

Transfer of Risk



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Addressing Demand in the Life Settlement Market

Life Settlements 101²

Industry Trends

Direct Channel Developments

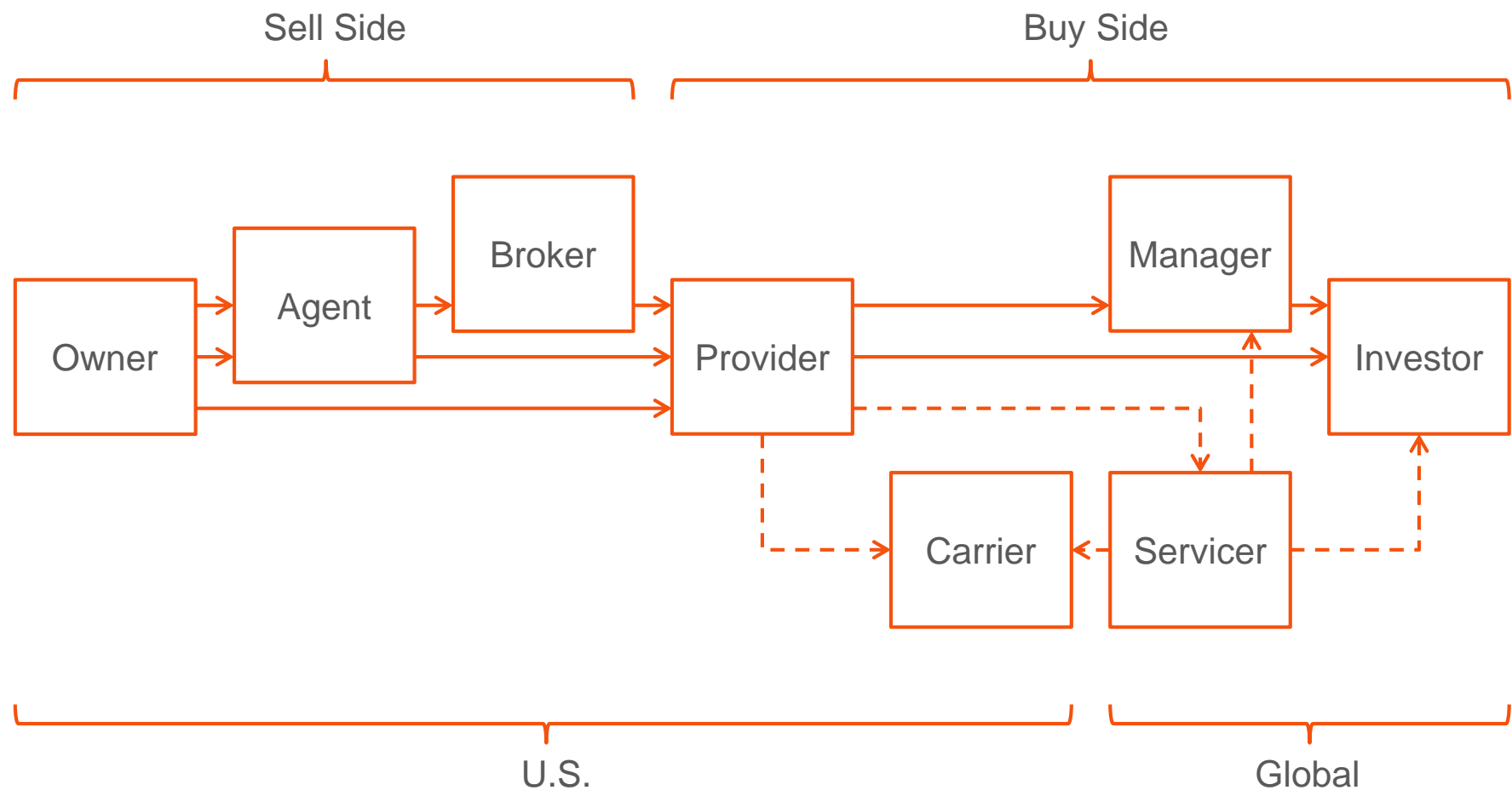
Definition

“A life settlement is the sale of an existing life insurance policy to a third party for more than its cash surrender value but less than its net death benefit.

In a life settlement transaction, the policy’s owner transfers ownership of the policy to the buyer in exchange for an immediate cash payment and, in some instances, a reduced interest in the death benefit for the policy’s beneficiaries.

The buyer of the policy pays all future premium payments and receives the death benefit upon the death of the insured (when the policy matures).”

Parties



Highlights

Sell Side

Offers an option carriers cannot

Generates liquidity and eliminates an ongoing premium liability

A regulated transaction

Insureds are typically 70+ years old with moderate to significant health impairment

Buy Side

A “micro” longevity market with insureds individually medically underwritten

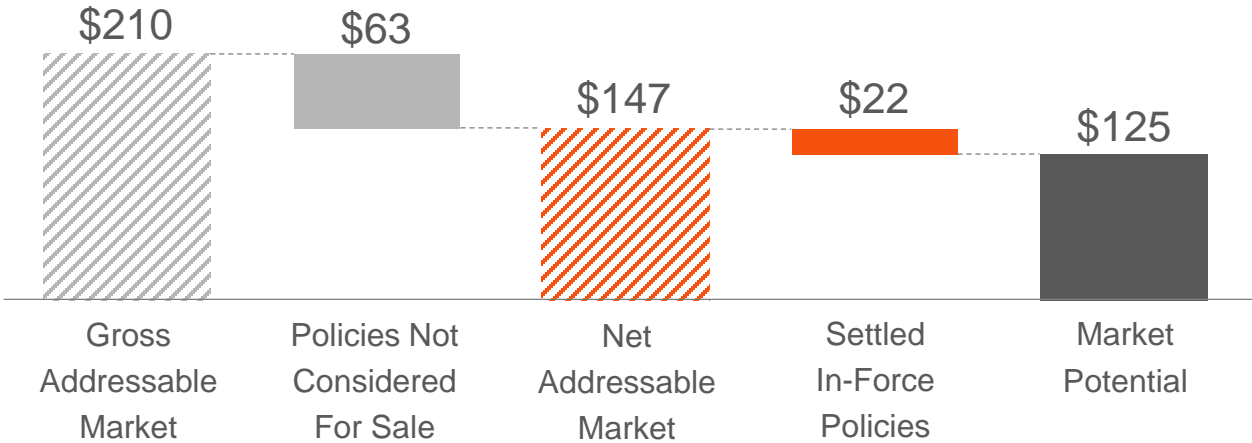
An aging population presents more opportunities

An alternative fixed income investment offering attractive risk-adjusted returns with low hold-to-maturity volatility...

...And a key performance driver that is uncorrelated to those of traditional asset classes

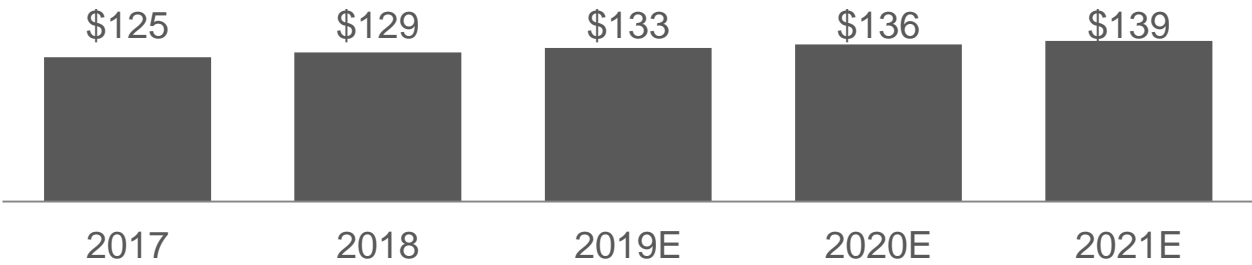
Market Potential

2017 Gross
Addressable Market
vs. Market Potential



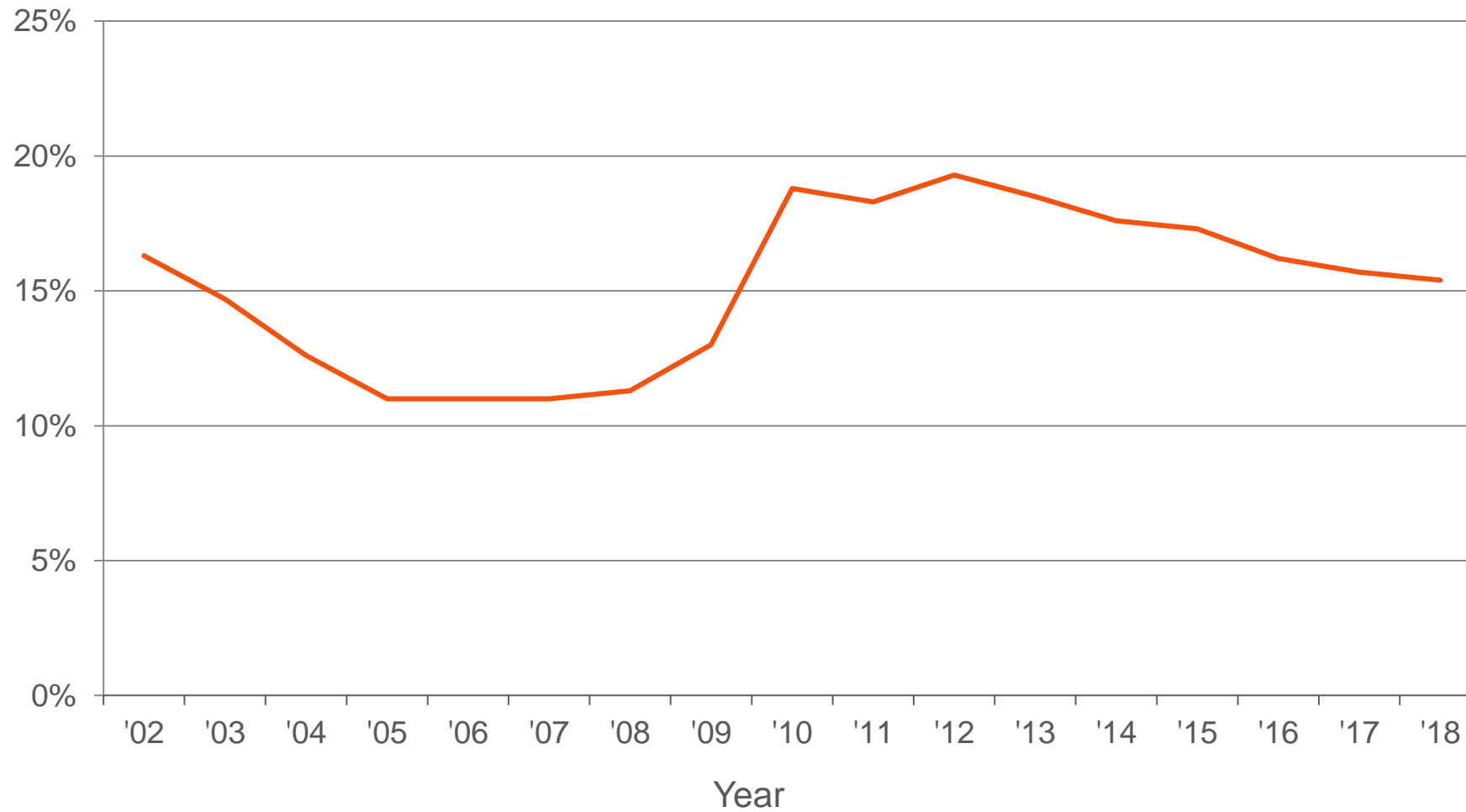
Net Death
Benefit in \$bn

Market
Potential
Projections

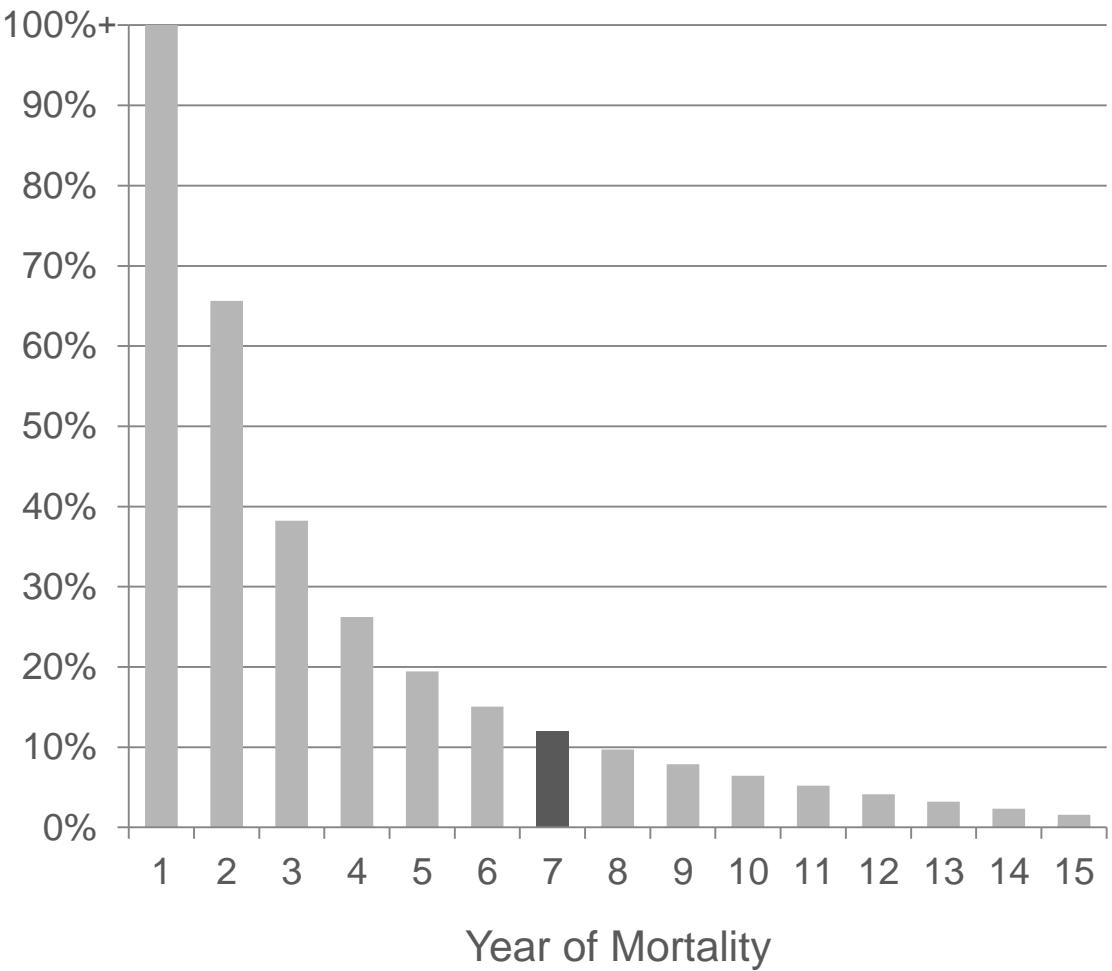
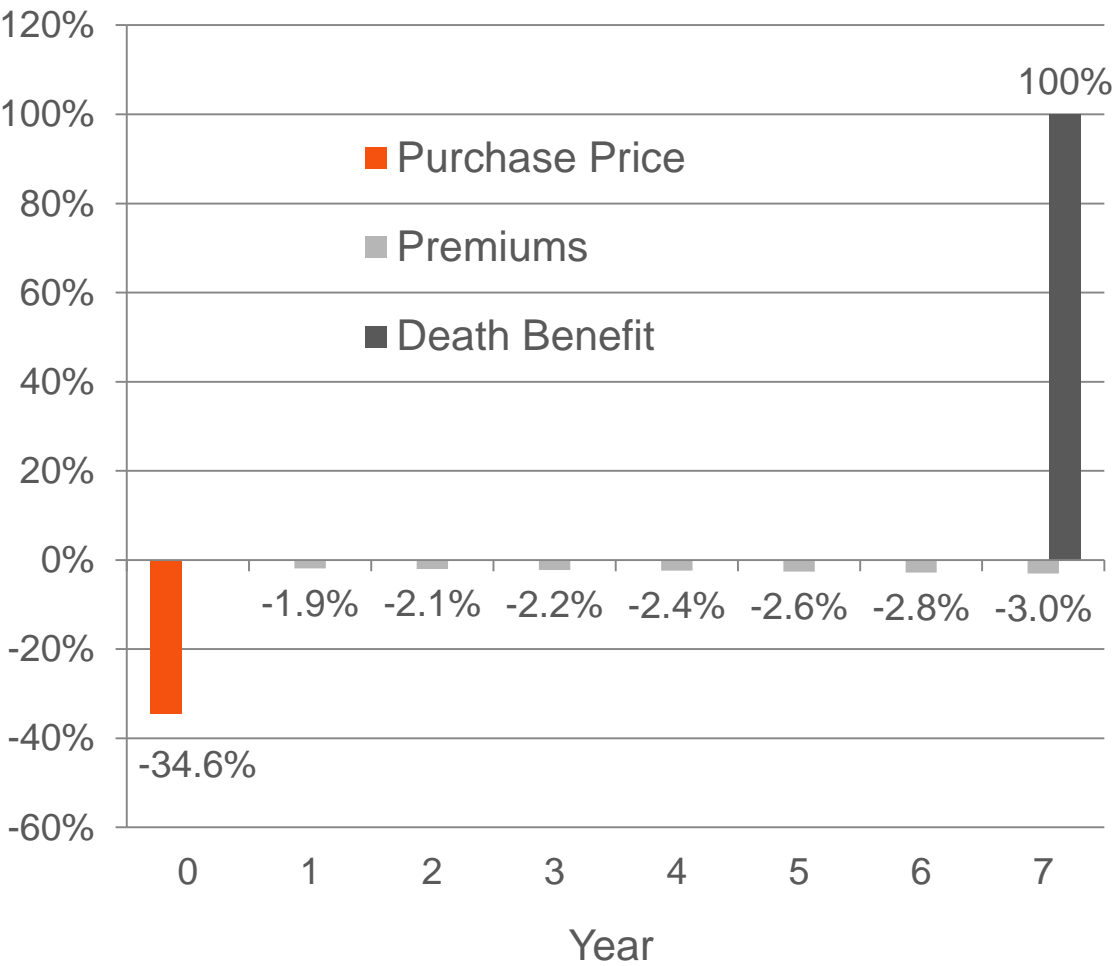


Net Death
Benefit in \$bn

Projected Returns



Illustrative Pricing



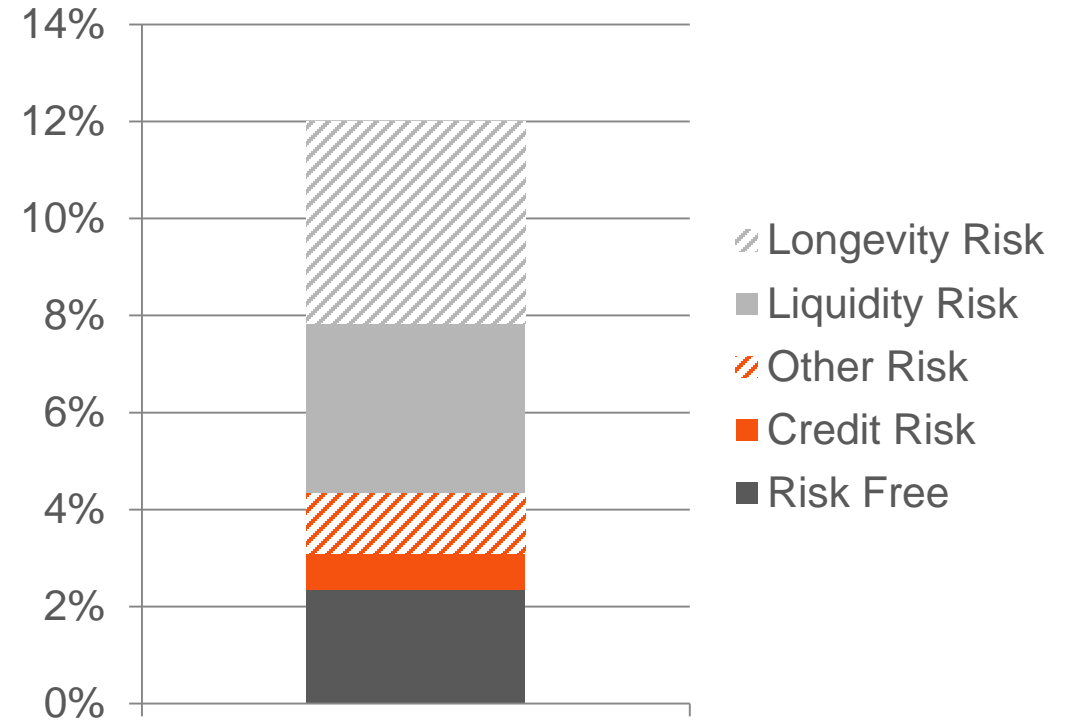
Key Risks

Sell Side

The owner has transferred the risks of ownership to the investor in exchange for an immediate cash payment.

There are very few complaints recorded by regulators from owners in respect of life settlements, versus other life and annuity products.

Buy Side



Robust and mature regulatory and legislative environment

Recent changes have been incremental and favourable

Consumer awareness of the life settlement option is growing, but remains limited

Considered a retirement planning tool alongside others, e.g., reverse mortgages / equity release

Accepted by consumers, their advocates, and increasingly by regulators, as “welfare improving”

Increasingly institutional investor base

Significantly more mortality experience data available...

...And being used by medical underwriters, managers, investors and auditors

Evidence of life expectancy estimate convergence

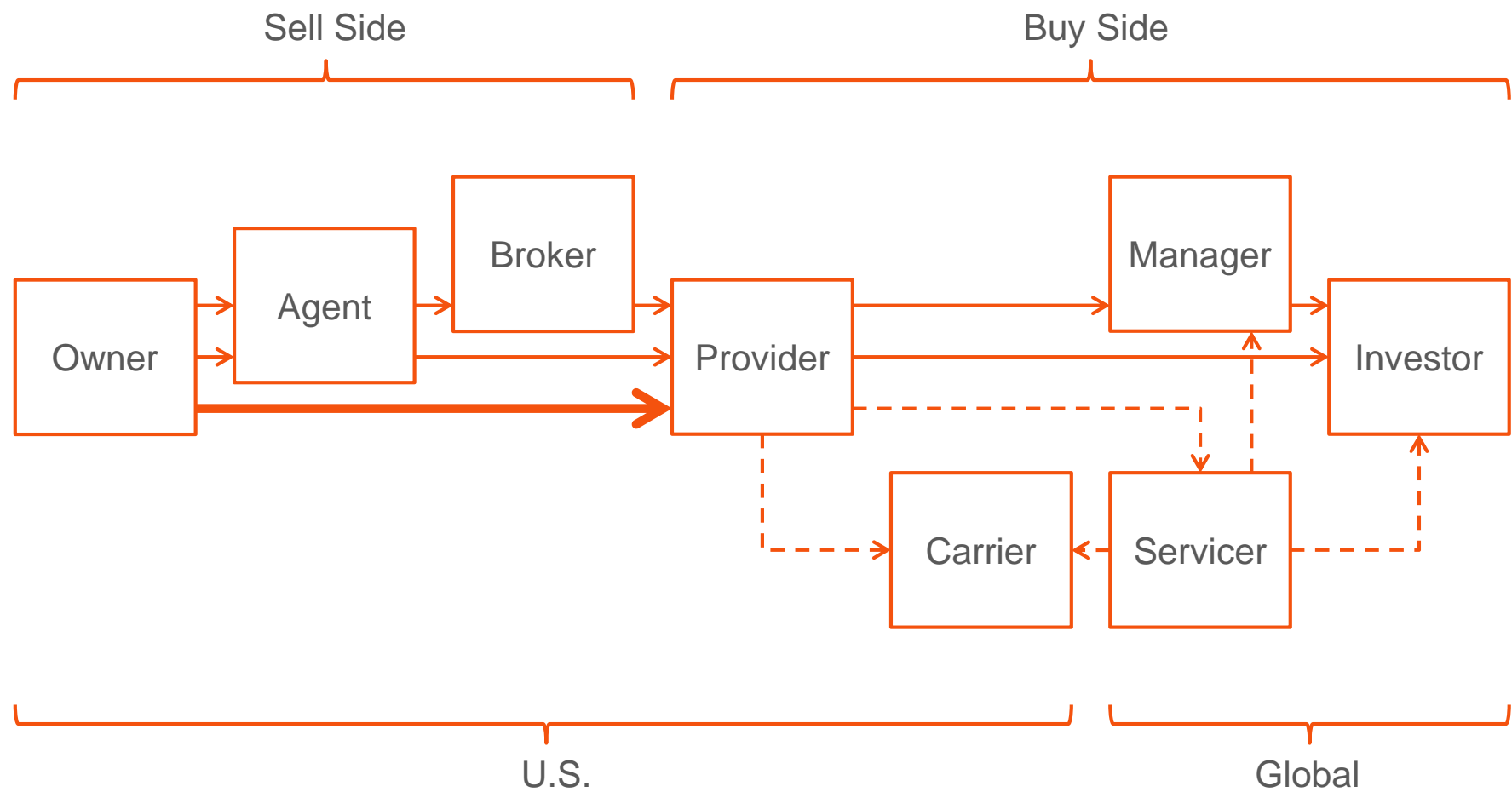
More robust and generally more conservative mortality tables

Greater awareness of previously-underappreciated risks, e.g., COI risk

Buoyant tertiary market in addition to new, secondary, origination

An evolution from “belief without evidence” to “belief with evidence”

Definition



Coventry Direct established in 2015

A lead generation company with its own brand, website, outsourced call centres, systems and procedures

Advertises across all types of direct marketing...

...To educate owners that their policies are assets they can sell, not just lapse or surrender

Screens, qualifies and sells leads

Now accounts for the majority of secondary submissions to Coventry

Advertising is expensive but effective: Currently more online searches for “Coventry Direct” than for “life settlement”...

...And helps whole industry, educating and bringing business to the intermediary community

A broader demographic; no longer the “healthy wealthy”

Typically with a straightforward history and ownership structure

Originally purchased, and being sold, for a variety of valid reasons; no manufactured policies

Direct contact allows a better understanding of the owners’ needs, e.g., timetable, retained death benefit

Generally smaller, well seasoned and from a wider range of carriers than traditional intermediated policies...

...Allowing for a more diverse portfolio with less capital expenditure, and presenting relatively low COI risk

Feedback from investors also suggests better performance from this broader, more representative population

Direct Channel Developments

In Figures

More than 10,000 website visits per week

More than 2,000 call centre calls per week

Approaching 200,000 generated leads, many of which were submitted only to Coventry Direct

Average policy purchased over \$500,000 in death benefit, vs. more than 3x that amount for intermediated policies

Inherent tail to generated leads; over 10% of direct policies purchased in 2018 were leads generated in 2015 or 2016

On average, policies were issued more than 15 years prior to settlement...

...And by more than 300 different carriers

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Thank you!

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