

Secondary Market Regulation

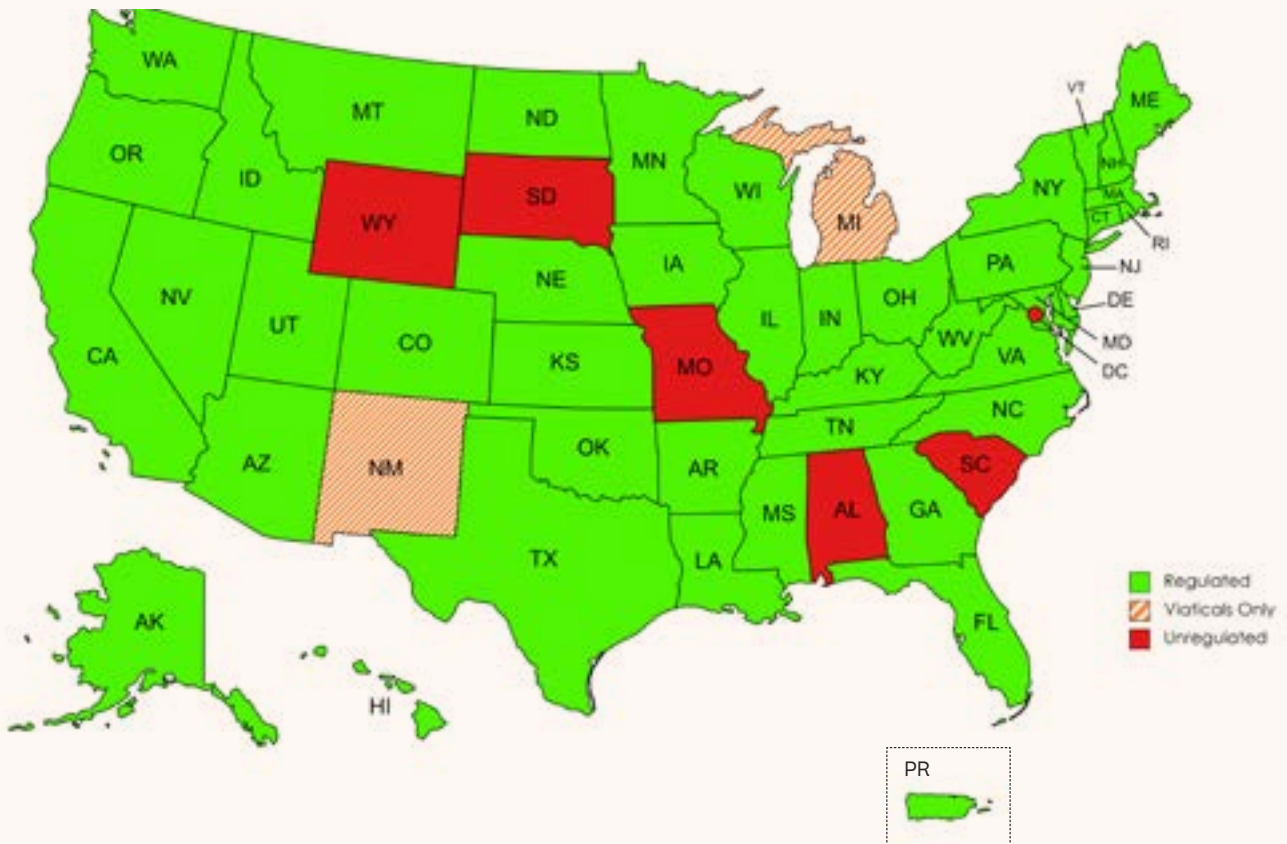
The US life settlement industry's secondary market operates within a regulatory framework that exists primarily at the state level. It consists of specific guidelines and requirements set forth by each state's insurance regulator. These regulations provide oversight to standardise life settlement transactions, ensure transparency, prevent fraud, and protect policyholders' interests. Laws stipulate eligibility for a life settlement, require life settlement providers and brokers to be licensed, define transaction procedures, and mandate disclosures to policy owners, among other things. Currently, 43 US States and the US territory of Puerto Rico have a regulated secondary market for life settlements.

Only five US states – Alabama, Missouri, South Carolina, South Dakota, and Wyoming, plus the District of Columbia – do not have specific regulatory measures for the life settlement market. This does not necessarily mean that life settlements are unregulated in these states, but rather that there are no explicit state laws governing these transactions. Even in these states, life settlements may still be subject to other insurance or securities regulations in place and transactions occur regularly.

Michigan and New Mexico regulate viatical settlements, which are transactions involving a terminally or chronically ill insured. The regulations in these states ensure that viatical settlements adhere to specific guidelines, aimed at protecting policyholders. However, the larger life settlement market is not explicitly regulated in these two states.

Figure 1 below shows a map of the USA and associated territories, and their regulated status.

Figure 1: The Life Settlement Secondary Market Regulatory Map



Source: European Life Settlement Association, data sourced from state insurance department websites

Regulated Companies in the Life Settlement Secondary Market

LIFE SETTLEMENT PROVIDERS

A **life settlement provider** is a person or entity that is licensed to process the purchase of a policy from its original (consumer) policy owner, typically via an agent and/or Broker, in accordance with applicable US state laws and regulations. A Provider may purchase Policies for its own portfolio or represent investors and other investment vehicles. There are 36 life settlement providers that are licensed in one or more states or territories of the USA. Figure 2 on page three of this fact sheet shows the list of firms and the states in which they are regulated in (as of 29th November 2023). 27¹ firms are licensed in more than one state, and 9² are licensed in one state only.

LICENSED PROVIDER MATRIX METHODOLOGY

The Licensed Provider Matrix (page 3) is created by compiling publicly available data, followed by self-certification of each provider. Data is gathered from each state insurance regulator's website or through reporting services such as the NAIC State Based System platform. Where state reporting was unavailable, a public records request was made with the relevant state regulator³. Each provider listed was contacted and requested to verify the states in which they hold a license⁴.

WHO OR WHAT ELSE IS LICENSED?

A **life settlement broker** is a person or entity that represents the policy owner in the sale of their policy and can solicit multiple competitive bids on their behalf. According to insurance regulations in most US states, Brokers owe a fiduciary duty to the policy owner to act according to their instructions and in their best interests.⁵ Similar to the provider model, each state, may require a broker to be licensed to carry out this activity. In two states, Florida and Texas, **life expectancy underwriters** are also required to be licensed (TX) or registered (FL). A life settlement life expectancy underwriter is a specialist who evaluates the life expectancy of the insured person in a life settlement transaction. This assessment, which is widely used by multiple different participants in the life settlement industry for pricing a policy, is based on various factors such as the insured's age, health condition, and medical history.

PROVIDER	FLORIDA LICENSED	TEXAS LICENSED
AVS Underwriting, LLC	X	
Clarity Evaluations, LLC		X
Fasano Associates, Inc.	X	X
Focus Medical Underwriters, LLC		X
ISC Holdings, LLC	X	X
ITM TwentyFirst, LLC	X	X
Lapetus Solutions, Inc.	X	X
Longevity Services, Inc.	X	X
Polaris Underwriting Technologies, LLC	X	X
Predictive Resources, LLC	X	X

¹Two providers with licenses asked for their entry on the Matrix to be removed, because while they currently hold licenses, they are not currently active as a Life Settlement Provider.

²Abbistar LLC (CT), A&M Analysis Group LLC (NC), Eldo Investments LLC (TX), GWG Life LLC (OR), Policy Solutions LLC (TX), Senior Settlements (NC), ViaSource Funding Group LLC (NJ), X-Group Retirement LLC (TX).

³Data was not publicly accessible from Indiana, Mississippi, New Hampshire and Vermont and these states did not respond to a public records request in time.

⁴Abbistar LLC, A&M Analysis Group LLC, Credit Suisse Life Settlements LLC, Eagil Life Settlements LLC, Eldo Investments LLC, FairMarket Life Settlements Corp, GWG Life, LLC, Life Policy Traders Inc, Policy Solutions LLC, Senior Settlements, US Life Pro, Vespera Life LLC, ViaSource Funding Group LLC & X-Group Retirement LLC did not respond with a self-certification.

