



AAP Life Settlement Roundtable

January 25th 2017





About us

About AAP

- **AA-Partners (AAP)** is a boutique investment company located in Zurich/Switzerland.
 - Founded in 2007 and owner-managed since then.
 - Specialised in advisory services regarding investments in US life settlements.
 - Our clients are institutional investors and family offices worldwide.
- **Our publications:**
 - Sponsor and editor of the '**AAP Life Settlement Market Review**'.
 - Sponsor of the '**AAP Life Settlement Reference Rate – Main Market**' which is the benchmark return of the main secondary life settlement market.
 - Sponsor of the '**AAP Investable Life Settlement Index**'.



Agenda

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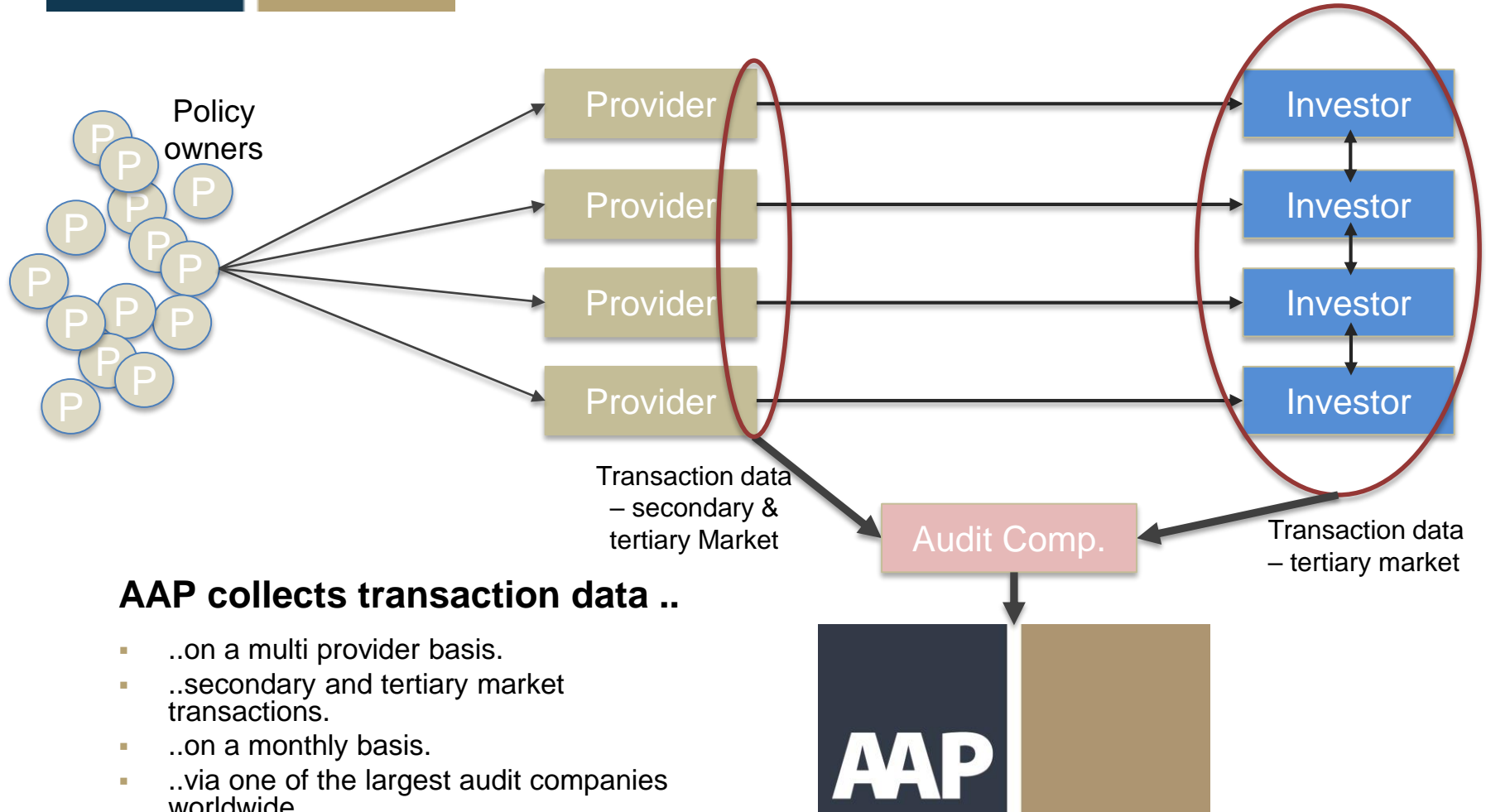
- 09.05 – 09.30 State of the life settlement markets (B. Hess, AAP)
- 09.30 – 10.15 Securitization of life settlements – challenges and opportunities (Prof. A. Braun, University St.Gallen)
- 10.15 – 10.35 Coffee break
- 10.35 – 11.10 Securitization of life settlements – looking at it from an asset perspective (G. Maeder, AAP)
- 11.10 – 11.40 Rethink the tradability of life settlement risks and returns (B. Hess, AAP)
- 11.40 – 11.45 Q&A, final remarks



State of the Life Settlement Markets



Life settlement market data





Involved parties

Data providers

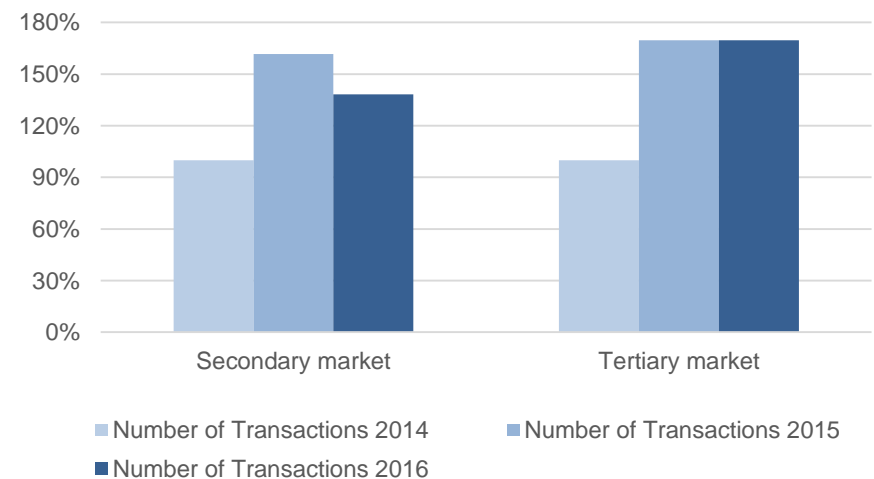
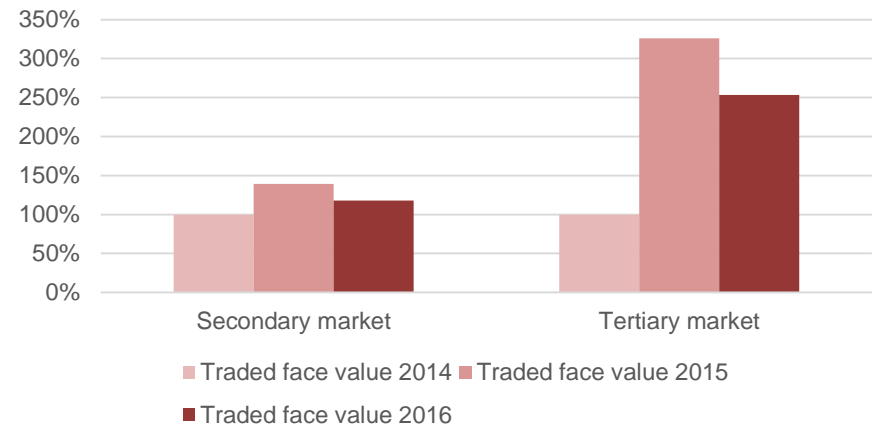
- Life settlement providers (secondary and tertiary market transactions)
 - Abacus Settlements
 - Emergent Capital
 - FairMarket
 - Habersham Funding
 - Institutional Life Company
 - Life Equity
 - Life Settlement Solutions
 - The Lifeline Program
 - LifeTrust, LLC
 - Q Capital
 - RiverRock Partners
 - Settlement Group
- Life settlement asset managers (tertiary market transactions)
 - Carlisle Asset Management
 - SL Investment Management



Whole market – activity

Slight decrease of reported volumes in 2016

- The traded volume face value decreased in the secondary as well as in the tertiary market.
- The number of single transactions decreased in the secondary market and remained stable in the tertiary market.

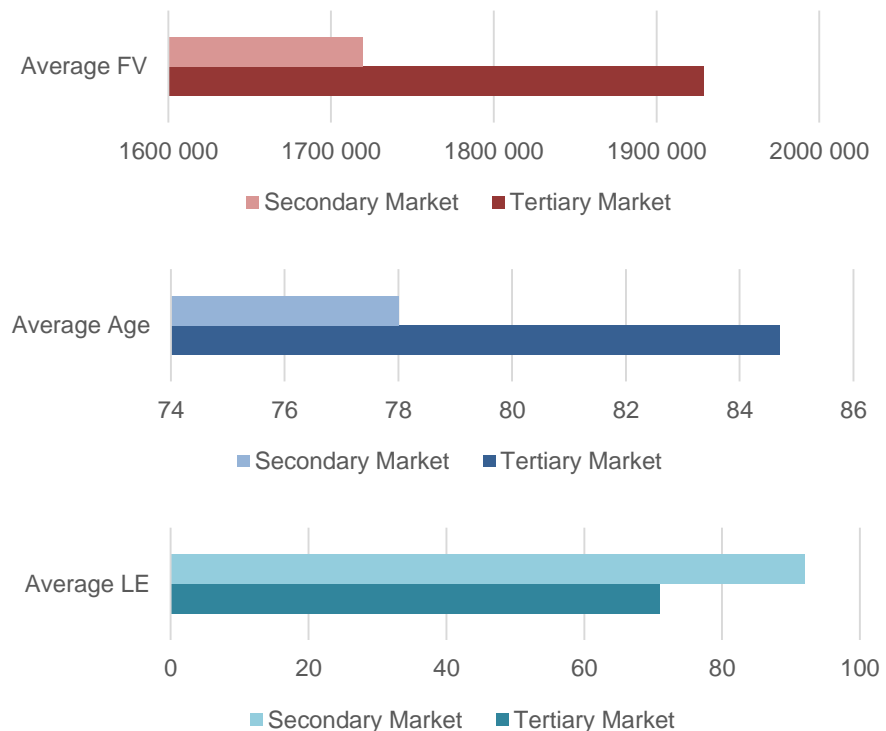




Secondary and tertiary market

Secondary and tertiary markets, change to 2015 in brackets

- Average face value:
 - ..remained stable in the secondary market to USD 1.7 Mio (+/- 0).
 - ..decreased in the tertiary market to USD 1.9 Mio. (-0.6).
- Average age:
 - ..decreased to 78 (-2.3) years in the secondary market.
 - ..increased to 84.7 (+0.8) years in the tertiary market.
- The average LE used for closing reflects the difference in average age in the two markets.

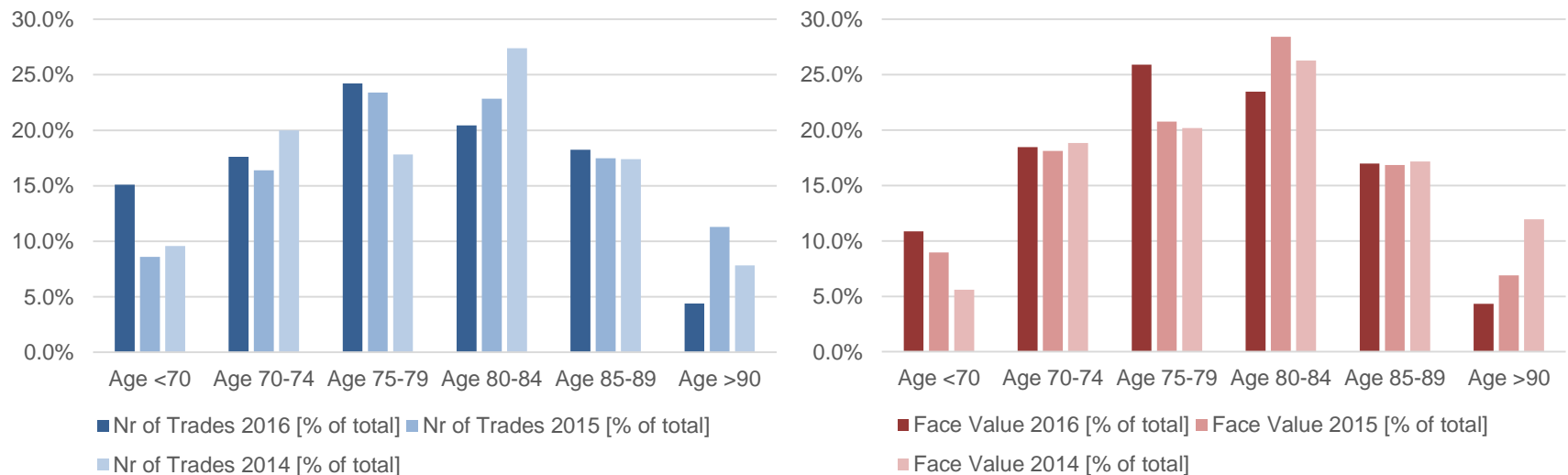




Whole secondary market

A comparison of the secondary market 2014, 2015 and 2016

- The market as a whole shifted towards younger insured on average, transactions referring to older insured thinned out in 2016.
- The face value distribution mirrors basically the major trends regarding activity.

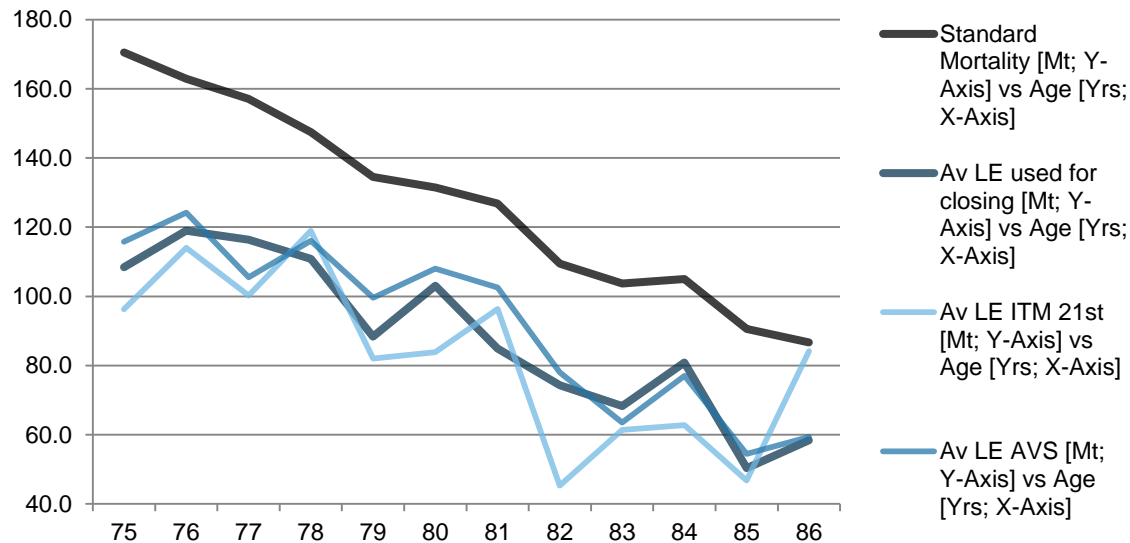




Secondary main market - medical underwriting

ITM 21st Services still the shortest medical underwriter but moving

- LE used for closing moved up, in certain pockets even on or above the AVS curve.
- The market share of the different medical underwriters is largely unchanged if compared to the previous year.



Median projected IRR (same trade universe):

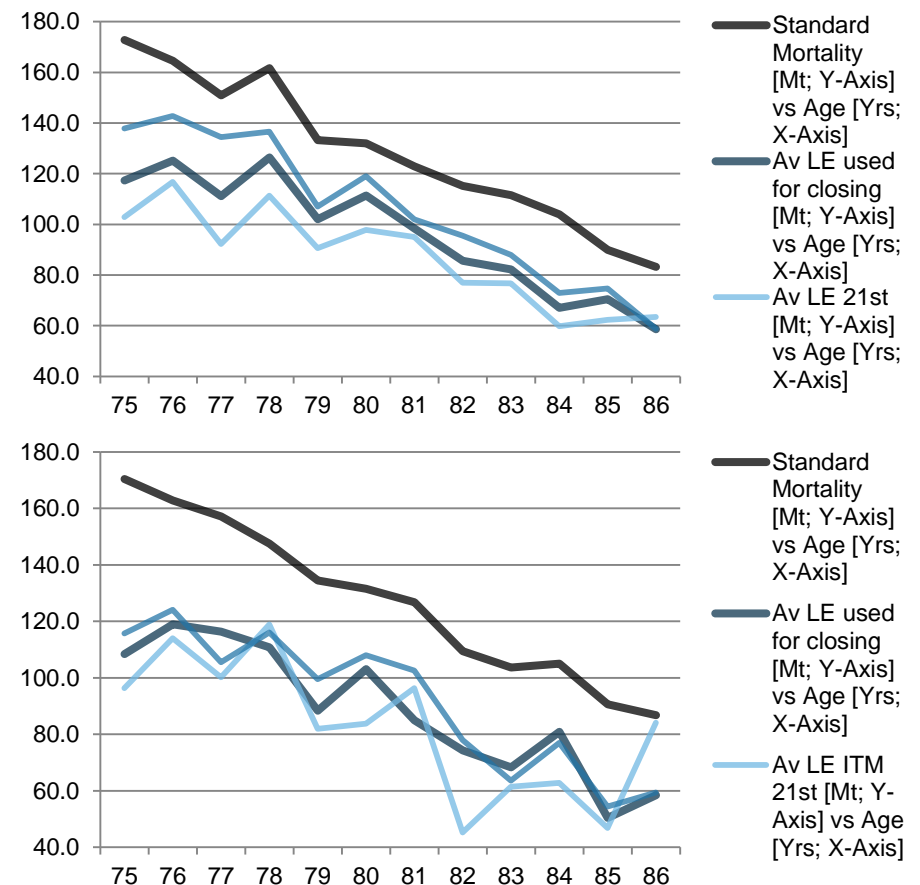
- LE used for closing: 18.4%
- AVS: 16.3%
- ITM 21st Services: 22.0%



Secondary main market - medical underwriting trends

Medical underwriting trends

- Medical underwriting published at January 2013 (upper chart) and today (lower chart).
- In general the impairment of the insured increased.
- The medical underwriting of ITM 21st Services became clearly longer, the respective curve moved up.

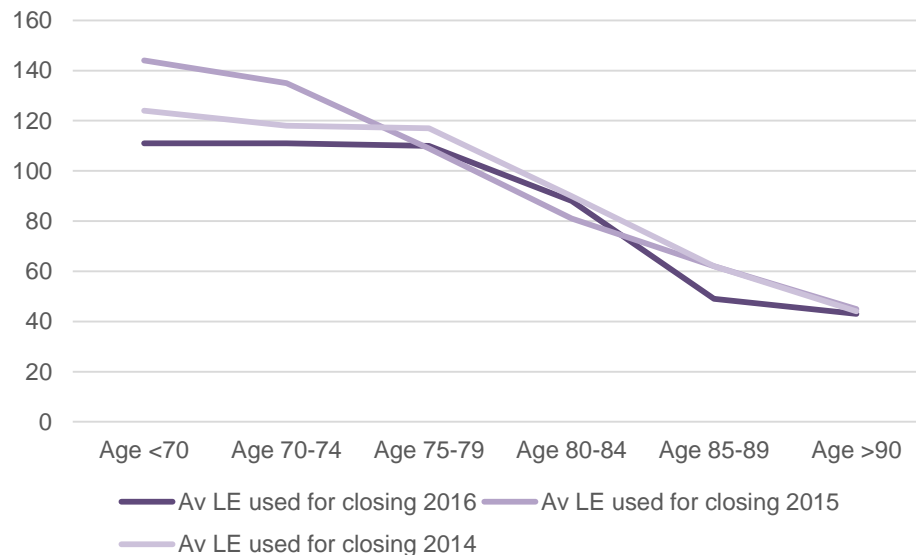




Secondary market - changes in LE used for closing

Medical underwriting and impairment are changing

- Younger ages: strong shortening after a significant lengthening in 2015.
- Main market: largely unchanged if compared to 2015.
- Older ages: after a noticeable lengthening starting in summer 2015 the LE shortened on average considerably.

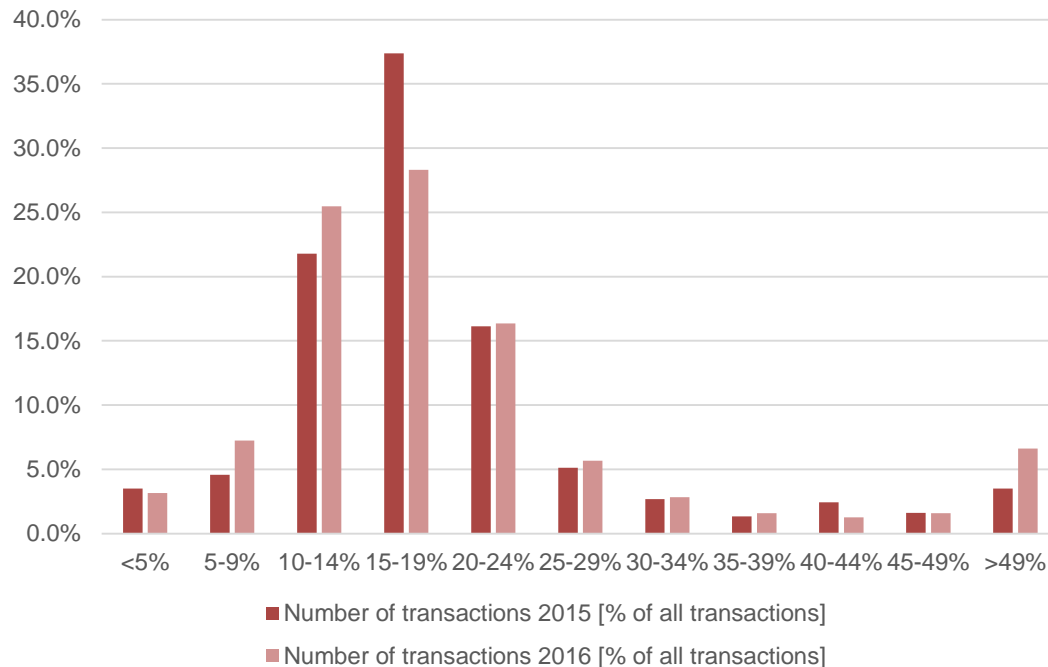




Secondary market – projected IRR distribution

Projected IRR referring to the LE used for closing

- The bulk of the transactions closed with a projected IRR between 10% and 24%.
- The distribution is skewed towards higher IRR.

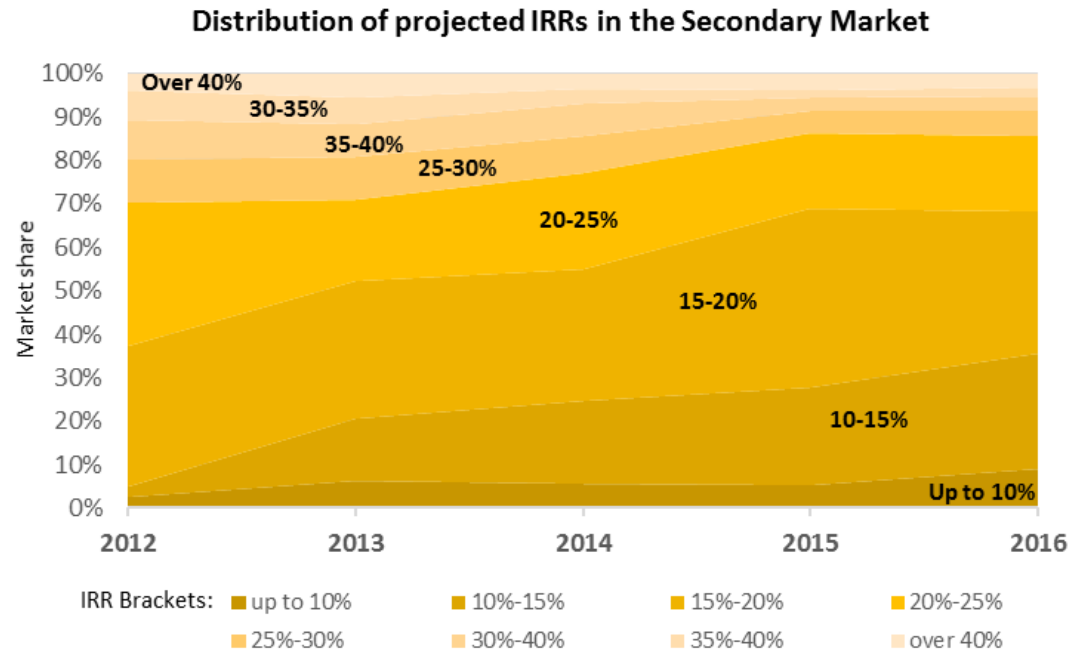




Secondary market – projected IRR

Projected IRR – trends over the years

- The brackets between 10% and 20% projected IRR grew over the years.
- Three main drivers behind: change in medical underwriting (compare slide 11), trend towards smaller face amounts and decreasing projected IRR.

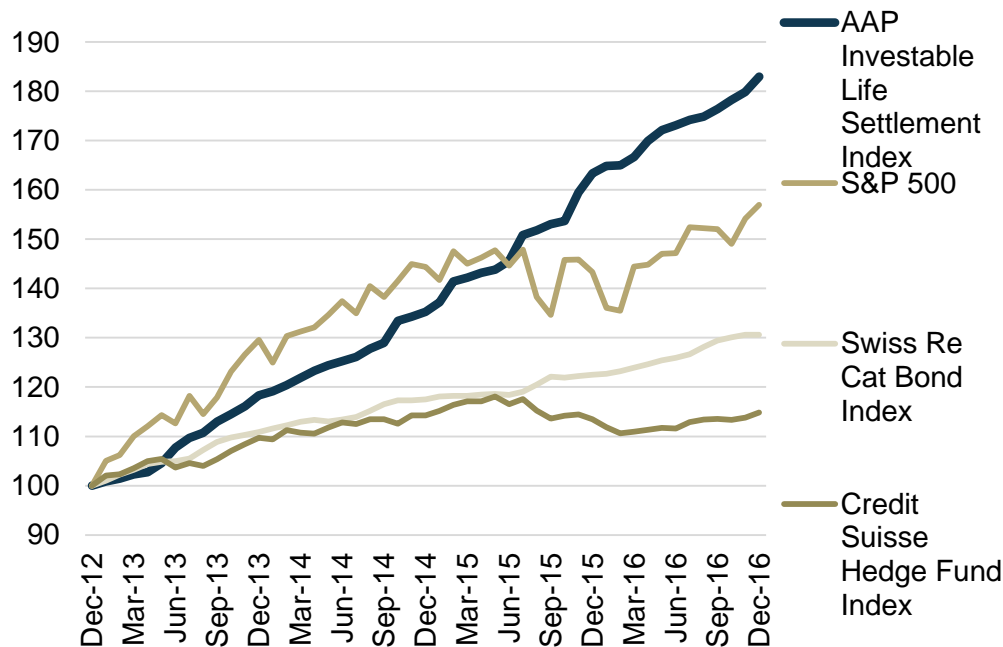




AAP Investable Life Settlement Index

And how did the AAP Investable Life Settlement Index?

- Interesting development in particular if compared to other indices.





Outlook 2017

Outlook 2017

- Value proposition of life settlements remains intact
 - Increased transparency and improved medical underwriting
 - Significant spread between life settlements and fixed income asset classes
 - New investors assessing the asset class.
- Outlook for 2017:
 - Impacts of mortality table 'VBT 2015' become smaller.
 - Cost of insurance increase will remain on the agenda.
 - New product initiatives/ product innovations to be expected in 2017.



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arbitrage*

Thank you very much

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