

Small Face Policies leading the Way

After a less active August market activity has picked up in September again, driven by increased demand for small face policies. The average face amount traded in the secondary market dropped to just USD 1.2 Mio which is far below the 12 months average of USD 1.6 Mio. The trend is already spilling over to the tertiary market where trading of small face policies is becoming more frequent. The average in September was USD 1.4 Mio compared to a twelve months average of USD 2 Mio.

The 'AAP Life Settlement Reference Rate—Main Market' increased from 15.6% in August to 16.0% in September.

There was relatively few trading in the secondary main market but much more in the segment of younger insured. The average age in the broad secondary market was 77.6 years with an average LE of 93 months. In the tertiary market the average age was as usually slightly higher with 79.1 years and an average LE of 84 months.

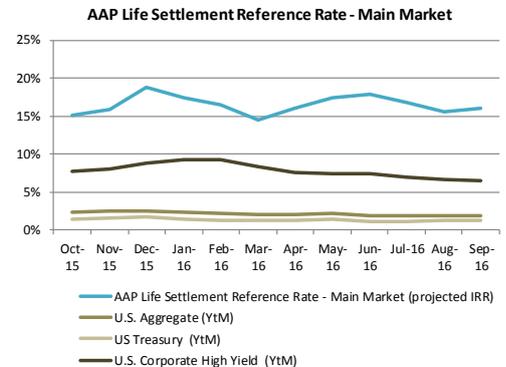


Chart of the month – Term Life Policy Market

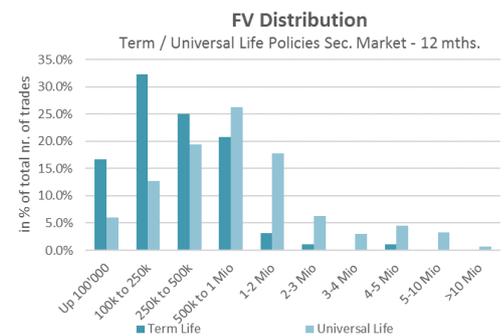
Universal Life policies were, and still are, the predominant policy type in the life settlement markets. However a major trend over the last about two years is a significant increase of Term Life policies. In this 'Chart of the month' section we compare Term Life policies and Universal Life policies. We used for the comparison secondary market data of the last twelve months.

Term Life policies have smaller face amounts than Universal Life policies on average, compare the chart in the middle on right hand side. Only about 5% of the traded Term Life policies have a face amount of more than USD 1 Mio while the same market segment accounts for roughly one third of the trading activity of Universal Life policies.

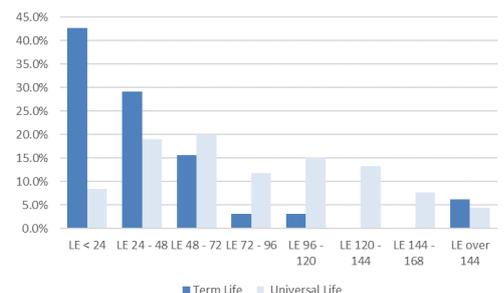
In the chart at the bottom we compare the life expectancy estimates. The decomposition of the Term Life market into LE brackets highlights that more than 40% of the policies have a LE of less than 24 months which are so called viaticals. In the Universal Life market viaticals only account for about 8% of the transactions.

In the Universal Life market more than 90% of the insureds are of age 65 or older. However it is the other way round in the Term Life market, around 90% of the insureds in the Term Life market are below age 70, some as young as in their thirties. Younger insureds have lower premium payment cost and when taking the short LE into account it is no surprise that the average relative transaction price in the Term Life market is about 50% of the face amount.

FV Comparison Term Life—Universal Life policies
Secondary Market— October 2015 to September 2016



LE Comparison Term Life—Universal Life policies
Secondary Market— October 2015 to September 2016



Data Sampling and Data Provider

The information in this report is collected by AAP on a multi provider basis. The transparent life settlement providers are (in alphabetical order):

- Abacus Settlements
- Emergent Capital, Inc.
- FairMarket Life Settlements
- Habersham Funding LLC
- Institutional Life Services
- Life Equity
- The Lifeline Program
- Life Settlement Solutions
- LifeTrust, LLC
- Q Capital Strategies
- RiverRock Partners, LLC
- Settlement Group, Inc.

Life Settlement Market Activity

Mth to Mth

Secondary Market	Proj. Ret.	Volume
Main Market (Age 75-86)	↑	→
Tail Market (Age < 75)	→	↓
Tail Market (Age > 86)	↓	↓
Tertiary Market		
Tertiary Market All	↓	↑
Total Market		
Sec. and Tert. Market	↑	↑

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