Life Settlement Q&A with Ashar Group's CEO, Jon B. Mendelsohn

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A Life Settlement Can Take the Financial Sting out of Aging

Define the term "life settlement": It is the sale of an in-force life insurance policy to a regulated institutional fund for a value in excess of the policy's cash surrender value, but less than its face value (death benefit).

How does a life settlement work? It has similarities to both a real estate transaction and underwriting for life or health insurance. In real estate, the first step is getting an appraisal of current market value based on comparable properties in the area. The first step in a life settlement is also to get an appraisal of the policy based on comparable data from similar policies. If the policy appraises for an amount acceptable to the policy owner, then a more comprehensive underwriting process begins. Similar to underwriting a client for life or health insurance, a life settlement also requires the collection of the insured's recent medical records. No additional doctor visits or exams are required. This is a big plus for life settlement clients, the bulk of whom are seniors. Once underwriting is completed, Ashar submits the case to market and facilitates a transparent bidding auction to well-vetted, regulated institutional investors.

> "For qualified candidates, our life settlement and policy valuation process has generated on average over eight times more than the policy's cash surrender value."

Who purchases my client's policy? Ashar does not purchase the policy or have any ownership stake in institutional funds that do purchase the policies. Ashar is independent and represents the clients and their advisor in the transaction. Similar to any formal auction process, Ashar creates a competitive bidding environment to force carefully vetted and licensed institutional investors to pay fair market value (FMV). Once the policy owner accepts the offer, closing documents are issued. A comprehensive review will be completed of all related documents and policy values are verified. Next, the ownership is transferred from the policy owner to the institutional investor in exchange for a lump-sum purchase price that is then released from escrow.

How is this service important to consumers? Life insurance is an asset and qualifies as property. It's no different than a client being able to donate the policy to a personal cause or university. Policy owners can also appraise and monetize their policy for their own retirement, caregiving or planning needs. Many times it's not just seniors who benefit – it can also be the adult children who are responsible for caregiving assistance for their parents.

What is your fee structure for life settlement services? We either charge an appraisal fee when the client simply wants to know what their policy could be worth or we charge a success fee, similar to a contingency fee. In that instance, Ashar is compensated based on the value we generate for the policy owner. We then fee-share with the referring agent or advisor working with the client.

What advice do you give clients to help them decide whether or not to sell their insurance policies? It's important to know the value of any asset to make the most prudent decisions. Our secondary market valuation process can uncover that value. No one would deliberately walk away from property they own without first getting it appraised. Why is this any different? Many times a life insurance policy's

value is greater than all the equities, real estate or art collections a client owns; however, they've never had it appraised.

Get an indication of policy value by completing a simple online questionnaire. Then have a discussion with an Ashar life settlement specialist who can give you relevant speaking points for a discussion with your client.

Why should I consider this option for my client? There are two main reasons to discuss the life settlement option with your clients. The first reason is to provide your client with information that can help them make a decision that could be in their best interest. Knowing the FMV of their life insurance provides a valuable data point for planning. The second reason is fiduciary duty and risk management. Life settlement disclosure legislation, the Department of Labor Fiduciary Rule, and litigation against advisors and insurance carriers for failure to disclose the life settlement option all point to the need for planners and fiduciaries to determine FMV.

How do I determine which of my clients could benefit from a life settlement? The ideal client is age 65 or older with new health conditions that have developed after the policy was issued; however, younger insureds with significant health conditions could also qualify. The current market is focused on projected life expectancies of 15 years or less, regardless of age. All types of policies qualify; however, convertible term or universal life policies (often held in a trust) are the two policy types that we see most often on the settlement market.

How do I approach this subject with my clients? Most policy owners are unaware of the fact that their life insurance can be appraised for fair market value and monetized just like other assets they own. A simple way to get the conversation started is to ask them, **"Have you had your life insurance appraised?"**

Are there any rules or best practices that I should follow? Make sure you understand the difference in who represents you and who represents the institutional buyers. A life settlement broker represents the policy owner (and advisor) selling the policy. Providers represent the institutional funds seeking to purchase the policy at the lowest price possible in order to earn the best return on the investment. Sometimes the provider and the fund are one in the same. A new trend has emerged recently where providers advertise directly to clients so that they can eliminate the auction process, increase their profitability, and disintermediate planning professionals. When it comes to fiduciary duty, you can't serve two masters. Be clear on which entity has fiduciary duty to you and your client.

What is Ashar's role in this process? Ashar Group is an independent, nationally licensed Life Settlement Brokerage that supports advanced planners and fiduciaries. We appraise life insurance assets for fair market value (FMV) and provide a formal, market-based valuation that provides an essential data point for planning decisions and risk mitigation. If the life settlement option is chosen as the planning solution, we have a fiduciary responsibility to the client to create a competitive bidding environment and negotiate the best offer possible. Ashar does not purchase policies or sell any financial products.

Ashar Group is your nationwide resource. Our national accounts include major life insurance carriers, broker dealers, BGAs, IMOs, national banks, and trust companies. We are a resource for more than 30,000 planners, attorneys, trust officers, and CPAs nationwide for risk management and insurance planning; philanthropic planning; retirement planning; and estate, gift, and wealth transfer planning.

We look forward to serving you and your clients with your life insurance valuation and life settlement needs.

Jon B. Mendelsohn, CEO of the Ashar Group, helps clients make informed decisions about their life insurance assets. Advanced planners and fiduciaries consider the appraisal of life insurance an important step in the planning process. A life settlement can create significant liquidity for clients. Read the full article in the Orlando Business Journal here.