange territory, the demonization of the idea, the market shift, etc. Where we are today is a lot different than where we were a few years ago and it may be for the better.

The concept of a life settlement is one of the most powerful options ever provided to policy owners for managing their insurance policy or portfolio. As with most concepts or strategies, it can be used wisely or foolishly and as with most new ideas, there will be proponents and detractors. Interestingly (though not unexpected) where any given commentator falls is largely dependent on his understanding of the concept, his experience with the strategy and the constituency with which he is aligned. I've seen the craziest arguments for and against life settlements but, as with so many things in life, situations are so individualized that these generalized arguments seldom have any place in the conversation. The planning details and financial facts of the case at hand should clearly be the sole determining factors in decision making. In other words, does it fit the planning, do the numbers make sense and is it being done right?

The settlement market has changed significantly over the past couple of years for two major reasons. One, the capital markets were in upheaval and money supply was affected. Two, underwriting changed. The national LE (Life Expectancy) firms created new tables about three years ago reflecting longer LEs. When longer LEs are put into the pricing models the ultimate outcome is a policy target which is significantly smaller than it used to be. In other words, a policy which was an attractive settlement candidate before, may not even garner an offer today.

So where does that leave us? With a concept which is as powerful, when appropriate and corrected implemented, as ever but available to fewer policy owners.

However, there are still those who find the concept of a life settlement to be inherently wrong. Generally these are agents who take at face value the propaganda of home office executives that are more focused on the bottom line than what is best for the client. Granted, any concept can be abused, but the bottom line is that billions of dollars over and above cash values have been brought to policy owners when situations have changed, opportunity is discovered or when simple market inefficiency and arbitrage allows it. I've personally brought millions to policy owners with whom I have had the opportunity to work.

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A significant number of the transactions with which I have been involved have been a part of an overall plan to improve the insurance portfolio. The balance of the situations have been when circumstances changed and the policies simply were not needed or affordable any longer and the settlement market would offer the policy owner more than the insurance company would offer. I have handed a \$500,000 check to a policy owner who would have otherwise surrendered a policy for \$10,000. I cannot fathom the mental gymnastics required to come up with an argument against that.

Bringing the client value is always the right thing to do. The arguments made by detractors are generally so self serving they defy logic. And the lengths to which opponents go to discredit the practice are truly astounding.

See <http://www.lifeandhealthinsurancenews.com/Issues/2010/February-15-2010/Pages/Dirty-Little-Secret.aspx#> as one example.

Another recent and decent article is <http://www.seniormarketadvisor.com/Issues/2010/May/Pages/Making-the-case-for-Life-Settlements.aspx?k=making+the+case+for+life+settlements> .

Clearly the bulk of agents, financial advisors and professionals , when presented with objective information and having all questions answered, will put the client first and make the right decision. However, I will always be amazed at how the fearmongering of the minority will affect the attitude of others.

So what is the industry up to? Bringing value and options to policy owners; providing a legitimate tool to allow policy owners and their advisors to manage their insurance holdings as effectively as possible.

Who should be paying attention? The same people as always - those with insurance policies whose situations have changed or those who are being presented with more attractive alternatives where a life settlement can help bring options and opportunity to the table.

I look forward to discussing this in more detail in person for those who wish.



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**OBJECTIVE INFORMATION DRIVES INFORMED DECISIONS**



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