

Fair Market Life Settlements Corp.SM

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Life Settlements For Trust and Estate Planning

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“In The Beginning...”

The Secondary Market for Life Insurance

- Creating an Asset Class – 1990
- HIV / AIDS population - “Viatical” Settlements
- Advances in AIDS treatment changed market direction - 1996
- Market redefined – buying policies insuring “healthy” seniors - 1997

Life Settlement Defined

The sale of an in-force life insurance policy insuring one or more individuals age 65 or over for the discounted present value of the policy net death benefit.

Key Terms

- Viator
- Financing Entity
- Provider
- Broker
- Life Expectancy
- Minimum Premium

Transactional Parties

- Policy Owner's Financial advisor /Insurance agent
- Policy Owner, Insured and Beneficiary(ies)
- Broker and / or Provider
- Financing Entity - "Funder"
- Escrow Agent
- Insurer
- Policy Servicer

Please Note: The Financing Entity could change, and the Policy Servicer will have continuing contact with the insured(s).

Why Sell the Policy?

- Beneficiary pre-deceases insured
- Better-priced insurance now available
- Policy not performing as expected
- Premiums no longer affordable
- Change in estate size
- Key-man policy – Buy Sell Agreement
- Proceeds used for other more suitable products
- Market valuation as asset in bankruptcy

Please Note: Prior to advising the client to enter a Life Settlement, all other options should be reviewed.

Target Market

- Approximately \$14 trillion of life insurance in-force in U.S.
- In 2008, an estimated \$12 billion in policy face was settled
- U.S. demographic / socio-economic trends favor substantially larger target market
- Market potential estimated to be over \$100 billion in face value settled annually within 10 years

Policy Purchase Criteria

- Age of Insured - 65-90
- Life Expectancy – 4-15 years
- Policy face amount - \$100,000 - \$50,000,000
- Policy types
 - Convertible Term
 - Universal
 - Survivorship

Policy Purchase Criteria

- Policy ownership
 - individual
 - trust
 - corporate
 - not for profit
- Insurance company rating – S+P “A” or better
- In-force and beyond contestability
- Policy is unencumbered by debts / liens
- Discounted present value must exceed cash surrender value (average is 3x)

Regulation and Compliance

- State Insurance Department regulator
 - 35 states require Broker / Provider Licensing
- Form approval
- Broker Compensation Disclosure
- Insurable Interest Disclosure
 - Determined at the time of issue
- NAIC / NCOIL opposes Stoli
- Social Security and Medicare potential effects need to be disclosed

Regulation & Compliance

(New Minnesota Law)

- In 2009, Minnesota enacted legislation regulating life settlements.
- Under this legislation Brokers and Life Settlement Providers must be licensed in Minnesota in order to effectuate a life settlement transaction.

Regulation & Compliance

(New Minnesota Law)

- One purpose of this legislation is to combat Stoli Transactions
- Under the legislation, a life insurance policy issued after May 9, 2009, cannot be sold within 4 years of issuance if:
 - There was an agreement in place to sell the policy before the policy was issued, or
 - The policy was premium financed and the insured had a life expectancy performed within 18 months prior to the issuance of the policy for purposes of determining life insurance policy value in a life settlement.
- A prospective purchaser is required to conduct due diligence to determine that these conditions are satisfied.

Transaction Process and Timeframe

Underwriting Process

- Application package including but not limited to
 - Personal information
 - Medical History
 - HIPAA release
 - Policy Release
- Policy illustrations
- Life expectancies
- Underwriting
- Pricing and Offer
- Offer acceptance

Transaction Process and Timeframe

Closing Process

- Contract and closing
- Verification of coverage
- Escrow
- Change of ownership and beneficiary
- Funds disbursement

Timeframe

- Typical time frame – start to finish (8-16 weeks)

Industry Forecast

- Growing Broker Dealer participation
- Capital Markets / Securitization
- Acceptance as an asset class
- Compensation Disclosure

Leading the way in Life Settlements

Fair Market Life Settlements Corp.SM

An approved Life Settlement Provider