

15<sup>th</sup> March 2011

Dear All,

It is an exciting time to be taking on the task of chairing the European Life Settlement Association (ELSA). I've been with the organisation since the early days, watching it grow, and growing with it. It is great to see such encouraging developments taking place.

My predecessor, Patrick McAdams, Investment Director of SL Investment Management, has done a fantastic job with ELSA. My aim is to build on that and take us forward.

Since December 2010 AA-Partners, Morris, Manning & Martin, Abacus Settlements and Fasano Associates have joined, bringing our total membership to 18. ELSA's policy has been to accept members only from organisations with a proven track record of commitment to transparency, self-regulation and who are prepared to accept the responsibility embodied in the ELSA Code of Practice. My goal for 2011 is to focus attention on the positive side of the Life Settlement industry which will, I believe, enhance its reputation. Your suggestions on how to help create a positive image of the Life Settlement industry would be welcome. If you are committed to our principles, if you are interested in working together to build a solid base for a profitable but trustworthy business, please consider joining ELSA and return the attached membership application form.

Let me now tell you about the progress the Association has been making.

### **CHALLENGES FACING THE EUROPEAN SLS MARKET**

As a key stakeholder in the Life Settlement market, you will be aware of the challenges facing the industry from increasingly vigilant regulatory bodies, a critical media and a sceptical investment community. These problems have been

highlighted in many negative media comments and by the publication of the FSA's Discussion Paper 11/1. Further media attention is likely to be focused on the Keydata and Lifemark problems. The recent introduction of the 'Alternative Investment Fund Managers' EU Directive and the new pan-European structures are further challenges affecting the growth of the SLS market.

ELSA aims to lead the debate on the public policy issues, to respond effectively to negative media, to keep members informed about the regulatory environment in Europe and in the US. It is ELSA's role to sustain its education and communications programme aimed at investors, legislators, regulators, the media and opinion leaders, with the aim of educating all on the value side of the SLS market thereby stimulating investors' appetite for life settlements as an asset class.

ELSA believes strongly that a coordinated, planned and sustained marketing and PR campaign must be organized to reach all the relevant target audiences likely to influence the development of the SLS market.

This requires collaboration between existing trade and industry organisations, including LISA, BVZL, ILMA and LLMA. ELSA has established this month a new committee, the Industry Collaboration Committee, to undertake this task. It is ELSA's task to help make this collaboration effective and we are grateful for the active support of our existing members, many of whom are members of other trade associations.

## **ELSA'S WORKING COMMITTEES**

There are currently seven ELSA Committees undertaking the important work of the Association in addition to our Board (the "Executive"). These are the Membership, Education (which has a PR subcommittee), Code of Practice, Regulatory, Standardisation of Documents Task Force, and Finance committees. Two new groups are looking at Industry Collaboration and LEPr Best Practices. We are grateful for the unstinting efforts of all those involved. Their work is reviewed on a quarterly basis by the ELSA Executive, whose meetings are attended by all members.

## **EDUCATION**

The Education Committee, chaired by Michael Fugler of Welcome Life, sets the strategy and monitors the implementation of ELSA's Public Relations,

marketing and educational work. This effort is targeted at the European investment community, the financial media in all 27 EU members, European regulators, parliamentarians and opinion leaders.

The Committee is also responsible for the creation of the ELSA website, the implementation of the public and media relations programme, the conference programme, and publications and research in conjunction with ISI (Insurance Studies Institute). A research programme is currently being organized with a major university.

### **Website**

The new website will be launched this month and will provide stakeholders with a portal into the European Life Settlement market with easy access to research, FAQs, upcoming Life Settlement events and contact information for our members.

The website has been sponsored by SL Investment Management. Opportunities for Sponsorship/Advertising are still available. We are offering four premier sponsorship opportunities with advertising space on the site. Please let us know if you are interested.

### **Research questionnaire**

You will find attached a questionnaire which we hope you will complete and return. We need to know whether ELSA is missing out on any areas of industry concern. This is part of ELSA's ongoing research programme into attitudes to the LS market and to help us identify current issues that need to be addressed by the industry as a whole.

### **Upcoming conferences**

ELSA is participating in the IQPC conference in New York (28<sup>th</sup>-29<sup>th</sup> April) and the IQPC conference in London (23<sup>rd</sup>-25<sup>th</sup> May) as well as the Marcus Evans conference in London (8<sup>th</sup>-10<sup>th</sup> June). We will be putting the emphasis on innovative investors and the best new practices. As an ELSA member you will be able to attend at a preferential rate.

## **CODE OF PRACTICE**

The launch of ELSA's Code of Practice has been welcomed and commended by industry participants on both sides of the Atlantic. On 6<sup>th</sup> October 2010 Artemis commented: "Greater transparency and a code of conduct that is adhered to will help to make the life settlements market a safer place for investors and more accepted as an asset class. ELSA are doing good things to address issues with the asset class and have been consulting with the UK Financial Services Authority to ensure its codes are practical". On 25<sup>th</sup> November 2010 the Financial Advisor commented: "A Code of Practice for the life settlement market offers investors protection for an industry that continues to mature". On 7<sup>th</sup> December the American Chronicle said: "In addition to product providers raising their game, the life settlement sector in the UK is taking a more mature and sophisticated approach. Advisers can take heart from the fact that the European Life Settlement Association has recently published its code of conduct, which aims to provide industry standards for its members to help give additional comfort to investors in this market. As a result, we believe that future products will be more transparent and easier to understand".

The Code of Practice is a "living document" with teeth. Members found in breach of the Code will face expulsion or suspension in accordance with the Rules of the Association. The Code of Practice Committee will continue to assess possible additions to the Code and welcomes comments from the media, investors, regulators, IFAs and other interested in the asset class.

### **LISA/ELSA Trade Mission, February 2010**

Peter Smith, Head of Investment at the FSA, accepted ELSA's invitation to address the Trade Mission and expressed his concerns, particularly regarding retail SLS investments. It was agreed that ELSA would keep the FSA informed about the planned Code of Practice.

### **Meetings with the FSA, 4<sup>th</sup> May and 10<sup>th</sup> December 2010**

On May 4<sup>th</sup> members of the Code of Practice Committee met with the FSA team. Subsequently, on December 10<sup>th</sup>, a further meeting was held with Milton Cartwright, the Authority's manager of pensions and retail

investment products. He confirmed that, as a matter of policy, the FSA never endorses *any* code of practice.

## **REGULATORY COMMITTEE**

The Regulatory Committee, chaired by Brian Casey of Locke Lord Bissell & Liddell, has finished preparing the ELSA Charter. In May, this committee plans to publish a 'White Paper' aimed at regulators, setting out the changing regulatory environment in Europe, especially the impact of the EU's AIFM Directive. The Regulatory Committee focuses on building close working relationships with the FSA, the Irish Financial Regulator, Luxembourg's Commission de Surveillance du Secteur Financier and the EU's Economic and Monetary Affairs Committee. The Committee's objectives are protection of investors, disclosure of risks based on a full assessment, and agreement on risks that need to be considered by regulators in Europe.

## **MEMBERSHIP**

The Membership Committee, composed of Patrick McAdams, Mike Fasano, myself and two independent members, Mike Jones and Peter Bradley of Stephenson Harwood, meets frequently. It assesses criteria for membership and membership applications, considers complaints in light of the Code of Practice and looks at issues relating to suspension and expulsion.

## **YOUR VIEWS**

I would be grateful if you could reply with your thoughts so that we can ensure that your views are considered as we continue to address the issues and concerns of the industry. I would also welcome the opportunity to meet you and your colleagues to discuss how your organisation might benefit from membership of ELSA and hear your views on the key priorities for ELSA in the coming year.

Anna M. Bailey,  
ELSA Chair