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Life Settlements and Privacy: Addressing the Natural Hesitation for High-Net-Worth Policyowners

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Selling a life insurance policy in the secondary market, through what's known as a life settlement, has become an increasingly recognized strategy among high-net-worth (HNW) and ultra-high-net-worth (UHNW) individuals. Yet despite its financial merits, many policyowners remain understandably hesitant to take that step. And their reasons often have little to do with economics.

For individuals accustomed to discretion, control, and carefully structured estate plans, the idea of selling a personal asset that is tied directly to one's mortality can feel strange. Who will own the policy? What information will they have? Will my privacy be protected? Will this come back to affect me, my family, or my reputation?

These are the right questions to ask, and over the past two decades, the life settlement industry has developed robust processes and regulatory protections specifically designed to address these concerns.

The Nature of the Concern

Selling a life insurance policy requires disclosure of sensitive personal and medical information. For most people, and particularly for those in the HNW and UHNW categories, this sometimes creates immediate tension.

These individuals are used to shielding their finances from unnecessary exposure. They work through single-family offices, multi-family offices, estate attorneys, and advisory teams for a reason as discretion is part of their lifestyle. So, when presented with the idea of selling a policy, especially to an outside party, it's natural to feel uncomfortable with the notion that someone else will own a financial instrument tied to their life.

In addition to the emotional hurdle, there's a fear that a faceless institutional investor may hold personal details, control the policy, or track their health status. That fear is not irrational, but there are protections in place that limits who will have access to information and what can be done with the information.

How the Industry Has Addressed These Issues

The modern life settlement industry is built on a foundation of confidentiality, regulatory oversight, and professional standards. While the concept of selling a policy is personal, the execution of that transaction is anything but casual.

1. HIPAA-Compliant Medical Handling

Typically, life settlement transactions begin with underwriting, where in most cases the underwriting requires access to medical records. But these records are obtained through strict HIPAA-compliant processes. The insured signs an authorization allowing the release of records only to the parties involved in evaluating the policy. These parties typically include a licensed life settlement provider, an independent life expectancy underwriter, and, if applicable, a broker working on the policyowner's behalf.

Often, institutional investors may not see the full identity of the insured. Many investors only want to receive policy details and actuarial life expectancy data, without any medical records or personally identifiable information.

Additionally, life settlement transactions do not require the policy seller to disclose detailed financial information such as investment holdings, net worth, or income. This is a key distinction from many traditional financial transactions and offers a layer of financial privacy that many high-net-worth individuals find reassuring.

2. Institutional Buyers, Not Individuals

A common misconception is that policies are sold to individuals or entities that might have personal motives. In reality, the vast majority of life settlement investors are institutional investors, such as pension funds, reinsurers, hedge funds, and other asset managers governed by internal compliance teams and audited financial controls.

These investors are focused mostly on building large portfolios of policies which are necessary for them to get comfortable with the projected actuarial analysis, and so they are not focused on any individual policy or individual insured. Their motivation is simple: acquire long-duration, non-market-correlated assets that offer attractive yield relative to traditional fixed income. They typically don't have or want any direct contact with the insured, and they don't intrude on the insured's personal life. In fact, post-sale interaction between the buyer and the insured is limited primarily to periodic check-ins handled by third-party servicers whose frequency is limited by regulations.

3. Tightly Regulated Transaction Process

Life settlements are now regulated in 45 U.S. states, covering well over 90% of the population. These regulations are typically modeled on frameworks created by the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL).

These state-level laws require licensing for life settlement providers and brokers, mandatory disclosure forms, timelines, rescission periods, and other consumer protections. They also define how compensation is disclosed and what rights must be retained or acknowledged by the seller.

This regulation adds a legal framework to the market, and it has created a system where every party in the transaction, from attorneys to escrow agents to trustees, is working within a well-defined, consumer-protective environment.

4. Legacy of Legal Clarity

The right to sell a life insurance policy as private property has been legally upheld for over a century, dating back to the landmark Grigsby v. Russell (1911) Supreme Court decision. That

ruling firmly established a policyholder's right to assign, sell, or transfer their life insurance contract.

While that legal precedent remains foundational, today's market operates with far more sophistication. Escrow procedures ensure that no funds or policy ownership transfer until all conditions are satisfied. Sellers can choose how to access life settlement providers who can purchase their policy and therefore understand and control where the information they choose to disclose is sent. They can either work directly with one or more licensed life settlement providers they select or through a licensed intermediary who will work with licensed life settlement providers it selects.

Reputable Counterparties

Policy sellers can, and should, be selective in determining who participates in their transaction. It is essential to work only with licensed parties who meet regulatory and professional standards. The Life Insurance Settlement Association (LISA), a trade organization that has existed for decades, provides a publicly accessible list of member companies that agree to adhere to licensing requirements and LISA's ethical guidelines. This vetting process is an additional step policyowners can take to ensure privacy and professionalism are preserved throughout the transaction.

In Closing

Selling a life insurance policy may never feel completely "normal." And for high-net-worth individuals who value discretion above all else, it's understandable that hesitation exists.

But the modern life settlement market has evolved specifically to address those concerns, with privacy protections, institutional counterparties, licensed/regulated professional parties, and legal safeguards all in place.

If the policy no longer serves its original purpose, or if the capital can be better deployed elsewhere, it's worth knowing that there is a path forward that respects both your values and your privacy.

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