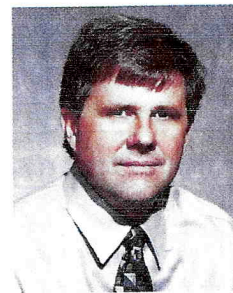


How to Choose the Right Life Settlement Broker



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There are many factors in choosing the “right” life settlement broker, including professional credentials, experience and membership in professional associations such as the Life Insurance Settlement Association (LISA). While all life settlement brokers are charged with a fiduciary duty to represent the seller’s best interest, not everyone takes the same approach. Here are some general principals which can be the basis of an objective evaluation:

A Culture of Compliance. While all states do not yet regulate life settlements, a broker who operates within a culture of compliance follows procedures that meet the highest standards, regardless of regulation or the lack of it.

Due Diligence. A truly professional life settlement broker employs an extensive due diligence process. This includes written questionnaires on all providers detailing their licensing status, funding sources and operating procedures—and especially their approach to maintaining the integrity of confidential data. Due diligence should also be undertaken for all advisors submitting policies, including experience and licensing status.

Written Agreements. Good contracts make for good business partners. Written agreements between producers and providers should be retained and made available upon request to potential clients. There should also be a written agreement between the life settlement broker and the seller, detailing terms and conditions under which the broker will represent the client. Typically this agreement will include services the

broker will provide plus the method and amount of compensation.

Comprehensive Documents. A life settlement is very info-intensive. The life settlement broker should have forms, materials and check-lists to capture all required information at the beginning of the process.

While offering a policy for sale can begin with as little as a HIPAA form, a list of doctors and an illustration to maturity, successfully completing a transaction requires extensive documentation—the more complete the better. Ordering a Verification of Coverage form from the carrier at the beginning of the process, often avoids nasty surprises later. A few missed premiums or a policy loan long since forgotten, for example, can materially change the pricing.

Establishing the ownership of the policy early in the process can be critical. In most insurance transactions, the applicable jurisdiction is determined by where the contract is signed. Life settlement regulation, however, generally depends upon the “residency” of the policy’s owner. Establishing residency can be a daunting task, especially when the policy is owned by a trust or a corporation. Trust documents should be included in all applicable submissions since establishing the “residency” of a corporation can be difficult. Establishing the “primary” residency of a high-net-worth senior with multiple homes can be challenging. Getting to the end of the process only to discover that the winning bidder is not licensed in that state and unable to complete the transaction is obviously a painful outcome.

Extensive Disclosure. A truly professional life settlement broker is dedicated

to making the process as transparent as possible. In addition to a written agreement between the broker and the seller, an extensive disclosure document should be provided to the seller at the very beginning. Dealing objectively with both the positives and negatives of life settlements. The proceeds may be taxable, eligibility for certain benefits may be impacted and future insurability may be curtailed. There should also be a clear description of who may receive compensation in a successful transaction, the amount and how it is determined. The broker should keep the client (or a designate) apprised of progress and deliver all offers as they are received.

Written Policies for Privacy Protection. Much of the info collected in arranging a life settlement is highly confidential. Therefore, the life settlement broker must maintain complete files and records on every transaction for several years. Every life settlement broker should have a written policy for the protection of confidential information which should be available upon request. Maintaining a secure environment for physical files and policies, procedures for access and a secure systems environment are key requirements. **FA**

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