




**Advanced Strategies:  
Market Trends and Regulations**

**Life Settlement Awareness Month  
June 2008**

# Webinar Instructions

- If you haven't already, dial in to 1-800-839-9416 and enter the access code 8334152 to join the audio portion. Phones will be muted.
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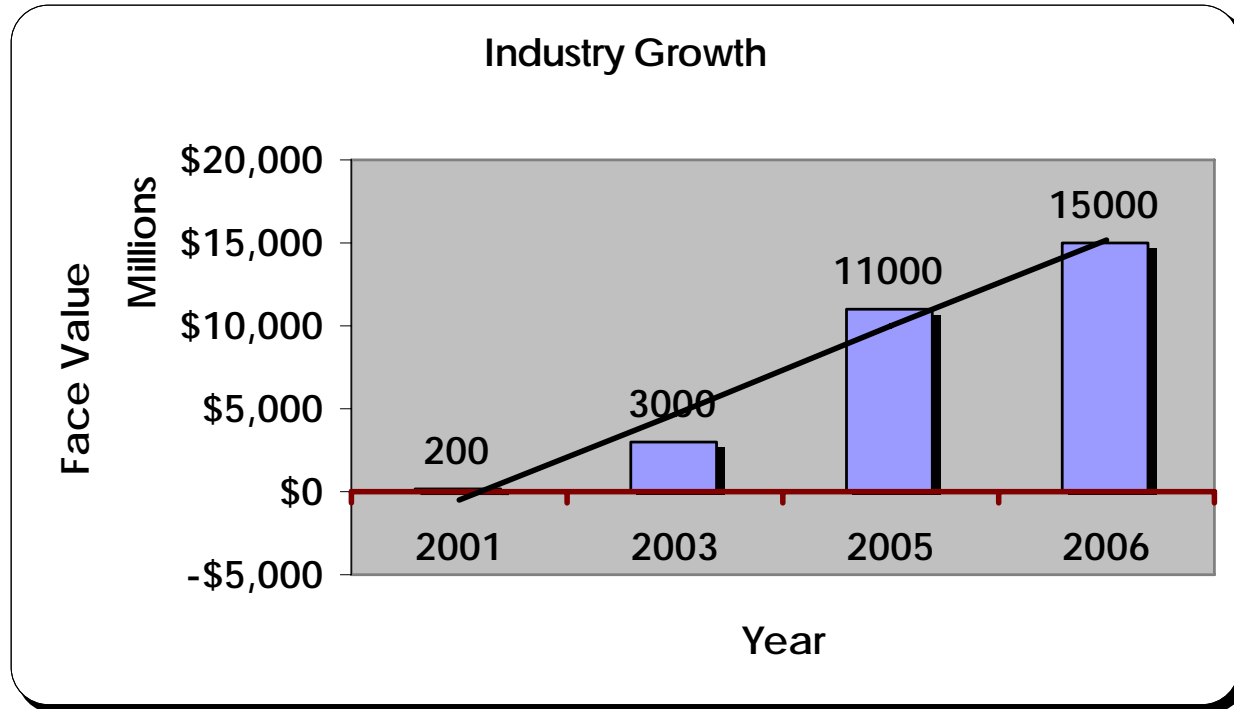
# Quick Review of Life Settlements – The Fundamentals

- A rapidly growing segment of life insurance industry
- \$3 billion in excess of CSV paid over past 5 years
- On average, settlements yield three-to-four times CSV
- Definition of life settlement & transaction process
- Considerations and requirements for selecting providers and brokers
- The settlement process/case studies
- Reasons to increase knowledge of settlements
- Resources available

# Trends We'll Discuss

- Market Volume
- Market Segments/Premium Financing
- Institutional Investment Capital
- Mortality/Life Expectancies
- Regulatory
- NCOIL v. NAIC Model Act Amendments

# Market Volume



- Overall industry growth estimated at \$161 billion in FV\*

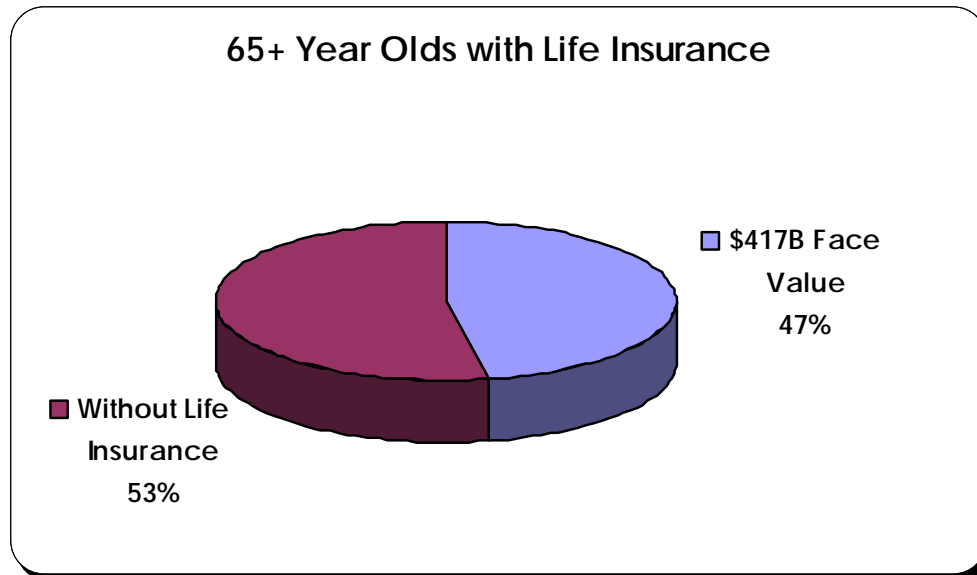


\*Kamath, Suneet. (May 2006).  
*Life Insurance - Life Settlements Update -  
What a Difference a Year Can Make.*  
Bernstein Research  
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# Market Volume

- Aging Population owning life insurance
  - Life insurance held by 65+ population estimated to grow to more than \$800 billion FV
  - Aging baby boomer generation more sophisticated investors
  - Market penetration for life settlements estimated to reach 20%



# Market Segments

Diverse blend of financial professionals entering the market, including:

- Insurance producers (70% still have not entered)
- CPAs, estate planners/attorneys, Registered Investment Advisors, Broker-dealers and their registered reps
- Business Insurance
  - Owners; Key Execs; Retired Execs; Buy-Sell
- Small policy programs – broad middle class
- Variable Insurance
- Increased consumer awareness
  - Positive & Negative (STOLI publicity, FINRA notice)

# Financed Policies

## Types

- Recourse
- Non-Recourse
- Hybrid

## Considerations

- Insurable interest
- Red flag warnings (lender ownership, upfront payments to insured, excessive costs, preestablished settlement agreements)
- Loan/Trust documents review
- Additional carrier rescission risk & pricing impact

# Investment Benefits

Without capital, there is no settlement market

Important to understand the institutional nature of the investors and their view of the marketplace

- Non-correlated returns to traditional markets
- Attractive risk/return characteristics
- Highly rated (AA avg) receivables
- Low volatility of returns within a diversified portfolio
- Sizable and growing asset class/ scalability
- Increasing regulation adding to stability of industry
- Securitization (impact on pricing parameters)



# Institutional Investment Capital

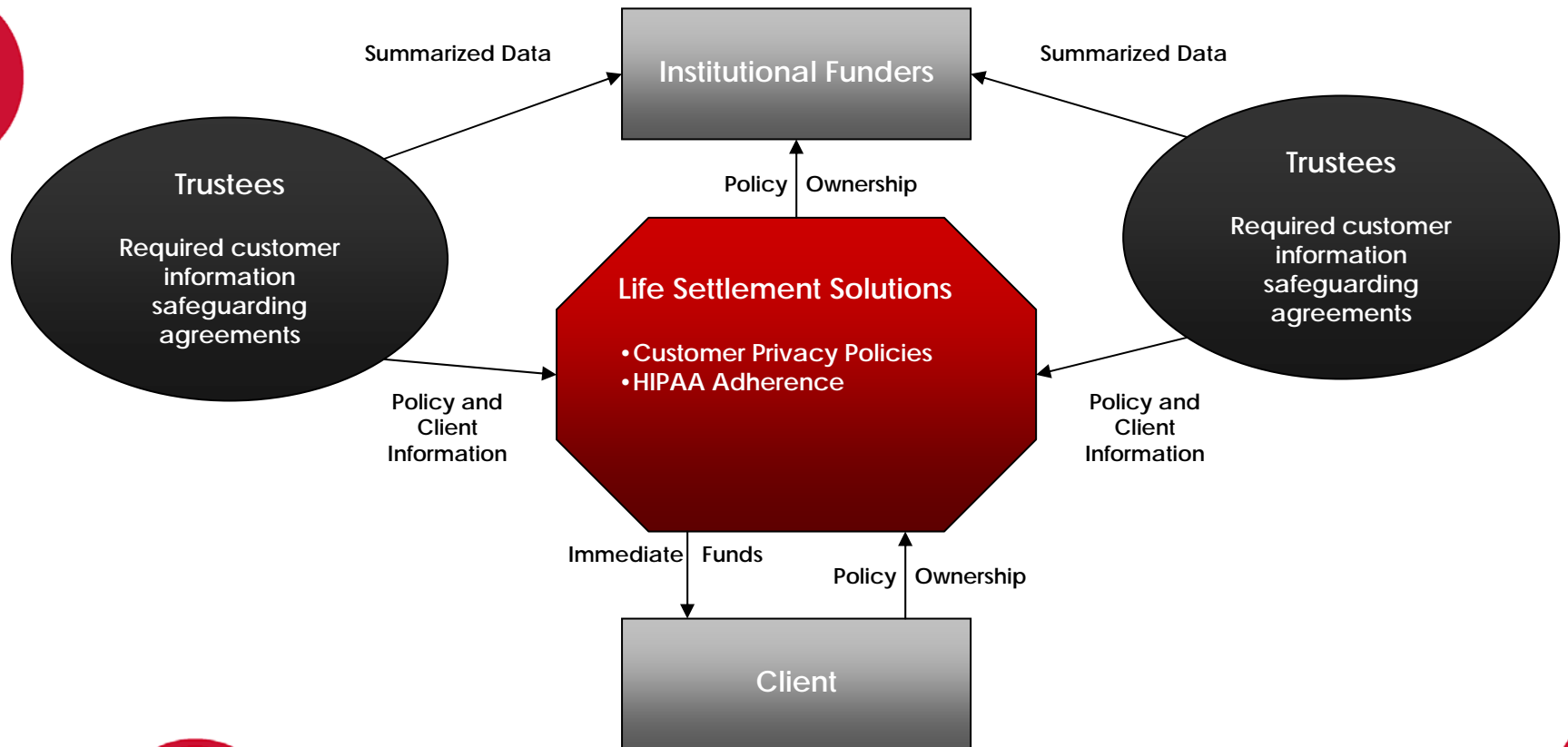
Investment Banks, Banks, Hedge Funds, Insurance Co's

- AIG
- Goldman Sachs
- Deutsche Bank
- ABN Amro
- JP Morgan
- Citibank
- Berkshire Hathaway
- Hanover Life Re
- Phoenix Life
- Transamerica Re
- GE
- Morgan Stanley
- Wachovia
- Merrill Lynch

# Safeguards

- HIPAA laws
- Policy owned by trustees – major financial institutions
- Institutional funding sources receive summarized data
- Only institutional capital used to purchase policies
- Security-encrypted and back-up technology systems
- Agreements with LSS funding sources generally prevent re-sales to non-accredited investors
- Due diligence requirements for providers and for distribution firms - screening
- Compensation disclosure to clients

# Safeguarding Customer Information

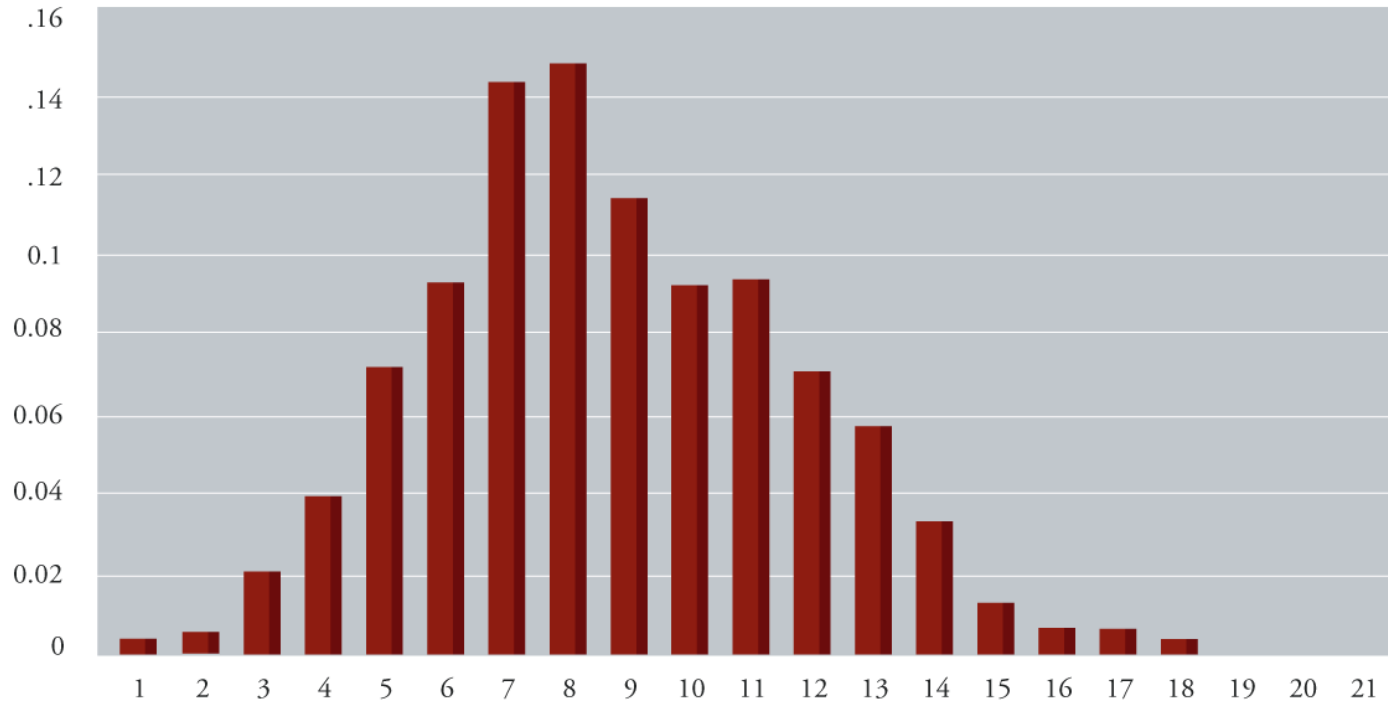


# Mortality/Life Expectancies

- LE trends
- LE providers
  - 21<sup>st</sup> Services, AVS, Midwest, Fasano, EMSI, ISC, Bragg
  - Underwriting variances
  - Capital & Settlement Providers determine which LE reports are submitted with case files
- VBT 2008

# Life Expectancy Percentages

Life Expectancy Percentages  
Typical inflow of cases based on 50% LE

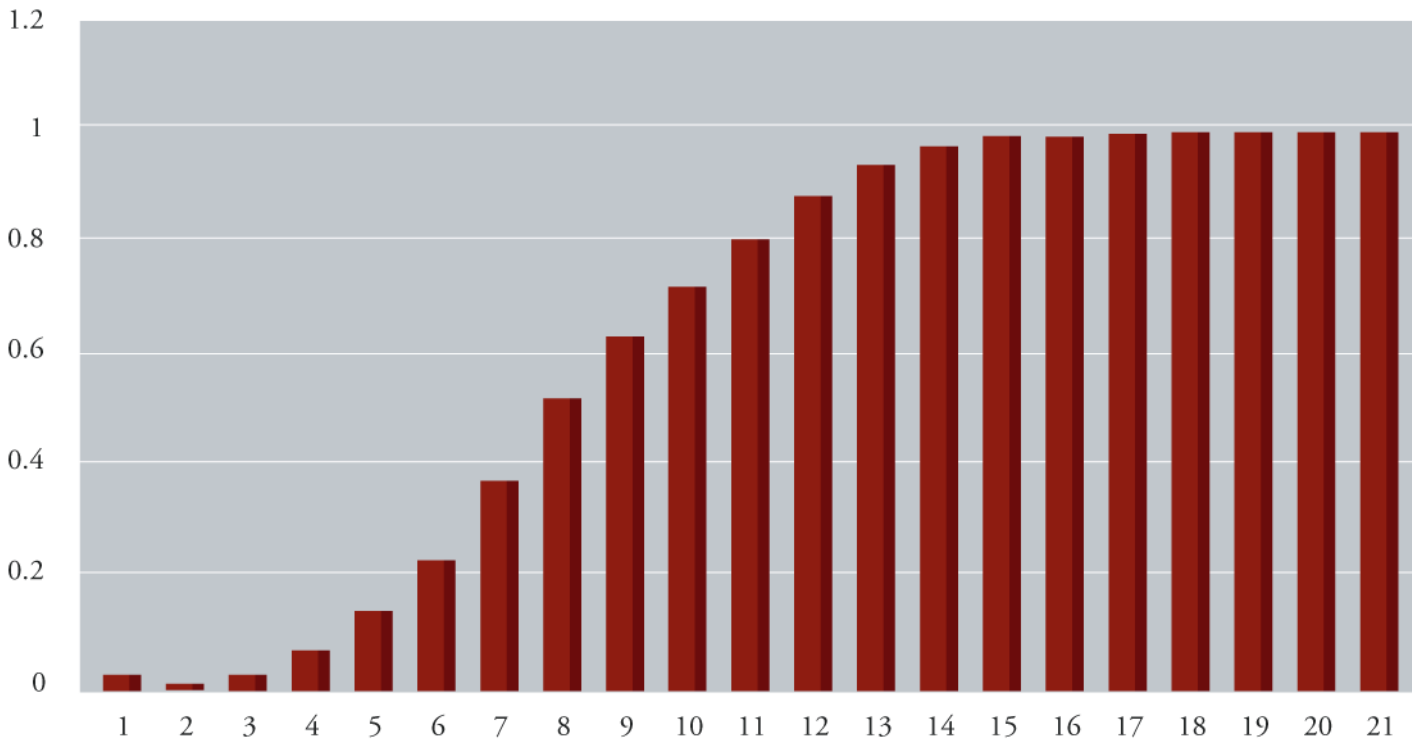


Source: Life Settlement Solutions, Inc.  
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# Life Expectancy Percentages

Life Expectancy Percentages  
Typical inflow of cases based on 50% LE – cumulative percentage

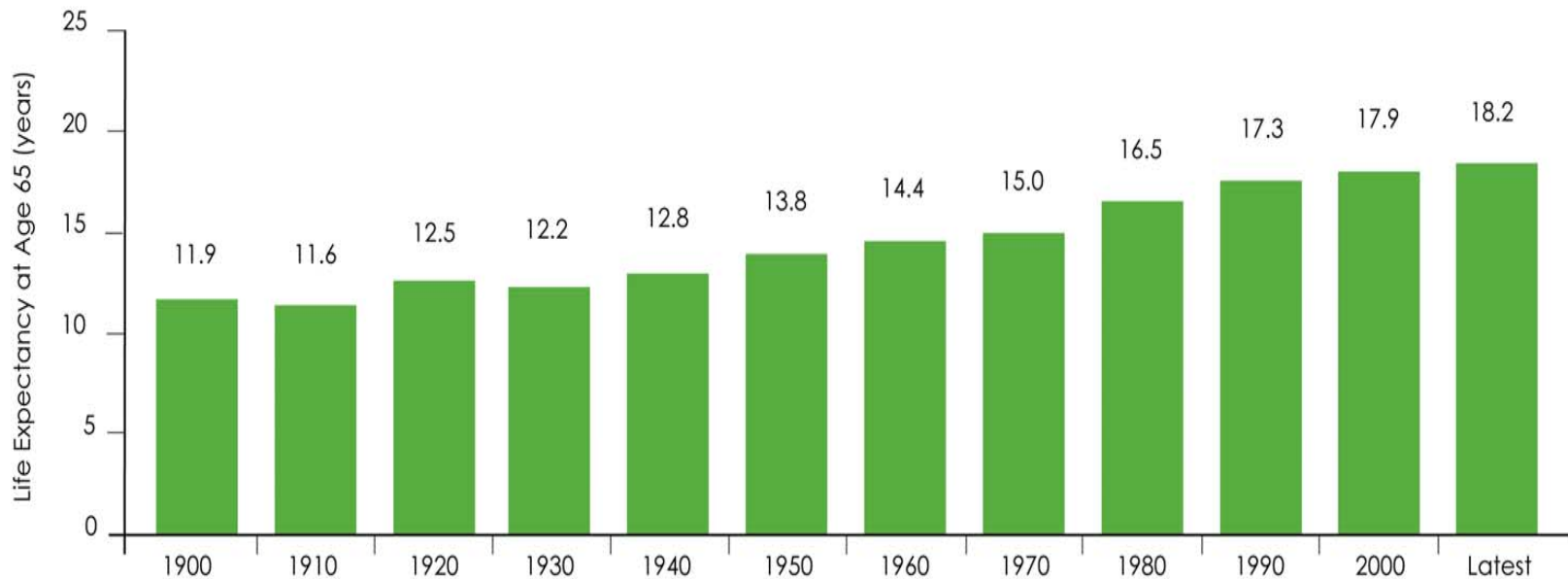


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# Mortality and Life Expectancy

Life Expectancy of Individuals over the Age 65



Source: CDC and National Vital Statistics Systems.



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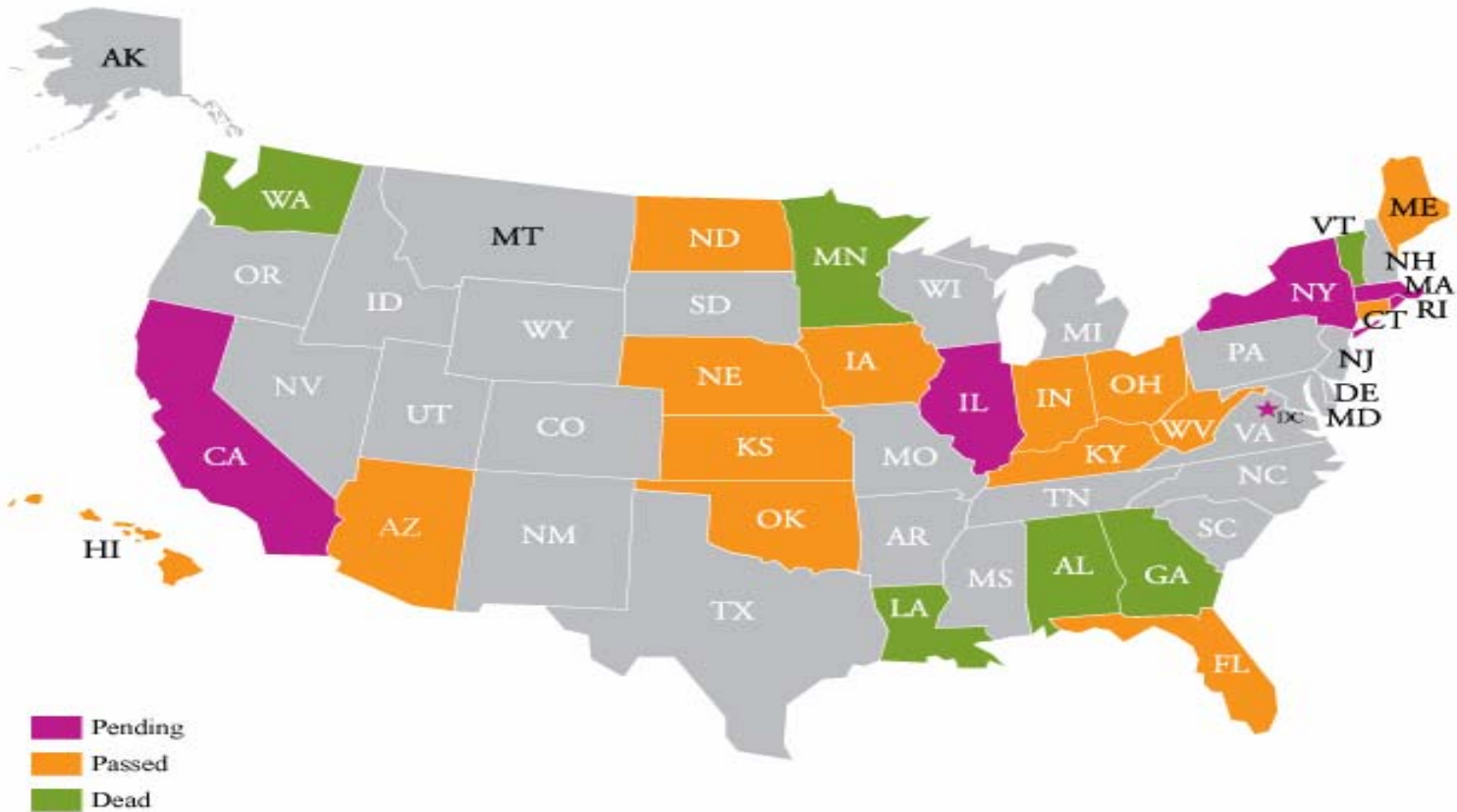
# Regulatory

- Current landscape
- What regulators are concerned about -  
Insurable interest
- States considering/enacting legislation
- Licensing – Provider, Broker, Agent
- Compensation disclosure

# NCOIL v. NAIC

- STOLI definition
- 2 years v. 5 years waiting periods
- Bonding requirements
- Consumer disclosures
- States enacting NCOIL or NAIC based regulations
- LISA® industry position
  - NCOIL
  - Consumer interest
  - Promotes consumer friendly legislation

# The Regulatory Environment



# Resources

[www.lisassociation.org](http://www.lisassociation.org)

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

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

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

[www.lss-corp.com](http://www.lss-corp.com)



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