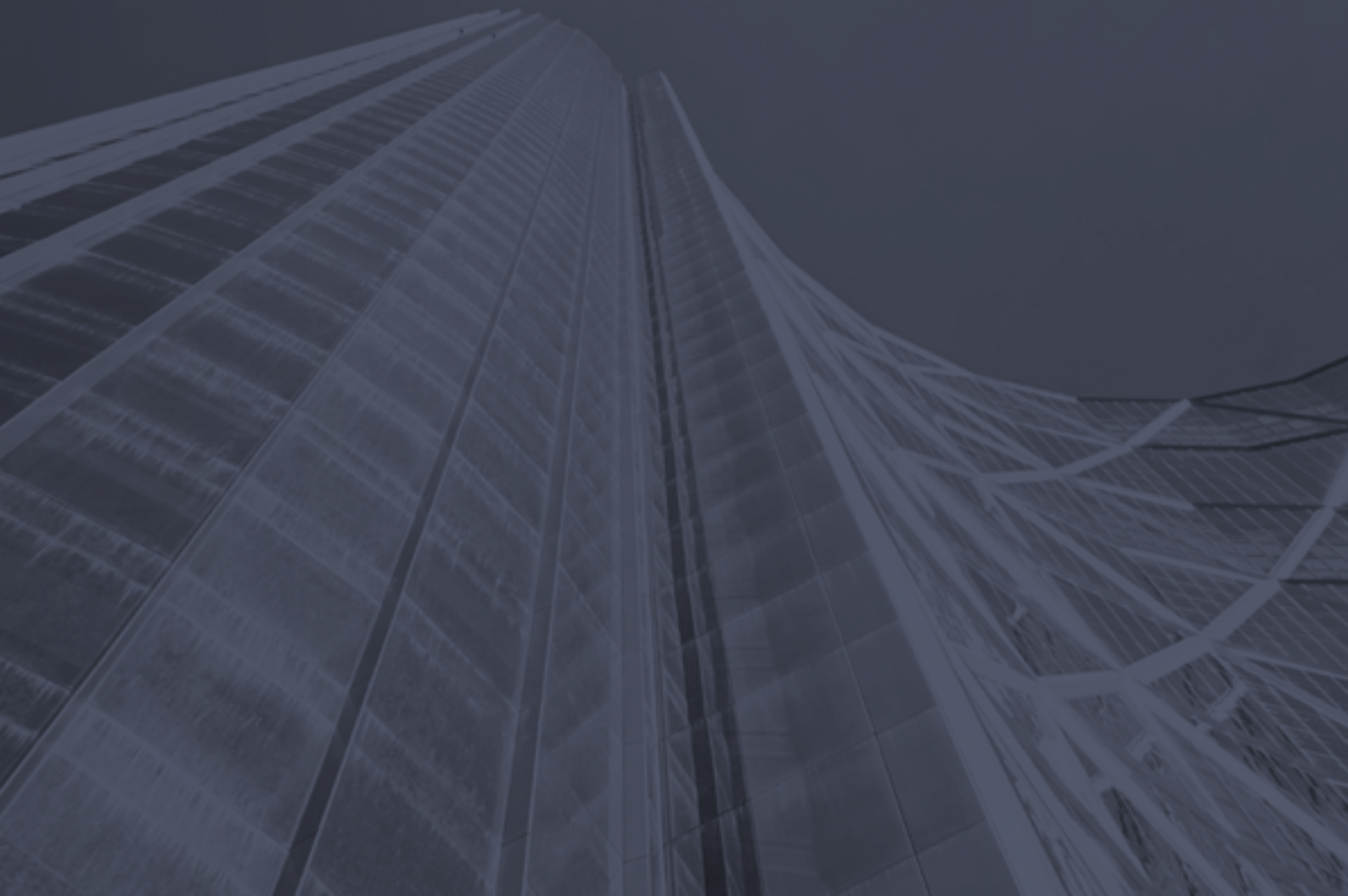


IEILSA

Secondary Life Markets Conference 2023

Conference Summary



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ELSA held its annual Secondary Life Markets Conference on Tuesday, September 12th, 2023, in London. The event welcomed attendees both in-person and virtual for panel discussions and presentations that covered the most significant topics in the broader secondary consumer life industry.

In 2022, the main topic of conversation was the Covid-19 pandemic. Many economies were enjoying the lifting of all lockdown-related restrictions, but the secondary consumer life space was – and remains – more affected by the legacy of Covid-19 than many other alternative investment markets.

This year, however, whilst Covid-19 still casts a large shadow over the secondary consumer life market space, the main topic of discussion was the macroeconomic picture. Rising interest rate regimes on both sides of the Atlantic have had a significant impact on both deal flow and capital raising in the market, and many of the discussion panels and presentations at the conference referenced the effect that the macro situation is having on the industry.

Topics covered at the 2023 edition of the Secondary Consumer Life Markets Conference included:

- A keynote presentation from EY Partner, Ben Grainger, who explained how and why the European insurance industry constructs its asset portfolio and how that applies to life risk
- A State of the Life Settlement Market panel, featuring leading life settlement asset managers
- Presentations explaining the nuances of the German secondary life insurance and the life contingent structured settlement markets
- A presentation discussing the importance of data privacy and security, the risks of not changing, and the opportunities presented by changing to a more consistent approach to data management
- A panel discussing origination volumes in the life settlement space and what can be done to accelerate deal flow in the industry's secondary market
- Presentations that dug deep into mortality and underwriting life expectancy in their impact on the secondary life market

- A panel of life expectancy underwriters discussing the key topics and developments in their corner of the life risk market
- Presentations from leading US lawyers discussing recent Cost of Insurance and notable litigation, and a deep dive on the current state of the Enhanced Cash Surrender Value Offers risk

I would like to take this opportunity to thank our sponsors, without whom the event would not have been possible: our Host, EY; Prime Sponsor, Longevity Holdings; Conference Leader, Coventry; Conference Partners, ArentFox Schiff and Orrick; Conference Supporters Abacus Life, LifeRoc Capital, Predictive Resources, ISC, Valkyrie, Preston Ventures; and our Coffee Break and Cocktail Reception Sponsors, Wilmington Trust, Actuarial Risk Management, and Corry Capital Advisors.

I'd also like to thank our speakers for providing expert insight for their respective panels and presentations; Aaron Giroux, Andrew Dykens, Alejandra Limones, Anna Bailey, Bill Corry, Ben Grainger, Chris Anderson, Chris Conway, Jamie Mendelsohn, John Lynch, John Welcom, Jonas Martenson, Kevin Malone, Larry Stern, Mark Godson, Mark Haslam, Nat Shapo, Neal Jacobs, Phil Hall, Richard Krebs, Scott Wilkomm, Traci Davis, Vince Granieri.

Last, but not least, thank you to the organising committee for curating a terrific program, and to all of the attendees, both in-person and virtual, who took the time to come along and support the event. ELSA hopes that you enjoy reading about some of the highlights of the Secondary Life Markets Conference 2023.

Chris Wells
Executive Director
European Life Settlement Association



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ELSA092023

Keynote Presentation

The European Insurance Asset Management Industry




Ben Grainger
EY

Summary

The European insurance market manages approximately \$11trn, which is dominated by insurers based in UK, Germany, France and Italy. Ben Grainger, Partner at EY, gave the opening keynote presentation in which he covered:

- An overview of the European insurance market
- How to win with European insurers
- The UK Pension Risk Transfer market
- The Solvency II matching adjustment and eligibility
- The applicability of structured settlements to matching adjustment portfolios

[Watch video of presentation](#) 

“We’ve seen a number of firms turn their tactical asset allocations temporarily away from allocating as much as they can to private credit because the relative value just doesn’t look as good.”

“We’re predicting that the UK pension risk transfer market will be a £50bn market on average for at least the next seven to ten years. About half of that will be allocated to public assets, but the balance is where insurance companies can differentiate themselves. And there isn’t anything close to \$25bn of alternative loan type assets that insurance companies can currently allocate to.”

“When insurance companies take on these bulk annuity schemes, they are essentially borrowing money at the rate that they buy the liabilities at. They need to invest that money to make a return. A structured settlement-backed note could potentially be created which satisfied the matching adjustment criteria and thus help insurance companies to de-risk pension schemes.”

- **Ben Grainger, UK Investment Advisory Lead, Partner, EY**

Life ILS Conference 2024

TUESDAY 21ST MAY 2024

LONDON, UK

 **Life Risk News**

Session 1 Discussion Panel

The State of the Life Settlement Market



Scott Willkomm
Life Equity



Bill Corry
Corry Capital Advisors



Jonas Martenson
Ress Capital



Alejandra Limones
Demeter Capital

Summary

The opening panel at Secondary Life Markets Conference 2023 saw the panellists cover a variety of hot topics currently impacting the space. These included:

- The impact that interest rates are having on investor demand
- ESG and the applicability of life settlements to an ESG mandate
- The supply of policies in the secondary market and capital deployment challenges
- The opportunity that market has in terms of future growth
- How the asset class can compete for time and attention of investors, advisors and banks

[Click to watch video of panel](#)

“The opportunity is significant. From a capital raising perspective, it’s never looked better. Supply is a challenge, but it always has been. A lot of people don’t know a great deal about life settlements, including institutional investors. This makes the opportunity so encouraging.”

– **Bill Corry, Corry Capital**

“What I think isn’t played up enough in this asset class is that we don’t focus on all the good that this product is doing to plug the retirement gap for Americans – turning this story around to make it an ESG story. For the big pensions funds which are the transitioning to impact investment and ESG – that’s is a big selling point for us and we should work on publicising that.”

– **Alejandra Limones, Demeter Capital**

“You can get 5% for a 4-week US Treasury Bill at the moment. That makes it more difficult to convince investors that this is something they should be looking at currently. On the other hand, a lot of investors understand that this is truly uncorrelated and that’s a long-term trend – they are looking for assets that compliment what they currently own. That’s where I see us as an asset class pitching ourselves – these are truly uncorrelated returns.”

– **Jonas Martenson, Ress Capital**

“We’ve been sitting here for 15 or 20 years talking about why this market isn’t bigger. We think the opportunity set is great, but the opportunity gap seems to perennially persist.”

– **Scott Willkomm, Life Equity**



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Session 2 & 3 Presentation

The German Secondary Life Policy and Life Contingent Structured Settlement Markets



Mark Haslam
JG Wentworth



Anna Bailey
BVZL

Summary

Life settlements isn't the only consumer-based secondary life market; Germany has (had) a secondary market for life insurance, making it a close cousin to life settlements, and the US has had an established life-contingent structured settlement market for many years. Two presentations from Anna Bailey and Mark Haslam explained the nuances of these markets, including:

- How the life-contingent structured settlement market is constructed
- The impact of the macroeconomic and regulatory environments on competition in the market
- The growing share of the life-based segment of the market versus the overall structured settlement market
- The differences between the German and US secondary consumer life insurance models
- The reasons why the German market essentially closed this year
- Why the German market is unlikely to return in future even if interest rates rise

[Watch video of presentation](#)

“German life insurance policies are starting to look different...the 2.5% guaranteed interest rate policies no longer really exist. That means the interest rate arbitrage strategy isn't available anymore.”

– **Anna Bailey, BVZL**

“The consumer that uses this service is an under-banked, under served consumer. If someone has been injured doing their job, and are unable to work, then this option may be one of their only options to access capital.”

– **Mark Haslam, JG Wentworth**



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Session 4 Presentation

Data Privacy and Security in the Life Settlement Industry




Aaron Giroux
LifeRoc Capital

Summary

The life settlement market deals with vast volumes of personal data of individuals, perhaps more than any other alternative investment asset. Aaron Giroux gave a presentation discussing the challenges that such an idiosyncrasy provides, including:

- Data breaches in the United States in the past decade and their cost
- How much the Gramm Leach Bliley Act affects the life settlement market
- The impact of the California Consumer Privacy Act
- Best practices around sharing consumer information to ensure privacy
- Why standardisation of vendors could be beneficial to the industry

[Watch video of presentation](#) 

“This is on all of us. As an originator, there are things I can do to help my agent and brokers that we work with do a better job. Privacy and security is not a destination, it’s a journey. The environment continually changes and it’s something you constantly have to be working on. Every firm has to take ownership of it.”

– **Aaron Giroux, LifeRoc Capital**

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Session 5 Discussion Panel

Origination Volumes in the Life Settlement Market



Phil Hall
Longevity Holdings



John Welcom
Welcome Funds



Jamie Mendelsohn
Ashar Group



Neal Jacobs
Coventry

Summary

A range of factors influence the volume of life insurance policies that come to the secondary market. This panel discussed these factors, plus what could be done about it, including:

- The increased awareness of the consumer about the life settlement option
- The demographics of the insured that are participating in the market
- Which channels will provide the growth in supply in the secondary market in the coming years
- The role played by carriers during the life settlement sales process
- What changes could be made to the existing process to expedite the sale

[Click to watch video of panel](#)

“In the tertiary market we see much more diversified portfolios. Ten years ago, the market was concentrated between Florida, California and New York. But now, portfolios are well diversified across the country, in terms of age and face value, and we’re also seeing better performance as well,”
– **Phil Hall, Longevity Holdings**

“Education in the consumer market has changed the market quite dramatically. The majority of our volume now comes directly from policyowners. Previously, they didn’t know that their policy was an asset. It’s really changed the dynamics of the market in terms of the kinds of policies coming into the market and its growth.”
– **Neal Jacobs, Coventry**

“The biggest opportunity is in the CPA/accountant space. They are considered a trusted advisor; they talk to the insured multiple times per year. That’s an area of growth in terms of supply that we’ll continue to see.”
– **Jamie Mendelsohn, Ashar Group**

“For this transaction, timing is of the essence...every month that goes by costs the consumer another premium payment. It’s important that when we have a closing, all parties are prepared to review the contingency items and finalize due diligence as quickly as possible. And the acceptance of e-signatures would enable consumers to complete a transaction more efficiently. A majority of the closing documents could be handled this way. We could save months of time..”
– **John Welcom, Welcome Funds**



Our Location
6105 S. Main Street
Suite 200
Aurora, CO 80015

General Enquiries
supportgurus@valkyrie303.com

Visit us at
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Our Location
130 Vantis Suite, 130
Aliso Viejo, CA 92656

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+1 949 272 2000

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Our Location
12121 Wilshire Blvd
Suite 810
Los Angeles, CA 90025

General Enquiries
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Session 6 & 7 Presentation

Understanding Mortality



Larry Stern
Actuarial Risk
Management




Traci Davis
Valkyrie Limited

Summary

Mortality data and modelling is a foundational component of the secondary life markets, with the accurate understanding of life expectancies being a key driver of returns in the space. Larry Stern of ARM and Canterbury Consulting and Traci Davis of Valkyrie gave presentations that covered:

- The trends in US mortality data in the past few decades
- Contributors to changes in US mortality trends from 2019-2022
- Insights into mortality changes in the age range most applicable to life settlements
- How electronic health data could revolutionise the life settlement market
- Some of the myths about electronic health data records
- Roadblocks on the path to increased adoption of EHR's

[Watch video of presentation](#) 

“This is one of the things that’s going to revolutionise the way that we do business... everything has been pretty much the same until now, but with EHD, we can leverage existing data within the health systems that doctors in those systems utilise today,”
– **Traci Davis, Valkyrie Limited**

“In 2020 and 2021, during the height of the pandemic, we were trying to determine what we thought was the impact of Covid...it’s even too early now to tell what the impact of long Covid will be. Ultimately, we do think mortality will be better than pre-2019 levels, but we don’t know at what point we’ll get there.”
– **Larry Stern, Actuarial Risk Management**

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Session 8 Discussion Panel

Life Expectancy Underwriters: Exploring Key Topics in the Life Settlement Market



Chris Conway
ISC



Vince Granieri
Predictive Resources



John Lynch
Longevity Holdings



Kevin Malone
LSI

Summary

Life expectancy underwriting and secondary consumer life markets go hand in hand; investors use life expectancy reports as part of their valuation efforts, particularly in the life settlement market. This panel discussed the key topics in the life expectancy underwriting industry, including:

- The benefits and drawbacks of the actual-to-expected modelling function
- How the dynamism in the activity itself produces the data and how that data is used by different firms
- Why different approaches to life expectancy underwriting exist and how to view them
- Each firms' different approaches to modelling life expectancy
- Whether a working group to set standards for life expectancy providers would be a benefit to the secondary life markets

[Click to watch video of panel](#)

"I'm on the fence as to whether life expectancy underwriters can or should be regulated more broadly. It makes sense for there to be standards in place, and those of us who are currently subject to registration in Florida and licensure in Texas would like to distinguish ourselves from those who simply hang out a shingle, say they do this work, and issue reports that tend to be used by fly-by-night operators on the fringes of the marketplace."

– **Chris Conway, ISC Services**

"A to E is the best tool we have, but it's not perfect. It's how you dissect and analyse the A to E's that will ultimately help you get the most out of it."

– **Vince Granieri, Predictive Resources**

"Underwriting makes certain decisions on particular medical conditions. There are different methods, and on occasion, there will be different life expectancy results. There is a long tail for projecting mortality rates."

– **John Lynch, Longevity Holdings**

"The underwriting data pre-2006 was bad. Those that came in after that had the guts to face the market and tell it the market the truth."

– **Kevin Malone, LSI**



Our Location
5 Concourse Parkway
Suite 3000
Atlanta, GA 30328

General Enquiries
info@iscservices.com

Visit us at
www.iscservices.com



Our Location
210 Coldstream Club Drive
Cincinnati, OH 45255

General Enquiries
info@predictiveresources.com

Visit us at
www.predictiveresources.com



Our Location
101 Park Center Drive
Ste 170
Orlando, FL 32835

General Enquiries
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Session 9, 10 & 11 Discussion Panel

Life Settlements Litigation and Regulation



Richard Krebs
Orrick



Andrew Dykens
ArentFox Schiff



Nat Shapo
Katten Muchin
Rosenman

Summary

Litigation in the life settlement market occurs regularly, with both carriers and individuals contesting the validity of life insurance policies sold in the life settlement secondary market. Three presentations covered some of the most pressing litigation and regulation that has occurred recently and is in progress, including:

- Whether new carriers will implement increases in the Col on some of their policies or whether the same actors will continue to do so
- A timeline of freeze endings that the life settlement market needs to be aware of
- Whether estates have standing to sue in federal court and if so, how long they have to do it
- A favourable decision for the life settlement market on the topic of unlawful wagering
- An overview of the enhanced cash surrender value offers made by carriers in recent years
- Regulator and state responses to ECSVOs since the NCOIL resolution in 2022

[Click to watch video of panel](#)

“Trevathan provides a framework for due diligence on financed policies, especially where you’re looking at the terms of a loan. If the terms of the loan give the insured the control over the disposition of the policy, that goes to finding that the policy was supported by insurable interest. North Carolina is now looking like a very favourable jurisdiction for investors.”

– **Andrew Dykens, ArentFox Schiff**

“An investor who can evaluate COI risk has a market advantage”

– **Richard Krebs, Orrick**

“Because just a few companies are filing ECSVs, it’s not currently making a giant impact on the market. But LISA members have substantial concern that without any check by regulators, it could be the wild west out there. So we appreciate the nine states that have taken action so far and the others who are reviewing—which is why we think there hasn’t been a further expansion of these offers.”

– **Nat Shapo, Katten Muchin Rosenman**



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ArentFox Schiff and partner Jule Rousseau are proud to support the European Life Settlement Association (ELSA) in its mission to set standards for the European life settlement industry.

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Julius A. Rousseau, III
Partner, ArentFox Schiff
212.484.3948
jule.rousseau@afslaw.com

Jule advises clients in all areas of the business, including policy and treaty wording, regulatory compliance and strategy.

Life ILS Conference 2024

Registration information coming soon.

TUESDAY 21ST MAY 2024

LONDON, UK

 Life Risk
News