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## Death Benefits, Now for the Living

By Joseph B. Treaster

Watching the premiums soar on his \$100,000 life insurance policy as he advanced through his 70s, Leonard Oxenberg wondered why he was still making the payments.

He no longer needed the coverage -- his son was grown, and his wife had a good job. And there were many other ways that Oxenberg, a retired advertising executive in Brookline, Mass., would have liked to be spending the \$5,000, soon to be \$6,000, that he was paying in annual premiums.

But he felt stuck: If he just walked away from his term life policy, he would get nothing -- as happens to many of the 6 million Americans who drop insurance each year. And after paying premiums for 15 years, that would be hard to take.

Then Oxenberg found a solution: He could sell his unwanted life insurance to one of the investment companies that, for years, had been buying policies from people with AIDS and other terminal diseases. Searching for fresh markets as new treatments continued to extend the lives of AIDS patients, the companies (called Viatical Settlement companies) have started offering to buy life insurance of all kinds -- not only term, but also whole-life and other types with cash value -- from relatively healthy older people like Oxenberg.

The purchase prices can vary greatly. For a \$100,000 policy, for example, a terminally ill person with a life expectancy of six months could receive \$80,000. But people in their 60s and 70s with, say, 10 to 12 years to live, by actuarial estimates, could receive much less -- perhaps \$5,000 to \$20,000.

For a \$100,000 policy, that might not seem like much Oxenberg got \$16,500. But the investors are especially looking for policies worth millions, and 20 percent of the bigger policies begins to look like serious money.

**Carole Fiedler**, who owns a financial company in Sausalito, Calif., that specializes in helping people sell their policies, arranged for the sale of Oxenberg's \$100,000 policy. She also brokered the sale of a \$4 million policy for a lawyer who was in his mid-70's and in excellent health. He received \$235,000, or just under 6 percent, for a term policy with no cash value; as part of the deal, the investors took over his premium payments of \$80,000. Another of her clients, William G. Blackman, a retired insurance administrator who is an 80-year-old widower in Palo Alto, Calif., got \$20,000 for a \$100,000 policy that cost him \$6,000 in premiums last year.

While the trading in life insurance policies has attracted the attention of federal and state regulators, only About 20 states have laws specifically dealing with it, and those rules are limited to prevent terminally ill people from being pressured to accept unfairly low prices for policies when they are desperate for cash. But there are no licensing requirements or regulations for the deals with generally healthy people.

Nor are there any formal protections for investors. Federal and state regulators argue that many of the transactions, particularly those in which shares in a policy are sold, are covered by securities laws. But in a case that was argued over several years, a federal appeals court ruled last year against the regulators.



Carole Fiedler representing people who wish to sell their unwanted or unneeded life insurance policies for cash.

With no regulations to worry about, investment companies can disclose what they like and offer any price they like to the relatively healthy.

**Ms. Fiedler** tells of a 74-year-old Texas businessman who was eager to get out from under the \$77,000 annual premiums on his \$3.8 million term-life policy. One company offered him \$10,000. He went to Ms. Fiedler for a second bid and ended up selling the policy for \$257,000.

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### ***Innovative Settlement® Solutions***

336 Bon Air Center, Suite 442  
Greenbrae, CA 94904  
Phone: 415-925-1175  
Toll Free: 800-905-0114  
E-Fax: 480-247-5919  
E-Mail: Settlements101@aol.com  
Website: Settlements101.com