



*In the Secondary Market, We're First®*


# How Changes Over the Past Year Will Impact the Industry Moving Forward

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# Webinar Instructions

- Dial in to 1-800-839-9416; access code 8334152. Phones will be muted.
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# LSAM Events & Resources

- June 1 – Life Settlements Fundamentals
  - June 4 – Life Settlements Advanced Strategies & Case Studies
  - June 7-10 – LSS at the MDRT Convention
  - June 11 – Investors in Life Settlements –Part I\*
  - June 16 - Investors in Life Settlements –Part II\*
  - June 18 – How changes in past year will impact market going forward
  - June 23 - Investors in Life Settlements –Part III\*
  - June 25 – Advanced Strategies: Market and Regulatory Trends
  - June 30 – Life Settlements Fundamentals (repeat)
- 
- Continuing Education course on life settlements ([www.lss.webce.com](http://www.lss.webce.com)) available in all 50 states (2-8 CE Credits)
  - Downloadable resources and event signup at: [www.lifesettlementawarenessmonth.com](http://www.lifesettlementawarenessmonth.com)

\* Accredited investors and qualified institutional buyers only

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Life

## Panelists

- James Green, Agent's Sales Journal
- Brian Casey, Locke, Lord, Bissell & Liddell
- Darwin Bayston, Life Settlement Consulting and Management, LLC

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James Green

Agent's Sales Journal

# 2009 LIFE SETTLEMENT STUDY

BY AGENT MEDIA  
IN PARTNERSHIP WITH



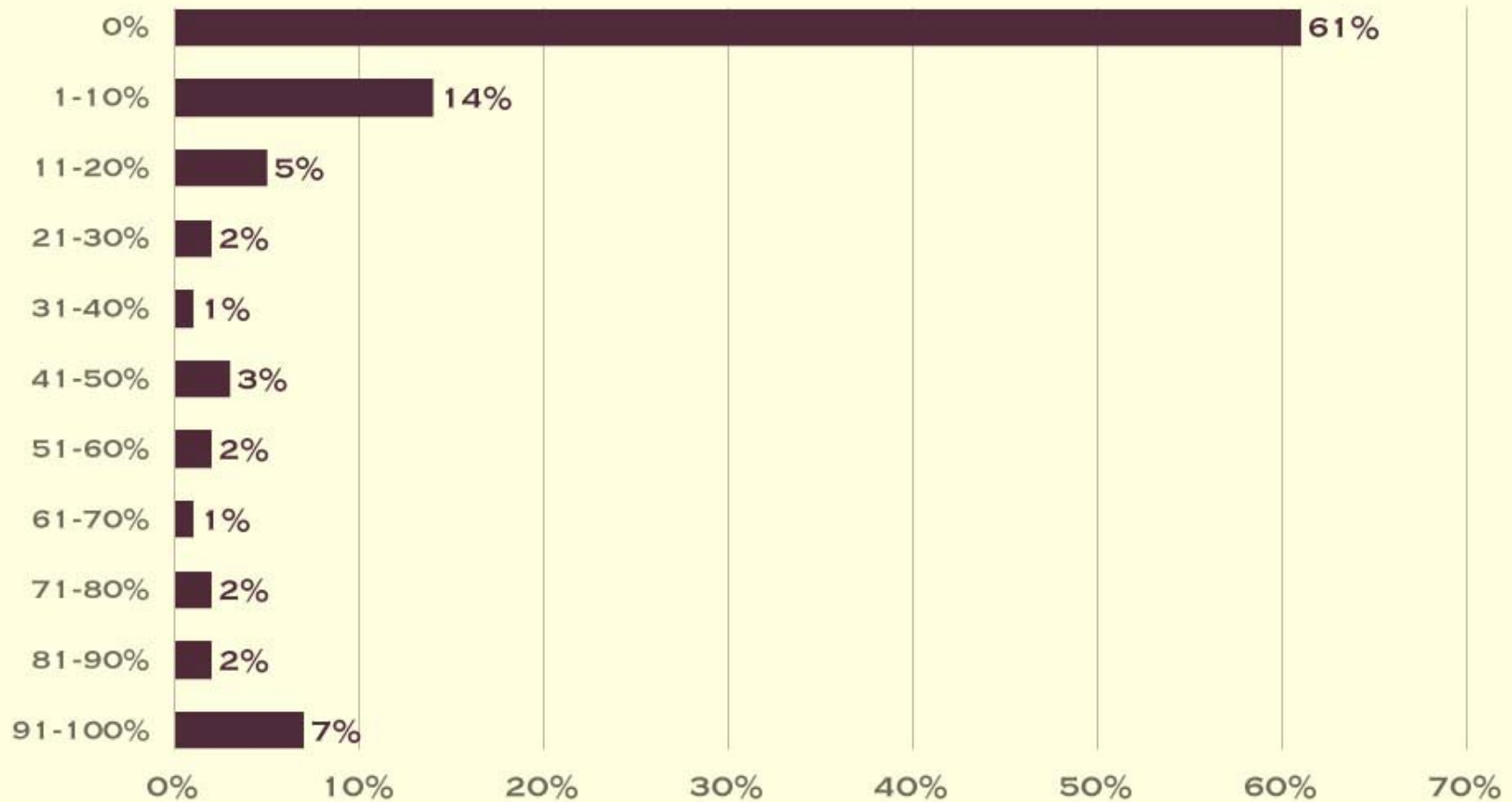
# HOW DO YOU PERCEIVE THE POTENTIAL IMPACT OF LIFE SETTLEMENTS ON YOUR BUSINESS?

	2006	2007	2008	2009
I BELIEVE THERE IS SUBSTANTIAL POTENTIAL FOR ADDITIONAL INCOME FROM LIFE SETTLEMENTS	43%	51%	42%	36%
I BELIEVE THERE IS LIMITED POTENTIAL FOR ADDITIONAL INCOME FROM LIFE SETTLEMENTS	29%	41%	36%	46%
I DO NOT FORESEE ANY POTENTIAL FOR ADDITIONAL INCOME FROM LIFE SETTLEMENTS	28%	8%	5%	17%
I FORESEE A POTENTIAL DECLINE IN THE INCOME I RECEIVE FROM LIFE SETTLEMENTS	1%	1%	17%	1%

# DO YOU HAVE CLIENTS OVER AGE 65 WHO HAVE EVER SURRENDERED A LIFE INSURANCE POLICY?

	2006	2007	2008	2009
YES	46%	56%	56%	59%
No	54%	44%	44%	41%

# OF YOUR CLIENTS WHO HAVE SURRENDERED THEIR POLICIES, WITH WHAT PERCENTAGE DID YOU DISCUSS LIFE SETTLEMENTS?



# IF YOU HAD CLIENTS WHO MET THE REQUIREMENTS, WOULD YOU DISCUSS LIFE SETTLEMENTS WITH THEM?

	2006	2007	2008	2009
YES	60%	88%	79%	74%
NO	14%	2%	6%	9%
NOT SURE	10%	26%	15%	17%

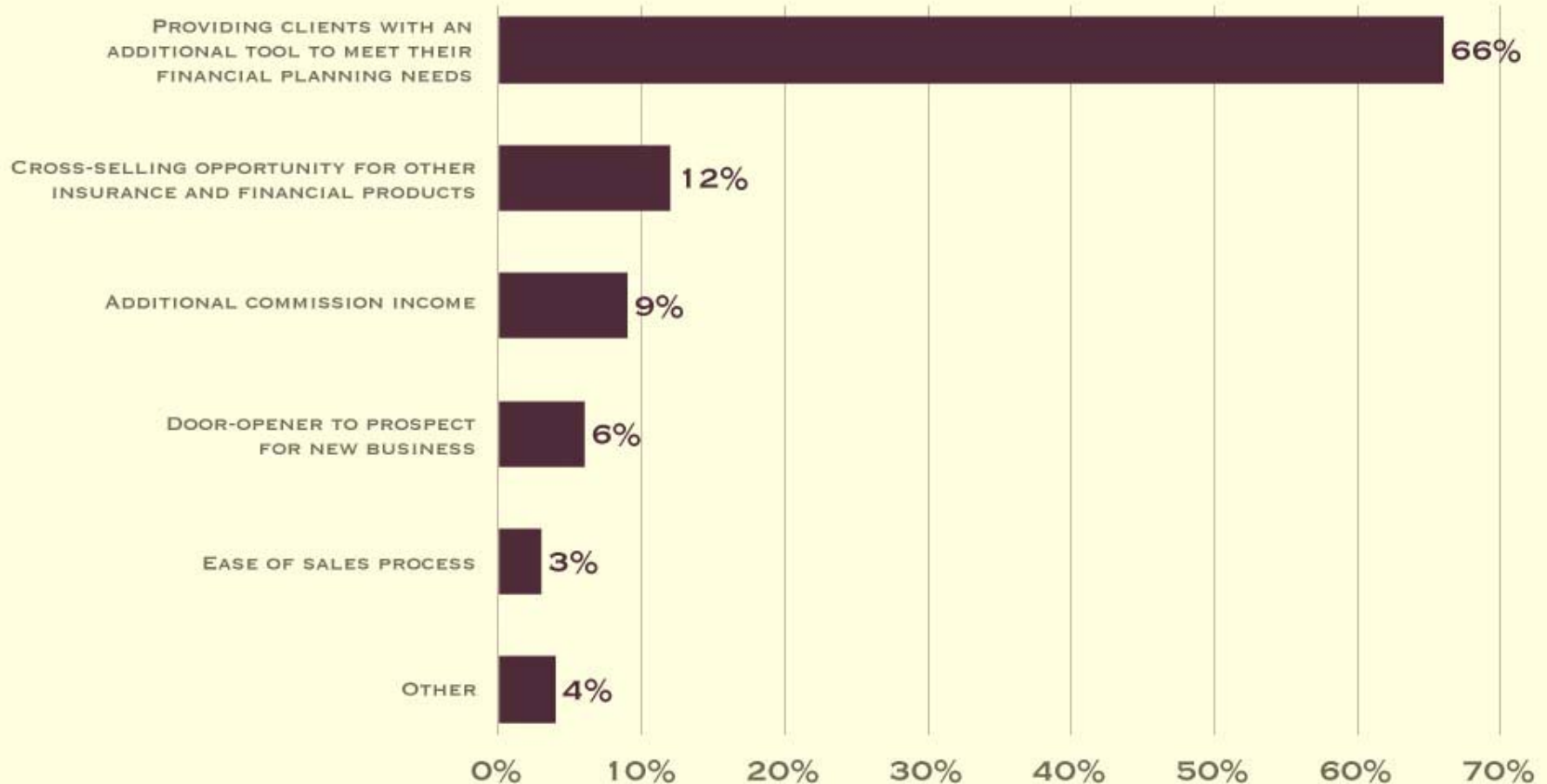
# DO YOU EXPECT TO PERFORM A LIFE SETTLEMENT TRANSACTION WITHIN THE NEXT 12 MONTHS?

	2006	2007	2008	2009
YES	27%	54%	43%	39%
No	73%	46%	57%	61%

# IF YOU DON'T EXPECT TO PERFORM A LIFE SETTLEMENT TRANSACTION WITHIN THE NEXT 12 MONTHS, WHY NOT?

	2009
I DO NOT KNOW ENOUGH ABOUT LIFE SETTLEMENTS	65%
I AM PROHIBITED FROM BEING INVOLVED IN A LIFE SETTLEMENT TRANSACTION	22%
LIFE SETTLEMENTS WOULD NOT BE APPROPRIATE FOR MY CURRENT CLIENTS	15%
I HAVE HEARD NEGATIVE THINGS ABOUT LIFE SETTLEMENTS	9%
I THINK LIFE SETTLEMENTS ARE A BAD IDEA	4%
I HAD A NEGATIVE EXPERIENCE WITH LIFE SETTLEMENTS	1%
OTHER	8%

# WHAT DO YOU PERCEIVE TO BE THE MAJOR ADVANTAGE OF OFFERING LIFE SETTLEMENTS IN YOUR PRACTICE?



# UNDER WHAT CIRCUMSTANCES DO YOU PRESENT YOUR 65+ CLIENTS WITH INFORMATION ABOUT LIFE SETTLEMENTS?

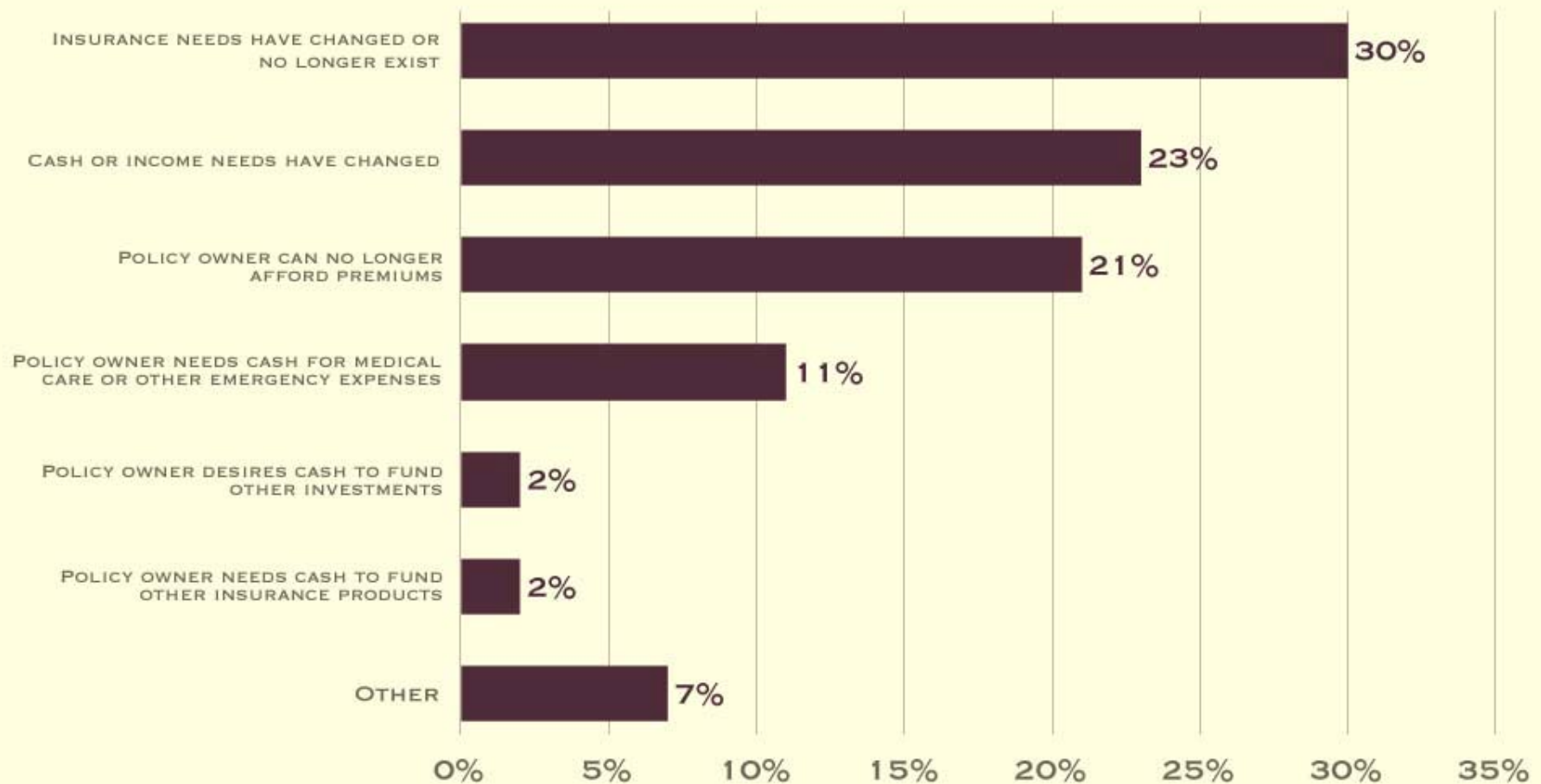
	2006	2007	2008	2009
I PRESENT EVERY 65+ CLIENT WITH INFORMATION ABOUT LIFE SETTLEMENTS	7%	11%	8%	10%
I PRESENT INFORMATION ABOUT LIFE SETTLEMENTS TO CLIENTS ON A CASE-BY-CASE BASIS IF IT SEEMS APPROPRIATE	32%	47%	37%	40%
I USUALLY GIVE CLIENTS INFORMATION ABOUT LIFE SETTLEMENTS ONLY IF THEY ASK ME	8%	6%	15%	8%
I NEVER SPEAK TO CLIENTS ABOUT LIFE SETTLEMENTS	54%	36%	40%	41%

# APPROXIMATELY HOW MANY LIFE SETTLEMENT TRANSACTIONS HAVE YOU COMPLETED IN YOUR CAREER?

	2006	2007	2008	2009
0	82%	70%	65%	64%
1	5%	8%	6%	9%
2-5	8%	13%	19%	14%
6-10	3%	5%	6%	6%
11 OR MORE	2%	6%	4%	8%

# WHAT IS THE MOST COMMON REASON YOUR CLIENTS HAVE ENGAGED IN A LIFE SETTLEMENT TRANSACTION?

Note: Results reflect responses by those agents who have completed at least one life settlement transaction.

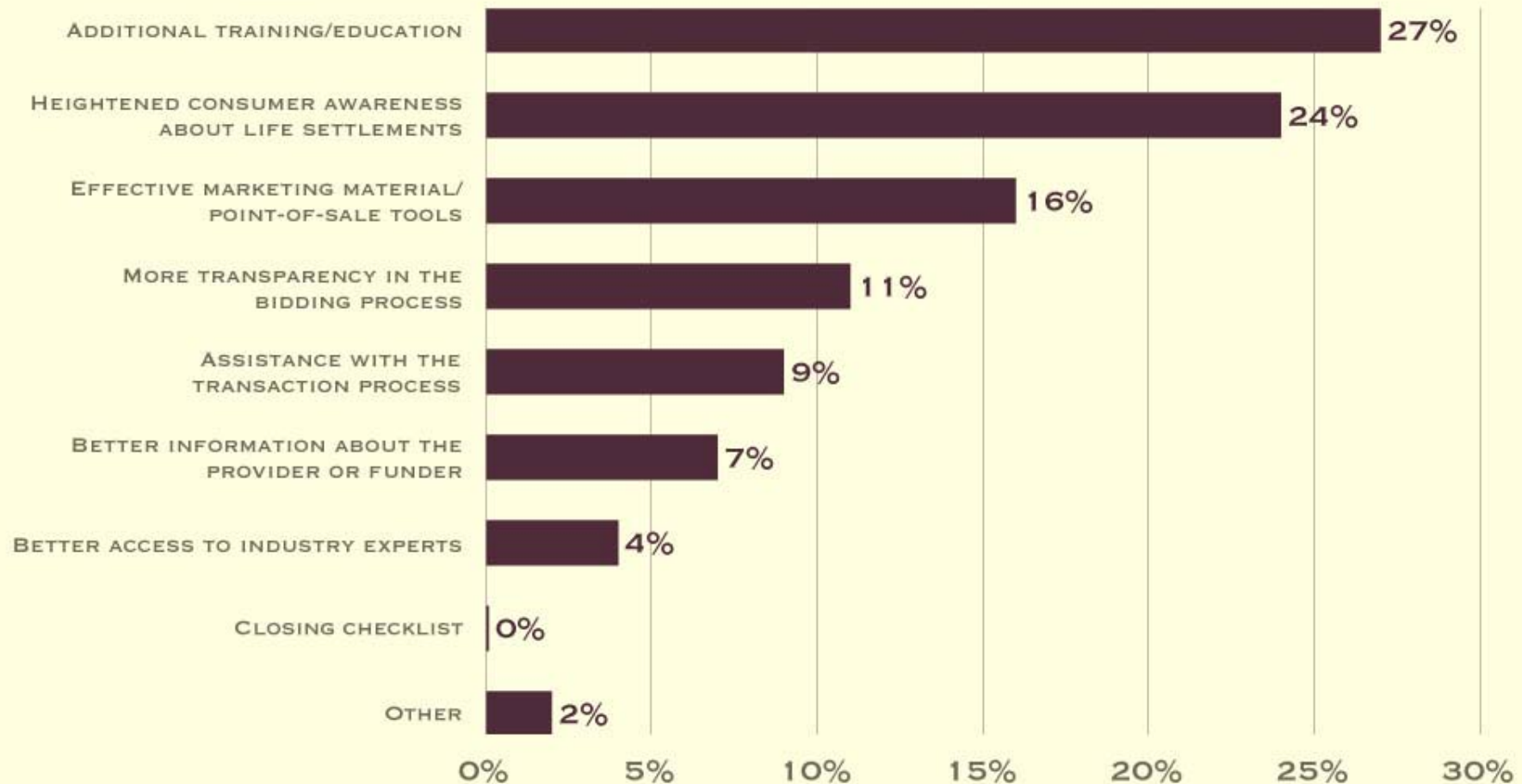


# WHAT IS YOUR BIGGEST CHALLENGE WITH PRESENTING LIFE SETTLEMENTS?

	2009
I NEED A BETTER UNDERSTANDING OF LIFE SETTLEMENTS	29%
I AM PROHIBITED FROM PARTICIPATING IN A LIFE SETTLEMENT TRANSACTION	17%
FINDING PROSPECTS	12%
CLIENTS' LACK OF AWARENESS ABOUT LIFE SETTLEMENTS	9%
ENSURING CLIENTS DON'T GIVE UP LIFE INSURANCE THEY NEED	8%
LIMITED SUPPORT	8%
PROCESS IS COMPLICATED AND/OR LENGTHY	6%
SELECTING THE RIGHT SETTLEMENT BROKER TO PARTNER WITH	4%
GETTING COMPETITIVE BIDS ON THE POLICY	2%
CLIENTS' NEGATIVE PERCEPTIONS ABOUT LIFE SETTLEMENTS	2%
HIGH TRANSACTION COSTS	1%
POTENTIAL CLIENTS COULD GET RIPPED OFF	1%
OTHER	0%

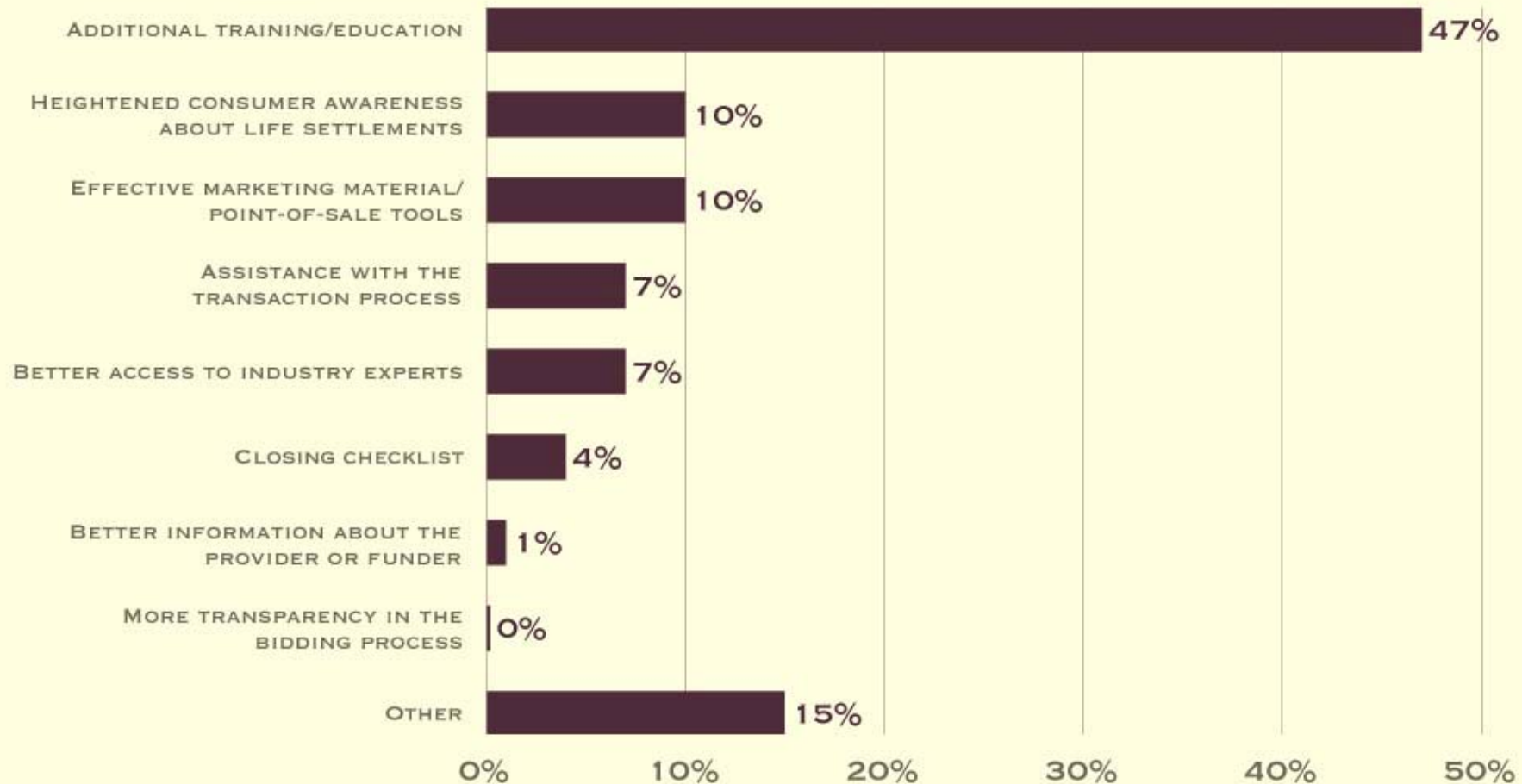
# WHAT WOULD BE THE BIGGEST HELP TO YOU IN THE SUCCESSFUL COMPLETION OF A LIFE SETTLEMENT TRANSACTION?

Note: Results based on responses by those respondents who have completed at least one life settlement transaction.



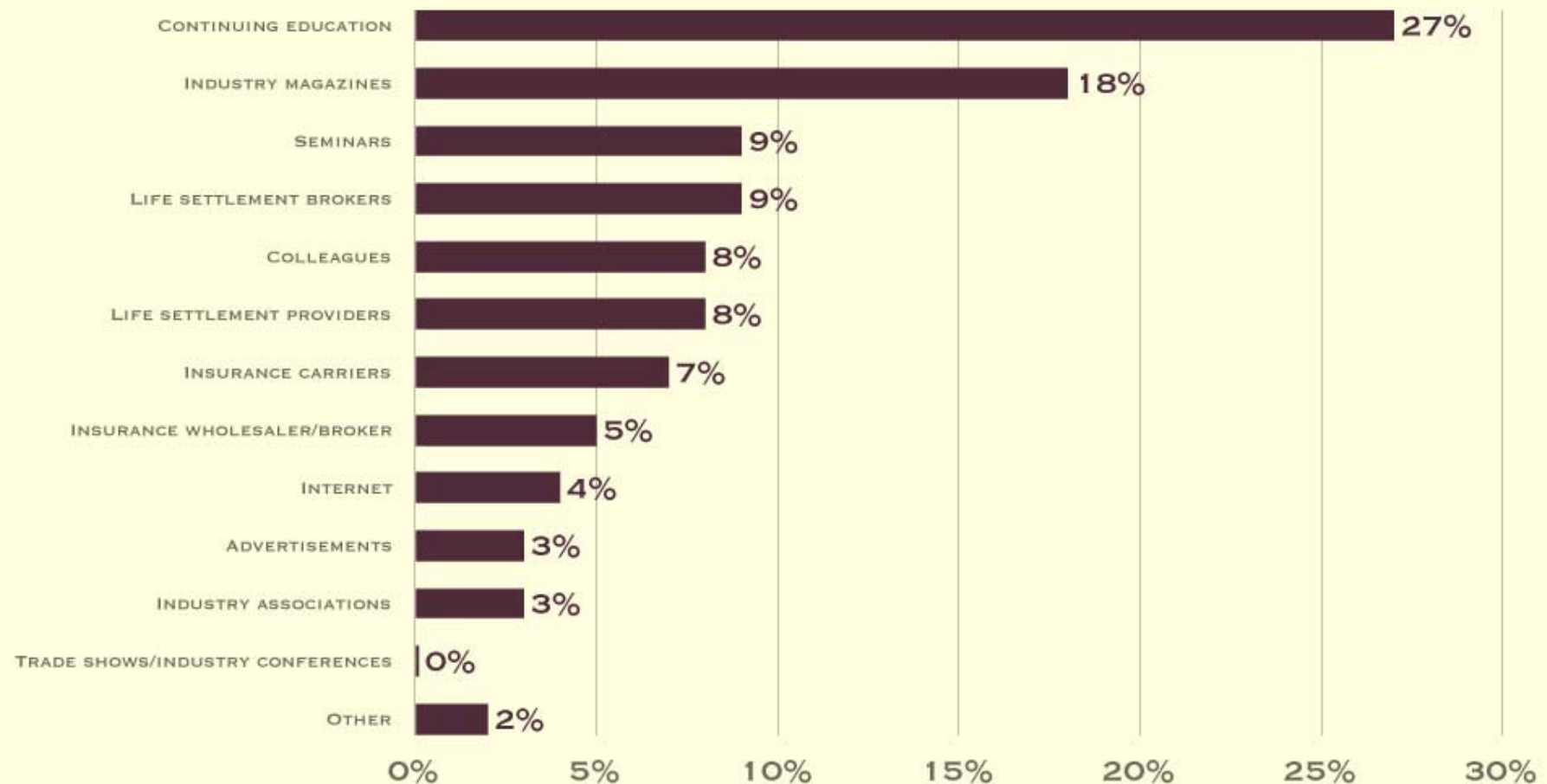
# WHAT WOULD BE THE BIGGEST HELP TO YOU IN THE SUCCESSFUL COMPLETION OF A LIFE SETTLEMENT TRANSACTION?

Note: Results based on responses by those respondents who have not completed at least one life settlement transaction.

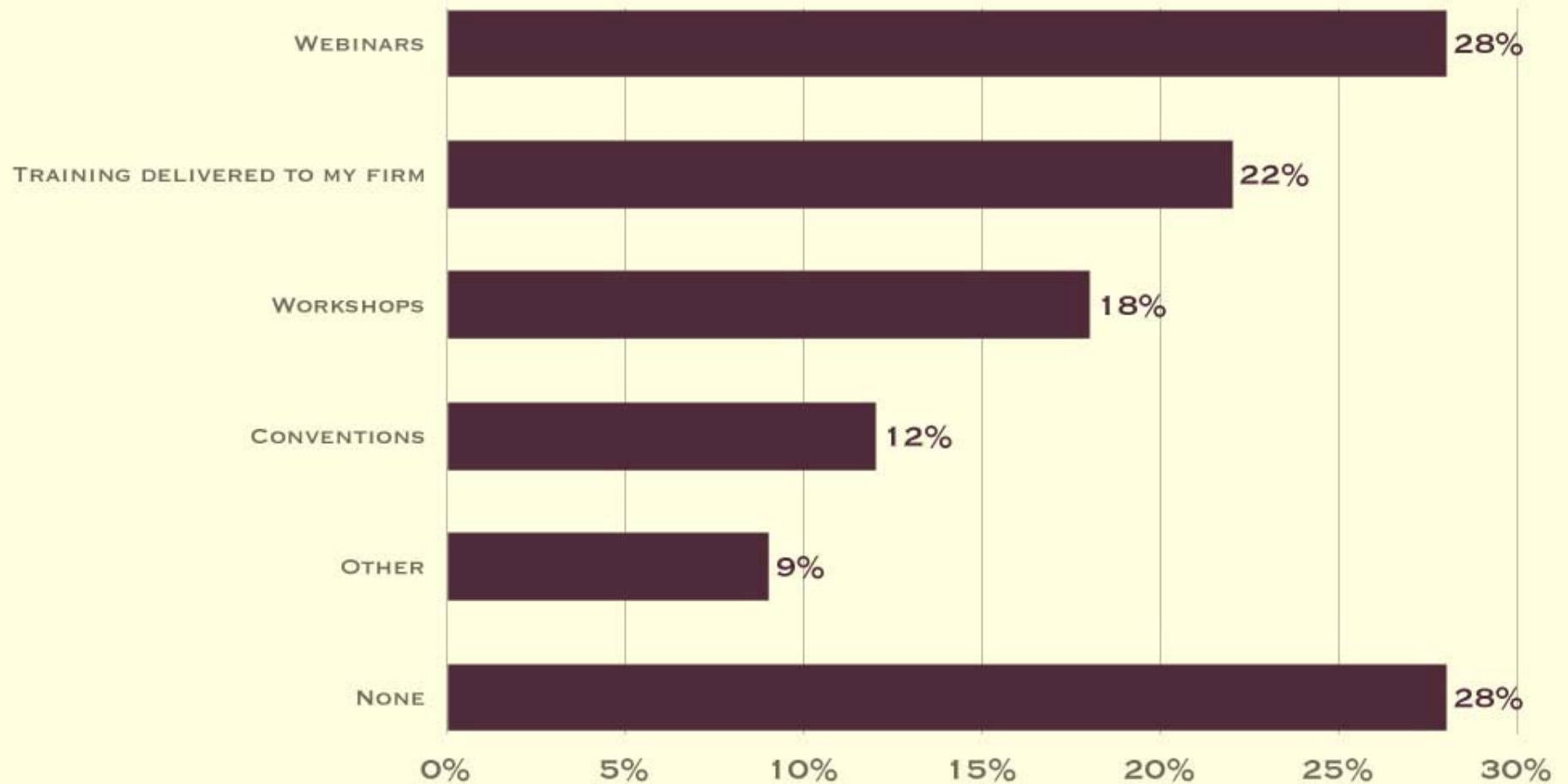


# WHAT IS YOUR MOST HELPFUL SOURCE OF INFORMATION ABOUT LIFE SETTLEMENTS?

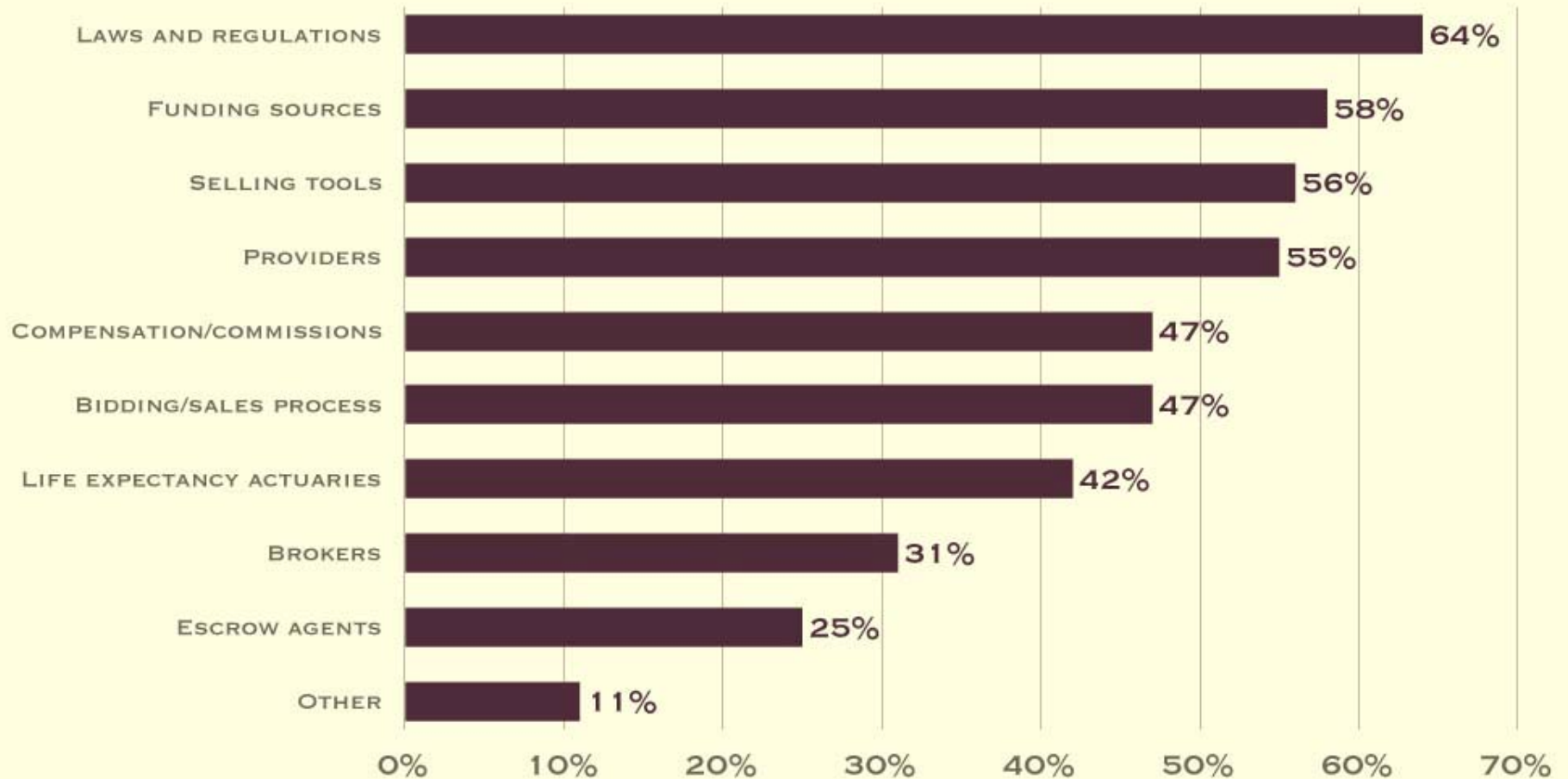
AGENT MEDIA  
**MARKET**  
RESEARCH



# WHAT INFORMATIONAL EVENTS ABOUT LIFE SETTLEMENTS HAVE YOU ATTENDED?



# WHAT ASPECTS OF LIFE SETTLEMENTS WOULD YOU LIKE TO KNOW MORE ABOUT?





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The logo for "Agent's Sales Journal" features the word "AGENT'S" in a small, grey, sans-serif font above the word "sales" in a large, bold, red, sans-serif font. The word "journal" is in a large, bold, grey, sans-serif font to the right of "sales".

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# Financial Markets Crisis Impact on Life Settlements

- Hedge Funds busy wrangling with investment losses and investor redemptions with little current focus on new entry into life settlements
- Scarcity of leverage/policy acquisition warehouse facilities
- Premium financed life insurance policies under severe stress
- Credit quality of life insurers probably at all time low
- Only a few small life insurer insolvencies have emerged

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# Recent Life Settlement Transactions

- Life Settlement Fund JV
  - partial portfolio liquidity
  - portfolio investment in-kind
  - new origination agreement
- Warehouse Facility holders looking to partner with portfolio owners needing leverage
- A few life settlement broker acquisitions/consolidations
- A few hedge funds seeking licensed life settlement provider shells

# IRS Life Settlement Revenue Rulings

- Revenue Ruling 2009-13
  - Policyholder's reduction in basis for cost of insurance in life settlement sale
- Revenue Ruling 2009-14
  - Foreign investor subject to withholding tax on death benefits in excess of basis
- Offshore funds in non-tax treaty countries scrambling to redomesticate or otherwise solve withholding tax dilemma

# More Life Settlement & STOLI Legislation

- New STOLI law states in 2009: Arkansas, Georgia, Idaho, Iowa, Kansas, Minnesota, Montana, North Dakota, Utah, Vermont, Washington
  - Iowa, new legislation but the definition for STOLI was effective as of 7/1/08
  - Washington's new law requires life insurers to notice policyholders about life settlement option
- Non-STOLI state where there has been new legislation in 2009: Nevada
- NY legislation appears to be dead because of the change in political party control of the assembly

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# Federal Legislation Addressing Financial Crisis

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Life Settlement Awareness Month

- National Insurance Consumer Protection Act of 2009 (Royce-Bean Bill)
  - Office of National Insurance within Treasury Department
  - National Insurance Commissioner
  - Nationally chartered insurance companies and agents
  - Federal insurance guaranty fund

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# SEC Rule 151A



- Equity indexed annuities to be regulated as securities
- Rule to take effect January 12, 2011
- *American Equity Investment Life Ins. Co. v. U.S. Securities & Exchange Commission, 09-1021* (U.S. Court of Appeals for the District of Columbia, 2009)
- Federal and state securities commissions increased enforcement against fractionalizers
- Could be impetus for all life settlements to be regulated as securities

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# Federal Legislation for Regulation of Hedge Funds



- S.344 – Hedge Fund Transparency
  - Would require many hedge funds previously unregulated to register with the SEC as an investment company
  - Could result in some life settlement funds being regulating funds
- Related Legislation
  - HR 711 - Hedge Fund Adviser Registration Act of 2009
  - HR 712 - Pension Security Act of 2009
  - HR 713 - Hedge Fund Study Act

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# Darwin M. Bayston, CFA

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# Life Settlement Market – Pre 2009

- Financial meltdown
- Regulatory reform
- Life expectancy adjustments
- Premium finance
- Continued negative press

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# Life Settlement Market – LSAM<sup>®</sup> Present

Life Settlement Awareness Month

- Shortage of new capital
- Uncertainty and mistrust of LEs
- Lower prices to policy sellers
- Pressure on transaction costs
- Illiquid market of portfolios for sale
- Continued legislative reform
- Continued negative press

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# Life Settlement Market – Year(s) Ahead

- Eliminate market overhang of portfolios
- New capital – especially U.S. based
- Continued pressure on transaction costs
- Increased transparency and disclosures
- Creative used for life settlements – project finance
- Pre-qualification LEs and policy values - online

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# Future of Life Settlements

- Seniors to need liquidity
- Market size – very large



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# About Life Settlement Solutions

- One of the oldest and largest life settlement providers
- Management with collective experience closing in excess of \$2 billion in face value to date
- Primarily institutional capital (customer protection)
- Industry-renowned capabilities and reputation
- Member of Life Insurance Settlement Association
- AA+ rating from Scope Agency
- Expert management and employee teams
- Founder and presenter of Life Settlement Awareness Month (LSAM)®
- Developer of one of the few continuing education courses on life settlements for credit toward life agent licensing

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# Resources

[www.lifesettlementawarenessmonth.com](http://www.lifesettlementawarenessmonth.com)

[www.lss.webce.com](http://www.lss.webce.com)

[www.lifesettlementsmarketwatch.com](http://www.lifesettlementsmarketwatch.com)

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