12TH ANNUAL INSTITUTIONAL INVESTOR CONFERENCE
Networking Breakfast

8:30 – 9:30 AM ET
Housekeeping

Cell Phone Policy:
- Please have cell phones silenced at all times in meeting rooms

Bathrooms:
- Located behind registration desk

General Questions:
- Please see LISA staff at registration with any questions

Emergency Information:
- In the case of an emergency and we need to exit the building – the nearest exit is Staircase B located directly outside the Grand Ballroom doors.
Wi-Fi Login Information

Network: Westin_Conf

Password: LifeISA2022
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Welcome & Opening Remarks

John Welcom, Chair
Life Insurance Settlement Association (LISA) Board of Directors
Sherry Duarte, Vice-Chair
LISA Board of Directors
Bryan Nicholson, Executive Director
LISA

9:30 – 10:00 AM ET
Life Insurance Trends Since We Last Convened

Lapse and Surrender Rates

Statistics from ACLI's Fact Book 2021

- Face Value Lapsed / Surrendered: $681.4 Billion in 2019, $642.5 Billion in 2020
- Number of Policies Lapsed / Surrendered: 9.45 Million in 2019, 9.18 Million in 2020
LISA 2021 Data Collection Survey

The Process

- A secure online portal
- Anonymous responses
- Data collected in March and April adjacent to state reporting deadlines
- Minimal time commitment for respondents
- LISA staff led survey outreach and communication efforts with support from Member Affairs Committee

The Questions

- What was your company’s total number of completed life settlement transactions in 2021?
- What was the Sum of Net Death Benefits resulting from all completed transactions in 2021?
- What was the Sum of Cash Surrender Values resulting from all completed transactions in 2021?
- What was the Net Amount paid to consumers for all completed transactions in 2021?
LISA Member 2021 Transaction Data

$750M
Amount paid to consumers from LISA Members

7.8x
average times more received than cash surrender value

$660M
Amount consumers received from LS option above lapsing or surrendering

> 3000
Life Settlement transactions completed by LISA Members

23
Number of LISA Member providers participated in survey

95
% market share LISA Members represent
Programming Highlights & Expectations

- Investor perspectives on LS trends and performance
- Deep dives into market drivers, such as rising inflation, ESG investing, and insurance market trends
- Updates on legislative and regulatory impacts on business
Opening Keynote: Investor Perspectives: LS Fund Performance and Structure

Bill Corry, Corry Capital Advisors
Jonas Mårtenson, Ress Capital
Vlad Sorokulov, Jade Mountain Partners
Steven Shapiro, Q Capital Strategies – Moderator

10:00 – 11:00 AM ET
Networking Break

11:00 – 11:15 PM ET
An Inflationary Economy: Effects on Life Insurance and Life Settlements

Rich Beleutz, AIR Asset Management
John Collins, Synergy Asset Services
Scott Willkomm, Life Equity
Chris Conway, ISC Services – Moderator

11:00 AM – 12:00 PM ET
Networking Lunch
12:00 –1:30 PM ET
Life Settlement Markets in 2022

Pete DeRooy, Carlisle Management
Neal Jacobs, Coventry
John Welcom, Welcom Funds
Jeff Bollerman, Houlihan Lokey – Moderator

1:30 – 2:15 PM ET
The Current State of Insurance Markets: Implications for the LS Industry

Colin Devine, C. Devine & Associates; Health Catalyst Capital

2:15 – 3:00 PM ET
U.S. Life Insurance Industry in a Post-COVID 19 World - Life Insurance Settlements Association

Colin Devine, CFA, CMA, CFP®
colin.devine@cdevineassociates.com
May 2, 2022
<table>
<thead>
<tr>
<th>Agenda</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics &amp; Retirement in America</td>
<td>3</td>
</tr>
<tr>
<td>State of the U.S. Life Industry</td>
<td>8</td>
</tr>
<tr>
<td>Issues on the Horizon</td>
<td>14</td>
</tr>
<tr>
<td>M&amp;A What’s Next</td>
<td>17</td>
</tr>
<tr>
<td>Wrapping Up and Looking Ahead</td>
<td>20</td>
</tr>
</tbody>
</table>
Demographics & Retirement in America
Demographics remain a tailwind

### Pandemic has triggered consumer awareness

**Demand for insurance products favorably impacted by the pandemic**

- **Getting old** - Over 10,000 people will turn 65 each day over the next 15 years, and per U.S. Census Bureau, proportion of the population over the age of 65 is expected to grow from 15% in 2015 to 20% in 2030.

- **Growing demand for non-traditional post-retirement solutions** – Rising longevity, loss of traditional pensions and older-age care health care risk makes utilization of Life settlements increasingly viable alternative.

- **Good sales growth in 2021:**
  - Individual life sales grew 18% to over $12B as life apps rose 3.4%, second highest growth rate on record and up 7.4% over 2019.
Nearly 11K Americans turn 65 daily

Longevity – A Double-Edged Sword?

Male 65 = 19 years (average life expectancy)

Female age 65 = 22 years (average life expectancy)

50% chance one member of a couple reaches 92 and 25% that one member reaches 97

10% of Americans will live past 95

Over 10,000 people will turn 65 each day over the next 15 years, and per U.S. Census Bureau, proportion of the population over the age of 65 is expected to grow from 15% in 2015 to 20% in 2030.

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Health – Significant Source of Risk

**Total lifetime health care costs for healthy 65-year-old couple 2019**¹

50% chance of 65-year-old adult having some physical/cognitive impairment over remainder of life

¹ 2019 Healthview Services Analysis & Whitepaper

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State of the U.S. Life Insurance Industry
Life Insurers in 2022

Industry health in reasonable shape

Capital levels good, liquidity solid, investment quality steady…but profitability strain from interest rates continues.

- **COVID-19** – Impact on mortality across population is mixed. Insurers do not appear to be making changes to actuarial assumptions.
- **Multiple challenges** – Strain from older VAs, LTC and SGUL as well as interest rates continuing to grow. Not a solvency threat but have triggered a host of corporate restructuring actions.
- **Capital** – Risk-Based Capital (RBC) facing some downward pressure but industry overall remains solidly capitalized; both stocks and mutuals.
- **Investment Quality** – Not a source of concern. Insurers generally managing portfolios through low interest rates.
Risk Based Capital – RBC

Positioned to withstand economic downturn

*Levels for mutual and stock insurers relatively steady*

- **RBC in 2021** – Relatively unchanged Y-O-Y. Mutual insurers averaged 511%, stock insurers were 410% and private equity owned firms 503%.

- **Capital positions stable** - Examined RBC trends for 68 insurance groups split between 50 stock and 18 mutual. In 2021, 28 saw their RBC rise vs. declines for 40;

- **Average RBC levels remain high** – RBC is only one metric used to assess capital strength. Would view 425%-475% as “AA” range which suggests industry remains prudently capitalized to navigate through any economic fallout from COVID-19 crisis.
Industry Risk-Based Capital Trends

RBC Levels Remain High

Source: Estimated combined group RBC ratios based on Insurer Year-end statutory financial reports.
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Life insurers weathered financial crisis well and should be able to handle any post-COVID credit downturn

• **Level of traditional credit risk stable** – Holdings of BBB and BIG bonds have been steady at around 23% and 5% of investments, respectively. Bond credit losses modest and commercial mortgage defaults are negligible.

• **Relatively few liquid liabilities** – MTM movements of bonds largely irrelevant given ability to hold to maturity. No “run on the bank” scenario.

• **Benefit of ongoing cash flow** – Unlike banks or other types of financial institutions, life insurer’s do not see their incoming cash flows dry up during times of stress....people keep paying renewal premiums.
Credit risk has been stable

Expect bond downgrades to push up

U.S. Life Insurer Avg. High Risk Assets % Total Investments

Source: Company and statutory reports
Issues on the Horizon
Accounting Changes on the Way

Long-Duration ASU 2018-12

Most significant changes in over twenty years

• ASU 2018-12 Long Duration Contracts – Comes into effect for large insurers on Jan. 1/23. Amends existing recognition, measurement, presentation, and disclosure requirements. Will significantly impact lines such as LTC and immediate annuities.

• Changes include:
  i. Update actuarial liability cash flow assumptions at least annually, and update discount rate assumption quarterly
  ii. Account for market risk benefits at fair value,
  iii. Simplified amortization of DAC
  iv. Enhanced financial statement presentation and disclosures.
InsurTech Innovation a Game Changer

Opportunity/Threat for Life Settlements

Is it Time to Let the Old Ways Die and Embrace Technology?

• **Big Data** - Predictive analytics, genetics, advanced underwriting are all aimed at improving efficiency, increasing speed of issue and pricing/assessing risk. Potential to greatly speed up both transaction times and risk assessment.

• **Electronic Health Records** – Use has rapidly grown as has regulatory actions to ensure individuals own their data; that can make it far more accessible to facilitate a life settlement.

• **Medical technology** – Rapid proliferation of medical remote monitoring devices such as glucose pumps or heart monitors may impact longevity which has implications for Life Settlement risk assessment.

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M&A – What’s Next?
M&A Being Led by Private Equity

Potential Implications for Life Settlements

**Host of New entrants**

- **Focus on opportunistic dispositions** – Era of transformational consolidation deals has passed. Reluctance to take on other’s problems/liabilities – many have enough of their own. May see further spin-offs such or product line exits to manage capital.

- **Private equity now a major factor** – Despite some industry and regulatory unease, still too early to assess if they pose a risk. Have appetite for specific types of risk notably fixed and variable annuities but expanding to life blocks as well as LTC. Remains to be seen as to how they will manage COI’s.

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### Who says “Life” hasn’t changed?

- Aetna
- Alexander Hamilton
- Allmerica
- AmerUs
- American General
- Aviva
- Banner
- Berkshire
- C N A
- Canada Life
- Chubb
- Confederation Life
- Conn General / CIGNA
- Connecticut Mutual
- Crown Life
- Equitable
- Executive Life
- First Colony
- First Penn-Pacific
- Forethought
- Fortis/Union Security
- General American
- Genworth
- Hartford
- Home Life
- Indianapolis Life
- Integrity
- ING (ReliaStar and SLD)
- Jackson National
- Jefferson Pilot
- John Alden
- John Hancock
- Kemper
- Kentucky Central
- Life of Georgia
- Life of Virginia
- Lincoln Benefit
- MetLife - Brighthouse
- Mutual Life of Canada
- MONY
- Mutual Benefit
- New England
- North American Life
- Protective
- Provident Mutual
- Security CT
- Southland
- SunAmerica
- Symetra
- Transamerica
- Travelers
- TIAA
- Voya
- West Coast Life

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Wrapping Up and Looking Ahead
Life Settlement Outlook Never Better

Population aging a growing tailwind

Post-COVID world a source of uncertainty & opportunity

• **Demographics remain favorable** – Growing post-65 segment coupled with longevity and health risk should bode well for demand for Life Settlements and other alternative financial planning solutions.

• **Legacy liabilities dictating many insurers actions** – Pressures of these may trigger more aggressive COI actions as well as enhanced CSV programs or increased STOLI legal challenges.

• **Technology presents significant opportunities for Life Settlements** – Use of advanced analytics and EHRs can allow much faster risk assessment, reduce transaction costs, and result in higher placement rates.

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Thank You
Colin W. Devine CFA, CMA, CFP®

Colin Devine provides strategic consulting services to the insurance and investment management sectors. He is also a Research Fellow for the Alliance for Lifetime Income, a nonprofit 501(c)(6) organization focused on helping educate Americans on the risk of outliving their savings so they can enjoy their retirement.

Previously, Colin was a Managing Director with Citigroup responsible for equity research coverage of North American life insurance companies. He was nominated to the Institutional Investor All-America Research Team for 14 straight years where he held the #1/#2 ranking in the Life Insurance Equity Research category for 10 consecutive years. Colin was also named one of the “Last Honest Analysts” by Smart Money Magazine.
Networking Break

3:00 – 3:15 PM ET
Current Legislative and Regulatory Matters Impacting the LS Industry

Nat Shapo, Katten Muchin Rosenman LLP
Seth Ard, Susman Godfrey LLP
Tom Weinberger, Schulte Roth & Zabel LLP
Brian Casey, Locke Lord LLP – Moderator

3:15 – 4:00 PM ET
Class Action Insurance Litigation
Seth Ard
sard@susmangodfrey.com
212-471-8354

Susman Godfrey L.L.P.
March 22: North American COI decrease (class cert granted)

March 24: Genworth COI decrease (motion to enjoin suit denied)

March 29: ReliaStar COI decrease (class cert granted and SJ denied)

March 31: Lincoln Life and Annuity Co of NY (class cert granted)

March 31: AXA COI Increase (SJ denied)
Recent COI Settlements

John Hancock COI
Up to $123M Fund + Stoli waiver/COI Freeze

Voya COI Increase
$92.5M Fund + Stoli waiver/COI Freeze
Upcoming COI Trials

- AXA
- North American
- SLD
- Reliastar
Any redetermination of the cost of insurance rates, Premium Expense Charge Percentage or Monthly Administration Fee will be based on our future expectations as to mortality, persistency, expenses, reinsurance costs, and state and federal taxes. *Any redetermination of interest rates will be based only on expectations of future investment earnings.* We will not change these rates or charges in order to recoup any prior losses.
Changes in the Death Benefit Option
You may change the Death Benefit option after the first Policy Year, subject to our administrative rules. The amount of the Death Benefit at the time of change will not be altered, but the change in Death Benefit option will affect the determination of the Death Benefit from that point on. Requests for a change in the Death Benefit option must be made in writing to Our Principal Office. The effective date of the change will be the Anniversary on or next following the date we approve your request.

Changes in the Death Benefit Option
You may change the Death Benefit option from Option B to option A after the first Policy Year. The Specified Face Amount will be adjusted such that the amount of the Death Benefit at the time of change will not be altered. Requests for a change in the Death Benefit option must be made in writing to Our Principal Office. The effective date of the change will be the Anniversary on or next following the date of request.

You cannot change the Death Benefit option from Option A to Option B.
Transamerica New COI Increase
No Case on File – Contact Us

• TransSaver
• TransAdvantage
• TransUltra LP
• TransUltra 2K
• TransUltra 1997 (CVAT version)
• TransUltra 1997 (GPT version)
• TransUltra LP 2007
• TransValue (not illustratable)
• TransSecure
• TransValue 2002 (not illustratable)

March 2022 – first implemented
5100 Policies Issued late 1990s early 2000s
ESG Investing and the Life Settlement Asset Class

Jonas Mårtenson, Ress Capital
Tom Weinberger, Schulte Roth & Zabel LLP
Darryl Glatthorn, Equus Financial Consulting – Moderator

4:00 – 5:00 PM ET
Networking Reception

Main Foyer & Grand Central Ballroom

5:00 – 6:30 PM ET