HARVARD
Office of the Vice Provost for Advances in Learning

MODULE 4 UNIT 2 Interactive Infographic Transcript

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The role of brokers in the life settlement market

Interesting facts

How the life settlement market works

- The life settlement market is the secondary market where people can sell life policies they no longer want or need.

- The seller receives a payment and the buyer takes over and continues paying the premiums on behalf of the policyholder.

Determining the value of a policy

- Medical underwriters use statistics and actuarial analysis to determine how much an individual’s life policy is worth, based on their Life Expectancy (LE).

- Investors prefer policyholders with lower LEs, which translate into fewer premiums and higher returns on their investment.

Who sells their life insurance policies?

- More people are deciding to sell life policies they no longer want or need to get cash for unexpected expenses, or to put towards retirement.

Sell your policy

Selling online

Insurance providers like Coventry Health Care have launched consumer-direct campaigns informing people that they might be candidates for selling unwanted policies. Those who qualify can sell their policies for an immediate cash settlement online. Policyholders enter some basic information about themselves and the policy they want to sell. The results are generated automatically, and the system generates a quote for qualifying policies. Once accepted, the policyholder receives a cash settlement.

Selling through a broker

Brokers act as a bridge between people wanting to sell their life policies and the companies wanting to buy them. It is their fiduciary duty to try to get the best possible deals for their clients. Life settlement brokers work with financial advisors to determine whether policies qualify for secondary sale. Buyers bid on policies that qualify, and brokers negotiate with them to get the best price for their clients. Good relationships between the buy side and sell side are essential to this process, which takes two to four months to complete. Brokers and sell-side intermediaries split a once-off selling fee between them.

Conclusion

Automation has simplified the process of selling unwanted life policies in the secondary market, making it quicker and cheaper. However, consumer-direct campaigns disrupt complex relationships between brokers, who depend on buyers to bid on life policies, and buyers, who traditionally had to go through brokers to acquire policies. Will digital platforms make financial advisors and brokers redundant, or will intermediaries remain part of this process?