Donor's business use of FAU image raises concern

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BOCA RATON — Florida Atlantic University is more than $20 million richer from donations made by Barry Kaye, but the philanthropist is now using the school to pitch his business and a new industry in which investors buy life insurance policies of senior citizens and hope they'll die sooner rather than later.

Kaye markets his FAU symposiums on "life settlements" — a specialty of his family-run company — in full-page newspaper advertisements designed by FAU, using FAU's logo and with a Web address containing FAU's name.

In his brochures, he is listed as an FAU professor and referred to as "Dr. Barry Kaye" — a title he also uses in his latest book, You Buy You Die It Pays!

But Kaye, an affable high school dropout turned self-made millionaire, is not an FAU professor, nor does he hold a traditional Ph.D. Although he is a guest lecturer in the FAU business college, which bears his name, a school spokesman said he teaches no classes and earns no salary. Kaye himself joked during a recent symposium that he "bought" the honorary doctorate given to him by FAU in 2005.

Kaye paid for his own ads for an April 19 symposium held in an FAU auditorium that also bears his name, but some experts warn that FAU could come out the loser if it appears the school is giving credibility to a specific product or service.

"Typically, institutions don't allow even the most beloved graduates to trade on their names," said Rae Goldsmith, a vice president of the Council for Support and Advancement of Education. "If someone buys a product associated with your name and later doesn't like it, there is a risk it will carry over to the institution."

And some FAU professors say there is no doubt Kaye's marketing makes it appear the university supports his business.

"Anyone who reads those ads would assume the university has endorsed the activity being promoted," said Tim Lenz, a political science professor. "I don't think the average reader would come away with anything but the conclusion that FAU has approved and sanctioned the activity."

Throughout Kaye's presentation last week, he sold his insurance expertise and the booming new life settlement industry.
"I came to the conclusion four to five years ago that this would be big," Kaye said of his business. "By the way, I make a lot of money selling these policies. You don't have to buy from us, but if you want to, that's your prerogative."

Kaye, who conducts about 125 seminars a year throughout the country, said he doesn't know whether his affiliation with FAU gives him more credibility or brings in more clients.

But last week, in front of an audience, Kaye was more clear about how an FAU affiliation benefits him.

"You're saying to yourself, 'You are a professor, and you're on an FAU stage and they gave you a doctorate, so you must have some integrity and know about what you do,' " Kaye said.

Most universities, including FAU, bring in guest lecturers who have recently published a book or have some other product on the market. In October, the school sent out news releases advertising a seminar by Frank Abagnale, author of Catch Me If You Can. In June, FAU news releases and advertisements were created for Andrew Weil, a health expert and author who lectured to 1,000 people on campus.

"Part of the university's strategic plan is to reach out to the community," FAU spokeswoman Kristine McGrath said. "FAU brings in people we think there will be a large community interest in."

Kaye's first symposium brought about 700 people to FAU's Boca Raton campus. His second netted an audience of 350.

Business College Dean Dennis Coates introduced Kaye with a caveat, saying FAU wasn't endorsing his product. "This is purely for your enjoyment," he said.

Then Coates added: "The time I've spent with Mr. Kaye has been some of the most educational time in my life."

Kaye's April 19 symposium encouraged elderly people to sell their unneeded life insurance policies to investors, who take over the premium payments and cash in when the person dies. An elderly person also could buy a new life insurance policy, keep it for a couple of years and then sell it for a profit.

Called life settlements, the plans are worth more to the investor if the seller is sick or near death because it means fewer premium payments will be made before a death settlement is awarded.

For some people, life settlements can be a life-saver, giving them the money they need now to pay for prescription drugs or health care.
For others, life settlements are an investment with bigger payoffs than the stock market or mutual funds.

Kaye promotes using life settlements as a way to donate to charity and has set up a for-profit foundation to take advantage of the new industry. For example, Kaye said, his Wealth Creation Foundation recently spent about $1 million to buy a $15 million life insurance policy on an elderly foundation board member. After two years, that member sold the policy to an investor for $4.6 million, netting a profit of $3.6 million.

Kaye said he donated $1 million of the earnings to FAU and the other profit to a New York hospital — the foundation member's favorite charity.

"What's the downside?" Kaye said. "We were able to manufacture $3.6 million for charity."

Of course, people selling their life insurance policies to investors also can keep the money for themselves. And though life settlements are legal, some groups are watching them closely for abuse.

The National Association of Insurance Commissioners recently adopted recommendations for new regulations that would require a five-year holding period on policies sold to people who buy life insurance with the intent to sell them to investors.

In October, then-New York Attorney General Eliot Spitzer sued a major insurance company, claiming it made secret payments to life settlement brokers to hide competitive bids from other life settlement companies.

Coates, dean of FAU's Barry Kaye College of Business, said Kaye's life settlement symposium was part of an initiative to interact more with the community.

He acknowledged there is a fine line between giving presenters the freedom to speak while at the same time discouraging the belief that FAU supports the speaker.

"I didn't see us as pushing this product," Coates said about Kaye's symposium. "It can be a tough call."