

Fair Market Value of Life Insurance Policies

Selecting an Appraiser

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When obtaining a fair market value estimate of a life insurance policy you want to retain an appraiser who has the relevant experience and expertise and who brings the skills and expertise needed to perform a credible appraisal. Whether you need a fair market value estimate for legal, tax or economic purposes, a credible appraisal will add value and reduce the risk of the fair market value estimate being challenged.

Hawkins Consulting Corporation provides fair market value estimates of life insurance policies. To learn more about this service, visit www.lifevaluator.com or call **905.337.8200**.

Experience

An appraiser should be experienced as a valuator of life insurance policies; you want practice, not just theory.

Have they provided fair market value estimates? Many? Large cases? What types of policies?

Who has referred cases to them?

They should have Canadian experience. Have they provided fair market value estimates for Canadian purposes?

The secondary market for life insurance policies is thin in Canada, the market in the United States of America is broad. Experience working in the U.S.A. secondary market for life insurance policies gives an appraiser the ability to relate to an actual market, which is critical in understanding what is a fair market value and how to make an estimate.

Do they have experience with the U.S.A. secondary market?

Expertise

An appraiser of Canadian life insurance policies should have expertise in the Canadian life insurance industry, evidenced by extensive and active engagement in the industry.

What life insurance experience do they have? Is it Canadian experience?

An expert appraiser will have knowledge and experience with: products, advanced sales methods, policy contracts, law, regulation, taxation and insurance company practices. Look for an appraiser who has designed and priced life insurance policies, written policy contracts for insurance companies, worked on advanced sales, familiar with insurance company practices and knowledgeable and experienced with life insurance law, regulation and taxation.

Ability

Appraising a life insurance policy requires life contingent analysis. An appraiser should use actuarial methods. An actuary is the predominant profession for life contingent analysis.

Is the appraiser an actuary? A life insurance actuary?

Underwriting and Mortality

An appraisal of a life insurance policy requires a health assessment and mortality expectations. An appraiser needs access to independent underwriters who are expert in assessing the health of lives insured under existing life insurance policies. An appraiser then needs to apply mortality assumptions appropriate for these insured lives.

Who are their underwriters? Independent? Experienced with lives insured under existing policies?

What mortality assumptions will the appraiser use? Are these appropriate for the insured lives?