

## Treating death as a commodity

A growing industry involves buying, selling and profiting from life insurance.

By Marc Lifsher, Los Angeles Times Staff Writer

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Robert Mannheim was stunned when he found out that strangers wanted to lend his mother in West Los Angeles money to buy her a \$2-million life insurance policy and pay her premiums.

The deal got better after two years: She would sign over her death benefits to investors and collect \$200,000.

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### FOR THE RECORD:

Insurance: An article in Section A on Wednesday on life insurance and the increased popularity of life-settlement agreements misspelled the last name of a San Luis Obispo attorney who said she was concerned about the marketing of the investments. She is Barbara Guerena, not Guarena. —

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The idea of leveraging the value of her newly acquired insurance into a big cash payoff tickled Selma Mannheim, a child of the Great Depression, who knows the importance of having money in the bank.

"I have no complaints because it did not cost me anything," she said.

Selma Mannheim is one of a growing number of older Americans and their relatives who are taking advantage of a booming life-settlement industry that involves buying, selling and profiting from life insurance policies.

Not everyone is enchanted with the idea of selling life insurance policies to faceless investors.

"You ought to know who you sell to. You don't want Tony Soprano buying your life insurance policy," said Newport Beach attorney Jay Adkisson, who writes about financial fraud on an Internet blog called [quatloos.com](http://quatloos.com). "I don't like the idea of people growing life insurance like so many crops."

These agreements also have riled insurance companies and threatened their profits.

Investing in people's lives and collecting on their deaths is a growing enterprise. As investors began to pool these investments and sell them as a package, these securities soon attracted hedge funds, pension funds and institutional endowments.

Financial giants such as Goldman, Sachs & Co. and Bear, Stearns & Co., as well as a unit of Warren Buffett's Berkshire Hathaway Inc., are backers.

Battles over these new securities are looming in state capitals and courtrooms across America. Today, they will be examined in Sacramento, where the state Senate Banking, Finance and Insurance Committee will consider this growing and largely unregulated market in California.

"Enticing seniors with offers of free cash to allow the purchase of life insurance on their lives for the benefit of third-party investors is wrong, and apparently not currently illegal in California," committee Chairman Michael Machado (D-Linden) said. He thinks state regulation is overdue.

The total face value of policies purchased for the secondary market rose to \$6.1 billion in 2006 from \$2 billion in 2002, according to Conning Research and Consulting of Hartford, Conn.

Experts are predicting that total market volume could hit \$20 billion this year.

"This is a runaway freight train," said Frank N. Darras, a top California attorney specializing in senior citizen issues. "Somebody needs to put brakes on it or we might have a lot of people extremely distressed. The only folks making money will be those swapping and selling and co-brokering."

Life-settlement providers stress that these agreements are a boon for elderly consumers and an attractive investment for Wall Street. For years, they contend, life insurance companies have been a monopoly, sitting back and collecting premiums on policies that consumers allow to lapse.

Selma Mannheim, 86, said her life-settlement deal enabled her to have the pleasure of giving money to her three children, five grandchildren and three great-grandchildren.

Her son, Robert Mannheim, a retired tax attorney from Agoura Hills, said he gave his mother the go-ahead after carefully scrutinizing the proposal brought to him by an investment advisor, who had done similar deals with acquaintances. "My brother and I looked at it and said 'That's a winner!' " he said.