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## **Life Insurance Settlement Association Responds to New York Times Article**

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ORLANDO, FL -- 09/12/09 --

The Life Insurance Settlement Association (LISA) has sent a letter-to-the-editor of The New York Times in response to its September 5 story, "Wall Street Pursues Profit in Bundles of Life Insurance."

Dear Editor,

Under an initial headline of "New Exotic Investments" (9/5), the New York Times printed a large format piece on investment in life insurance policies. By the tone of the piece, one might have thought that Wall Street created the secondary market for life insurance; clearly not the case. Owners of life insurance have long enjoyed the ability of treating their life insurance policies like any other "ordinary property." In 1911, the landmark case Grigsby vs. Russell, secured a policy owner's right to sell or otherwise assign the rights to their policy as they deem fit. Indeed, as far back as 1855 New York's highest court held that policy owners enjoy the property rights in life insurance and, as such can "go to the best market he can find, either to sell it or borrow money on it."

The life settlement marketplace isn't actually about Wall Street at all. It is, rather, about providing older Americans with the opportunity to profit from an asset for which they have bought and paid. Nor is this market about "profiting from death." Rather, the crux of the secondary market is found in the thousands of living seniors who, each year, sell their life insurance policy and enjoy the fruits of that transaction.

Over the last decade life settlements have permitted seniors to sell their unneeded or unwanted policies at significantly better market values than they would have received by simply surrendering the policy. Indeed, in today's economy, where many seniors have lost significant portions of their retirement assets and income, selling their policy for substantially more than its cash value, can make a tremendous difference in their ability to maintain their standard of living.

According to leading international actuarial firm Milliman, Inc., almost 90 percent of all life policies lapse or are surrendered rather than resulting in a claim. A life settlement can be an important alternative which allows the policy owner to capture the true value of his or her property. In just the past 10 years, life settlement companies have paid policy owners more than \$10 billion, some \$6-7 billion more than the cash surrender value of their policies.

While the industry is often portrayed as "largely unregulated," life settlements

are, in fact, regulated by 34 states and the territory of Puerto Rico. Furthermore, most industry participants follow the same standards and business practices in unregulated states as well. As a concrete indication of sound business practices and good public policies, not a single complaint from consumers selling their policies has been registered by the National Association of Insurance Commissioners thus far in 2009 -- a fact missing from the Times article's reporting. The same cannot be said for mutual funds, life insurance or annuity sales, where thousands of complaints are registered monthly.

At the Life Insurance Settlement Association (LISA), we appreciate media attention to the life settlement market, so that American consumers are properly informed about their rights and options. The Times article properly noted that the consumer selling a policy in this market may well receive several times the cash his insurer is willing to pay upon surrender.

Importantly, three states have recently adopted new laws ensuring that policy owners are afforded the proper opportunities to know about life settlements whenever they are faced with the lapse or surrender of their life policies. In Washington State, Insurance Commissioner Mike Kreidler supported strong disclosure legislation "so that consumers are provided fair and reliable information to use when making decisions regarding the disposition of their life insurance policies." Maine and Oregon followed Washington's lead in passing these new disclosure laws and several more states are expected to adopt similar laws in the coming months.

Efficient capital has entered the market in recent years and it is not unlikely that securitization is indeed on the horizon. Done responsibly, and with proper oversight, this further development of the secondary market will bring more capital into the marketplace and thus provide more insureds with more value. This is good news for American consumers. Nor is there anything morbid or ghoulish about investing in settled policies as an asset class. Investments in mortality/morbidity are a multi-trillion dollar global industry which has been around for at least 200 years -- it is indeed one of the foundations of the modern global economy.

There is no basis in asserting that the continued growth of this market -- from a policy owner seeking to sell her policy in an open and competitive market to the emergence of well established financing mechanisms such as securitization -- is harmful to consumers.

Finally, the insurance industry-driven scare tactic that the life settlement industry will cause premiums to go up does not hold up with the facts. The insurance industry is roughly 500 times larger than the life settlement market. Would the large insurance carriers have us believe that insurance companies raise premiums not by choice but in response to such a comparatively smaller market?

Historically, almost 90 percent of life insurance policies lapse without payment of a claim. This percentage is expected to rise. The life settlement industry provides some of those policy holders the option to exit their policy when they either cannot continue paying premiums or it is in their financial best interests to do so. The settlement option leaves policy owners in a much better position than if they had surrendered their policy to the insurer. Going forward, we advocate a rational and intelligent discussion on regulation and analyst integrity that leaves out irrational scare tactics and sensational rhetoric.

Sincerely,

Doug Head

Executive Director

Established in 1994, the Life Insurance Settlement Association is the oldest and largest trade organization in the industry. Its goal is to promote the development, integrity, and reputation of the life settlement industry, and to promote a competitive market for the people it serves. LISA now represents over 140 members with a wide variety of interests in the industry. For more about the Association, visit <http://www.lisassociation.org>.

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