UNLOCKING VALUE: HOW LIFE SETTLEMENTS EMPOWER CLIENTS AND BROKERS ALIKE

By Phil Calhoun

Lisa Rehburg participated in a recorded interview. The video interview has been transcribed here. The following is Phil Calhoun's (Cal Broker) summarization of Lisa Rehburg's interview

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In a rapidly evolving insurance landscape, few opportunities offer as much untapped value as life settlements. Industry veteran Lisa Rehburg shares her journey from a family machine shop to the upper echelons of healthcare and insurance, culminating in her current passion: helping clients and brokers realize the hidden potential in life insurance policies. Her insights illuminate not only the mechanics of life settlements, but also the profound impact they can have on clients' financial well-being and brokers' business growth.

From Machine Shop to Market Leader

Lisa Rehburg's career is a testament to adaptability and vision. Raised in her father's machine shop, she learned early the importance of broadening her horizons. "All you know is me," her father told her at 18, prompting her to seek new experiences. Like many in the insurance field, she "fell into" the industry, starting part-time at a third-party administrator while attending college. Her drive and talent propelled her to VP of Marketing, and she later served in key roles at Blue Cross of California, Colonial Life, and Allstate Benefits. Throughout her career, Rehburg has worked closely with insurance agents and brokers, building relationships that now serve as the foundation for her work in life settlements. "It's just a privilege to work with insurance agents and brokers and the teams that I was working with throughout my career," she reflected.

Discovering Life Settlements: A Win-Win-Win

After years of corporate travel, Rehburg sought a new direction—one that would keep her closer to home while leveraging her expertise and network. She discovered life settlements, a niche but growing sector where everyone stands to benefit: clients, agents, and investors. "It's a win-win-win," she emphasized. Clients unlock value from policies they no longer need, agents gain a new revenue stream, and investors acquire assets with predictable returns.

But what exactly is a life settlement? In simple terms, it's the sale of an existing life insurance policy to a third party for a lump sum, often far exceeding the policy's cash surrender value. The buyer assumes responsibility for future premiums and becomes the beneficiary, while the original policyholder receives immediate cash.

The Market's Untapped Potential

Each year, approximately 2.5 million seniors lapse or surrender their life insurance policies—often unaware that these policies are valuable assets that can be sold. The reasons vary: some no longer need coverage, others find premiums unaffordable, and some simply wish to repurpose the funds. "Many people don't know that they can sell it because the policy is an asset that they own," Rehburg explained.

The process is straightforward and analogous to selling a car: the client signs over ownership, the buyer pays a lump sum and assumes all future obligations. Remarkably, life settlements typically generate six times the cash surrender value, making them a superior financial option for many policyholders.

Ideal Scenarios for Life Settlements

Rehburg highlighted several common scenarios where life settlements provide significant value:

- **Business Transitions:** When a business is sold, an owner retires, or a key executive departs, existing life insurance policies tied to buy-sell agreements or key person coverage may no longer be needed. Rather than letting these policies lapse, selling them can unlock substantial value.

- **Aging Clients:** Seniors, particularly those with Medicare, are prime candidates. Institutional buyers prefer policies where the insured's life expectancy is 10-15 years or less, making the senior market especially relevant.

- **Policy Changes:** Universal life policies often "implode" as clients age, with rising costs and depleted cash values. Term policies nearing the end of their term or conversion period are also frequently abandoned, leaving clients with nothing. Life settlements offer a solution in both cases, turning expiring policies into cash.

Opening the Conversation: Tips for Brokers

For brokers, introducing the concept of life settlements can be a game-changer. Rehburg recommends several practical strategies:

- **Identify Trigger Events:** Retirement, business sales, or changes in partnership are prime opportunities to discuss life settlements.

- **Educate Clients:** Add information about life settlements to newsletters and websites. Rayburg offers a fillable PDF flyer that agents can customize and share with clients, raising awareness and positioning themselves as trusted advisors.

- **Retain Client Relationships:** With direct-to-consumer buyers advertising on TV, it's crucial for agents to inform clients about their ability to broker life settlements. Otherwise, clients may sell policies directly—often at a lower price—while agents miss out on commissions and lose control of the client relationship.

"These buyers don't have competition when people call them directly. They also do not have a fiduciary duty to clients… As brokers, we work with many different buying entities to interject competition. Now we can leverage them against each other to get the client the most amount of money."

Solving Real Problems and Creating Opportunities

The cash from a life settlement can address a range of client needs:

- **Long-Term Care:** Many seniors use the proceeds to fund long-term care, aging in place, or home care expenses not covered by insurance.

- **Financial Flexibility:** Clients may repurpose funds for other investments, annuities, or simply to enhance their quality of life.

- **Avoiding Waste:** Too often, clients let valuable policies lapse. Rayburg recounted agents who regretted not knowing about life settlements sooner, having let their own policies go for nothing.

For agents, the benefits are twofold: they help clients maximize value and earn commissions on the sale, while opening doors to additional product sales and deepening client trust.

The Path Forward

Rehburg's message is clear: life settlements are an underutilized tool that can make a meaningful difference for both clients and brokers. By educating themselves and their clients, brokers can ensure that no policy's value goes unrealized.

As the webinar concluded, Rayburg encouraged agents to reach out for further education and support. "It's great to educate brokers and to give them opportunities to earn and also solve clients' problems," she said—an ethos that defines her career and the promise of life settlements for the future.

Lisa Rehburg *is president of Rehburg Life Insurance Settlements, a life insurance settlements broker. Lisa is passionate about assisting financial, insurance, legal and non-profit professionals to help their clients benefit from their unwanted or unneeded life insurance policies. She has been in the health and life insurance industries for over 30 years.*

www.rehburglifesettlements.com

714-349-7981