

## Why So Many Seniors Allow Their Life Insurance to Lapse

by MarketWatch.com

Causes Include Rising Premiums, Changing Insurance Needs and Many Times Not Knowing the Option of Selling the Policy Exists, Says J.G. Wentworth. Why do so many seniors allow their life insurance policies to lapse? There are many factors -- including rising premiums and changes in the original need for the insurance. But most often the reason is simply not knowing about the options available to them, according to J.G. Wentworth Life Settlements, LLC, which specializes in the purchase of life insurance policies with a face value of under \$1 million.

"This is an issue we encounter every day," says Scott Willkomm, CEO of Mortality Linked Products for J.G. Wentworth. "Life insurance is an important financial asset for many seniors, but often elderly policyholders are unaware of how they can sell their life policy for cash that they can use to pay for current needs while avoiding the obligation to continue paying additional premiums, which can rise sharply with age." Willkomm said that even term life insurance policies, which typically do not accumulate any cash value, may be sold.

Willkomm cites a case study of a recent life settlement transaction which J.G. Wentworth completed for a 63-year-old woman with a \$250,000 term life policy that she had taken out in 1997. "She had been paying \$113 a month into the policy for 10 years and planned to leave the proceeds to her children," said Willkomm. Health problems, however, caused the woman to dip into her savings and her \$700 a month Social Security check didn't cover her medical bills and everyday expenses. "When she approached us about selling the policy she said, 'It wasn't what I wanted, but with the economy the way it is, I needed that help now.'" She sold her policy to J.G. Wentworth Life Settlements and received \$45,000.

Being unaware of the life settlements option also means that many consumers -- particularly the elderly -- often take what seems like the easiest option and just stop paying their premiums:-- According to 2006 Time Magazine study, 88% of universal life policies never pay a death benefit.-- According to findings from a 2005 joint study by the Society of Actuaries and LIMRA International, the lapse rate for all standard term life policies rate is about 9.5%. The rate for seniors is nearly 20% in policy years 11 and above.-- For Universal Life Policies, according to the same study, there is a 5% lapse rate for all consumers, and that number climbs to approximately 24% for seniors in the first five years after the issuance of the policy.

Willkomm adds, "This is a big problem for seniors. Many are not able or willing to continue paying for the premiums needed to maintain the insurance. And even their children, advisors and caretakers may not be aware of the life settlements option and how they can realize the current value of their life insurance policy when it is no longer needed." Before letting a policy lapse, Willkomm suggests that seniors consider these steps:-- Contact your insurance company about the value of your policy.-- Research reputable companies in the life settlements market that can purchase your life insurance policy.-- Consult a tax professional regarding the tax implications of selling your policy.-- Consider where you can get the most value out of your policy, either by selling back to the insurance company you purchased the policy from or through the life settlements market.-- If you have recently stopped paying your premiums, find out if there is a grace period before the policy officially lapses.

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