



The Foreign Nationals Life Market is Getting Bigger

by Allan D. Gersten, CLU, CFP®, ChFC, as seen in

ThinkAdvisor

There's a huge change in the market for U.S.-based life insurance products to foreign nationals.

In the past, that was a narrow marketplace. With little or no interest among life insurance carriers, much of the non-U.S. resident business was left to offshore-based insurance carriers.

Now, with broader distribution relationships and a far more engaged U.S. life insurance industry, the picture has changed. U.S. life insurance companies value the foreign nationals' business, which includes those who are U.S. residents and non-resident alien foreign nationals who live outside the U.S.

More than anything else, relaxed underwriting requirements are driving the dramatic growth in the turnaround of the foreign nationals' market. The expectations are that it will continue to develop. Base on my experience working with foreign nationals, to say the market is vast and growing doesn't do it justice. The door is wide open to those who either currently work in it or want to become involved.

Two Markets

Each of two sub-markets presents its own unique opportunities and challenges. The place for advisors to start is by understanding those two major categories of prospective clients:

Resident aliens: These are foreign residents born in another country may be citizens or have green cards and be permanent residents of the U.S., or they may be living and working in the U.S. That includes anyone here who was not a U.S. citizen at birth.

Foreign national non-resident aliens: These are individuals who spend little or no time in the U.S. — not more than six months a year. Depending on their country of origin, these individuals generally need to have a connection with the U.S., such as property, investments, relatives, etc., to buy life insurance here.

Market Data

Here is what you will find when you drill down deeper:

- Foreign born residents of the U.S. now represent in excess of 12.9% of the U.S. population — about 40 million people.
- Global millionaires (non-U.S.) and ultra-high-net-worth individuals have tripled over the past 20 years, far outpacing the growth of U.S.-based millionaires.

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- In excess of \$100 billion of U.S. residential real estate is purchased yearly by foreign nationals living outside of the U.S.
- Wealth in the Asia Pacific region surpassed that of North America three years ago, and the margin is increasing. There are more high-net-worth and ultra-high-net-worth clients from this region as compared to North America. Further, Asia has many more millionaires.
- Foreign investments in the U.S. are surprisingly high. Overseas investors account for over 20% of investments in U.S. stocks and 43% of investments in our debt.

Such statistics may seem overwhelming and difficult to get your arms around. Yet, a growing number of financial planners and life insurance advisors are finding, first hand, that there are large numbers of new, highly-motivated, and well-educated buyers lining up for coverage. The cases are large and involve permanent life insurance.

This is not all. The buzz around this market suggests that the current malaise with the large permanent case domestic life insurance sales is due to a robust stock market and the recent changes in estate-tax thresholds under the new Tax Cuts and Jobs Act.

Why Foreign Nationals Buy Life Insurance

There are a number of good reasons why foreign nationals are turning to life insurance.

- Diversification of assets is a primary consideration. The client can get assets in the safety and security offered by the U.S.
- The privacy of a life insurance purchase is valued by the foreign national client.
- The non-resident foreign national can avoid taxation on U.S.-based life Insurance proceeds.
- The non-resident can insure the loss of the unlimited marital deduction on U.S. assets and the associated estate taxation.
- There is value placed on the accumulation potential and flexibility of U.S. life insurance products.
- There is recognition that the U.S.-based products offer lower costs inherent in those offered elsewhere.
- The potential for legacy assets for family members in a safe jurisdiction.

U.S. Carriers and Foreign National Risk

The U.S. life insurance industry has evolved in its approach to accepting foreign national clients. Dozens of insurers will underwrite foreign prospects. In the case of foreign nationals, with permanent resident or green card status, carrier acceptance and the range of available offerings closely parallels that of U.S citizens, particularly when they reside in the U.S. for six or more months yearly.

Carrier willingness to underwrite non-resident foreign national prospects remains strong, but significantly less so when compared to foreign national resident alien underwriting receptiveness.

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Underwriting for those living outside of the U.S. is more challenging with a varying array of hurdles that need to be fully assessed and understood by a skilled professional when beginning the process:

- Companies that have been active insuring nonresidents have required special approvals and training to make certain brokers adhere to their rules of engagement. Although this still exists, quality companies have recently entered this market without these requirements.
- Solicitation rules are strict and carriers are strict in not permitting solicitations to be made in the prospect's country.
- Most companies will not pay for translating attending physician statements and require that this be done by an independent party.
- Permanent products are required, and, in many countries, preferred rates are available.
- Jumbo maximum underwriting is \$65 million for foreign national residents, while \$35 million is available as the jumbo maximum coverage for non-resident aliens. The widening market and carrier retentions of \$10 million or more can enhance the totals beyond jumbo maximum limitations.
- Most companies require the entire process be completed in the U.S. and paid in dollars, with the coverage owned by a U.S.-based entity, trust or individual.
- Underwriting requires a range of nexus criteria to be considered for approval for non-resident foreign prospects. These can include one or more of the following: owning real estate, having a business interest, having had an account in the U.S. for six months, or attending school in the U.S.
- Proprietary money-laundering evaluation.
- Avoidance of politicians, political operatives, or high-profile individuals.
- Payment of compensation to a person in a non-U.S. country is not allowed.

For life insurance advisors seeking a new challenge with significant rewards, the foreign nationals marketplace is a growth opportunity, one in which the wind is now at their back.

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