



# Why Use a Broker ?

*Buckeye Life Resources*

The do-it-yourself approach to life settlements may appeal to policy owners or their advisors (e.g., an insurance agent or wealth manager), but consideration of the following issues should be part and parcel with the decision to bypass an experienced broker. A common sentiment among non-brokers is they wouldn't go it alone a second time.

Cutting out the proverbial middleperson is alluring because it eliminates the related fees, in theory passing on these savings to the seller or advisor. The downside, however, is whoever assumes the role of broker – **and somebody must** – may underachieve compared to a skilled broker, spending a significant amount of time, effort and possibly money in the process. On average, brokered cases generate offers **two or more times greater** than non-brokered ones, effectively paying the broker's fees in spades.

The questions then become, is the surrogate broker willing and able to fill the role properly, and if so, can she obtain an offer equal to the broker's (less the commission savings)?

Here are the primary considerations:

**Time & effort:** The life settlement process is arduous and lengthy, normally lasting four or more months. It's possible to shorten the duration of the transaction by cutting corners (or relying on a buyer for help), but this almost always comes at the expense of maximizing the sale amount.

**Pricing expertise:** Qualified brokers possess the technical skills and tools to determine a policy's worth before it's marketed, and they don't passively rely on others to tell them what fair market value is – least of all prospective buyers, whose goal is to buy low. If the seller of an asset is unsure of its value, he's at an immediate disadvantage when pitted against expert buyers.

**Knowledge of the buying landscape:** In addition to knowing providers' buying preferences and tendencies, adept brokers have a thumb on the pulse of the life settlement market and can identify the most aggressive bidders at any given time. This hard-won insight is crucial because it's required to maximize offers in an ever-changing marketplace.

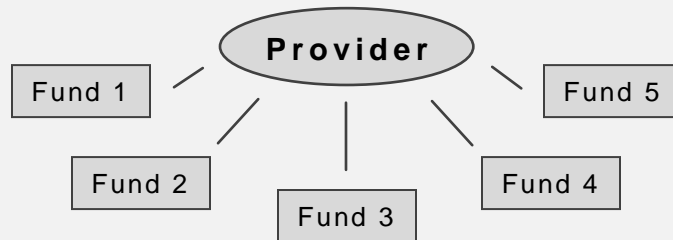
**Auction:** Diligent brokers thoroughly market cases to *all* licensed buyers – not just a subset of them – with the goal of stimulating competition in a systematic way that isolates the highest bidder. It's insufficient to solicit offers from only one or even a few providers. To omit a single



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provider from the bidding process may actually exclude several potential buyers because providers typically buy on behalf of multiple funds as depicted here:



Separately, many providers are unwilling to work directly with sellers or other unlicensed intermediaries because it's a more expensive and less efficient approach compared to a wholesale model.

As such, overlooking or lacking access to a single provider may be a costly omission for the seller.

**Expense:** An insured's medical records may cost several hundred dollars or more, and third-party life expectancy (LE) reports cost at least \$500 per report (there are several LE underwriters common to the industry, but buyers differ on which ones they use for valuations).

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*Sellers (and their advisors) beware:*

Life settlement brokers owe a fiduciary duty to policy owners. Buyers don't.