

LifeHealthPRO

Ask the expert: What to know about overseas buyers?

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The question was: Some of my life settlement clients are concerned by the idea that their life policy may be purchased by an overseas interest. They say they would "feel better" having a U.S. buyer. How can I respond effectively to this concern?

The answer is: In order to purchase an insurance policy in most states, the buyer must work through a life settlement provider licensed or authorized by the state department of insurance. So technically, in order for your client to sell their policy, the transaction will be through a U.S.-based provider. However, foreign-based institutional investors today fund most providers.

There is a valid reason for this transition to mainly foreign purchasers. The issue deals with taxes. Many funds that buy life settlement policies are forming "funds" that are registered in such jurisdictions as Ireland and Luxembourg and have many U.S. institutional investors and favorable tax treaties with the U.S.

Therefore, if your client wants to sell a policy, there may not be many offers if the client restricts the purchase to only U.S. domestic investors.

Once a policy is purchased, the asset must be continuously managed through maturity of the insured. The management of a portfolio is more often than not conducted by custodians and administrators based in the U.S. These administrators are usually licensed and regulated banks, securities intermediaries or the life settlement providers themselves. The insured's data is maintained and tracked by these firms, and often the end investor is never provided with personally identifiable information.

In order to gain consumer confidence in this industry, privacy and confidentiality must be at the forefront of our "best practice" requirements. That issue has been and will continue to be addressed by the top firms in the market as well as by the Life Insurance Settlement Association and the European Life Settlement Association for its members.



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