

The Tipping Point

The Secondary Market for Life Insurance is Poised to go Mainstream – Are You Ready?

by Constance M. Buerger

Paradigm shifts don't occur overnight. Yet, somewhere along the line, there comes a convergence of factors that makes significant change inevitable. With regard to the secondary market for life insurance, this "tipping point" may already be in the rear-view mirror.

In the past few years, the secondary market for life insurance has exploded onto the financial planning scene. Clearly, the market's basic premise — the consumer's right to resell unwanted or unneeded life insurance — has been validated by the U.S. market's spectacular growth, which is expected to exceed \$45 billion in face value by 2007. More importantly, the market and its associated products, such as life settlements, are attracting significant attention from professionals outside of the life insurance industry.

Consider the estate planning community. A recent article titled "The Benefit of a Secondary Market for Life Insurance," in the *Real Property, Probate & Trust Journal* of the American Bar Association concludes that the secondary market for life insurance is both pro-competitive and pro-consumer. By allowing companies to compete for unwanted or unneeded policies, the secondary market has generated greater consumer choice, a wider range of products and favorable valuations for consumers. But the implications don't end there. The article goes on to suggest that the market will enhance the perceived value of life insurance, leading to an expansion of the industry as a whole. It concludes by suggesting that lawmakers design regulations to "encourage participation and investment in this secondary market."

Such regulation is indeed happening.



