

# Robin & Peter on LIFE SETTLEMENTS



February 5, 2015

## **The Curious Case of Mutual Life Insurance Companies and Life Settlements**

Many life insurance companies and industry organizations have fought life settlements by advocating overly restrictive legislation that would handicap the industry. In addition, they oppose legislation that would require companies to disclose to senior consumers, that are about to lapse or surrender a policy, that other options like a life settlement exist. Leading the way in this battle have been some of the nation's largest mutual insurers.

As discussed in our [last month's article](#), almost all life settlement transactions are done with universal life policies and term insurance policies that are convertible to universal life. It is, indeed, rare that a whole life policy gets offers in the life settlement market.

Although many mutual insurers sell universal life, traditional whole life is still usually their core product. Therefore, the impact of life settlements on most mutual insurers' in force books of business is even less than the minimal impact on universal life companies' books of business, which makes their strong opposition quite mysterious.

This stance is made all the more curious considering that mutual insurance companies tout that they are owned by and work for their policy owners. These large mutual insurers take their anti-consumer actions even further by prohibiting their producers from assisting their clients with life settlement transactions, even if the proposed policy to be sold is not one written with their company.

Apparently, these mutual insurers concern for their policy holders ends when they want or need to do a life settlement. It seems that they have taken a page out of George Orwell's book, *Animal Farm*: "All animals are equal but some animals are more equal than others."

All this, of course, raises the question as to why would these large mutual insurers expend so much money and energy opposing life settlements - a question they have never really answered. Could it be simply a matter of protecting their own turf from universal life competition? The potential of a life settlement adds value to universal life and makes the product a bit more attractive, but has little impact on whole life.

The anti-consumer, anti-life settlement behavior of these large mutual companies undermines the principles upon which those companies were supposedly founded and puts their producers in the position of having to following their companies' dictates over the needs of their clients. It is time for those companies to re-think their position as life settlements are now a highly regulated industry with ample safeguards to protect consumers.

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