

# An Interview

with Zohar Elhanani, Chief Operating Officer for Legacy Benefits, LLC



## **When is a life settlement a good option for clients?**

Life settlements are an excellent solution in a variety of circumstances: when the original purpose for the insurance policy no longer exists; when the business ownership changes (as in the case of key-man and buy-back policies); when there are estate- and tax-planning considerations; when the insured wishes to replace outdated, inefficient or underperforming coverage; and when the policy owner wishes to deploy cash devoted to premium payments in some other fashion. For the policy owner, life settlement is an alternative to lapse or surrender not an alternative to keeping the policy

## **What are some key trends in the industry today?**

Given changing market conditions in the current credit environment, producers brokering transactions need to be efficient in their execution. Life settlements are viewed by the capital markets as an advantageous non-correlated asset class with relatively low volatility and credit risk.

## **Financially, how is the industry faring? Is there money to be made?**

Total “in force” life insurance in the U.S. today is approximately \$9.2 trillion. Market estimates indicate \$9 billion of life settlements have been concluded in 2006. This means a huge opportunity exists for producers.

Conning Research estimates the eligible policies between 2007-2016 being between \$90 billion to \$140 billion in death benefit per year. From 2001 to end of 2006, based on industry analyst averages, [Conning reports that] investors purchased policies worth approximately \$22 billion in face value.

## **How can producers select the best, most-qualified life settlement providers for their clients?**

- Determine your client’s eligibility with the firm. Save time and minimize your client’s exposure by inquiring about the provider’s policy purchasing parameters before submitting the life settlement application.
- Work with firms that represent institutional not individual funding. Institutional buyers clearly understand the asset that they are buying and have strong compliance practices and comprehensive legal documentation in place.
- Ascertain errors and omissions coverage. Even if you have

your own coverage, ensuring coverage for all parties involved in a transaction is a sound business practice to follow.

- Confirm the involvement of a third-party escrow agent. Once your client signs over ownership of a policy, he or she is dependent on the integrity of the purchaser. Therefore, the involvement of a third-party escrow agent during the policy ownership transfer is imperative.
- Ensure that the life settlement provider is a member of the Life Insurance Settlement Association (LISA). Membership in the LISA organization is an indicator of the provider’s position and recognition in the market.
- Verify that the firm is 100% compliant with all state and federal laws. A growing number of states require a license to engage in a life settlement transaction, so perform a basic background check on candidate providers.
- Make sure internal policies are in place to protect your clients. Candidate providers should have a clearly articulated privacy policy to maintain the confidentiality of an individual’s identity and medical history.

## **Are there legal, tax, or compliance issues that producers need to be aware of in the life-settlement process?**

Producers need to ensure that the policy owner resides in a state where the provider and broker are properly licensed. Also, be aware of the fiduciary obligation to the seller in obtaining the highest offer. Tax issues are complex; you must tell your clients to obtain legal and tax advice from their CPAs, tax advisers and attorneys before proceeding with the transaction. ■

*Elhanani’s comments are excerpted from an e-mail interview. You can reach him at (646) 878-2944 or by e-mail at [zohare@legacybenefits.com](mailto:zohare@legacybenefits.com).*