

LIFE SETTLEMENT

Review

News, Business Briefs and Expert Analysis of the Secondary Market for Life Insurance.

BUSINESS BRIEFS

Wentworth Exec Says Company Remains Focused Despite Bankruptcy (p.8)

INDUSTRY LEADER PROFILE

Industry Pioneer Predicts Business Growth Despite Challenging Times (p.22)



FIGHTING BACK!

The life settlement industry unites to battle against negative media coverage (p.4)

■ Market Expects Providers to Play Major Role in Industry Rebound (p.7)

■ GUEST EDITORIAL: Life Settlements and State “Blue Sky” Laws (p.19)

■ BUSINESS ADVISOR: Securitization of Life Insurance Settlements (p.18)

The life settlement industry unites to battle against negative media coverage



TOP STORIES

- 4 PR Expert Offers Advice on How to Improve Industry's Media Image
- 7 Market Expects Providers to Play Major Role in Industry Rebound
- 8 Wentworth Exec Says in Spite of Tough Times, Company Remains Focused
- 9 Guide to Effective Media Relations

LEGISLATIVE BRIEFS

- 11 New Maine Law Protects Property Rights of Life Insurance Policyholders

LEGISLATION

- 12 Legislative Status Report

PUBLISHER'S NOTE

- 17 Dear Providers: You've Come a Long Way, Baby

BUSINESS ADVISOR

- 18 Securitization of Life Insurance Settlements

GUEST EDITORIAL

- 19 Life Settlements and State "Blue Sky" Laws

BUSINESS BRIEFS

- 15 Life Care Funding Forms Strategic Partnership
- 15 21st Services Lowers the Price of its Online Longevity Analysis through end of 2009
- 15 ClearLife Launches New Business Management System
- 16 First Penn-Pacific Must Pay \$3M to Answer Care Investors
- 16 Life Partners Predicts Record Earnings
- 16 Lifeline Program Executive Warns of Life Settlement "Portfolio Pollution"
- 21 Vermont Governor Signs Senior Protection Bill into Law
- 21 California Insurance Agent Guilty of Life Settlement Investment Fraud

INDUSTRY LEADER PROFILE

- 22 Industry Pioneer Predicts Business Growth Despite Challenging Times

CLASSIFIEDS

- 26 Announcements / Employment

Publisher:	Doug Head
Managing Editor:	Daniel Jimenez
Associate Editor:	Daniel Armendariz
Contributing Editor:	Daniel Harris
Marketing & Customer Service:	Shannon Fleshman
Production Manager:	Will Menezes
Subscription Manager:	Madeline Garcia

Copyright © 2009 Life Settlement Review. All rights reserved. Copying, duplicating or distributing this publication in any manner other than permitted by the Life Settlement Review is strictly prohibited. All trademarks contained herein are property of their respective owners.

Life Settlement Review is a monthly publication that is designed to provide accurate and authoritative information regarding the life settlement industry. The views expressed in the Life Settlement Review are not necessarily the views of the Life Insurance Settlement Association or its board of directors. The content provided herein does not constitute legal, financial or investment advice and reliance upon such information should be followed at the reader's own risk.

LIFE SETTLEMENT REVIEW is published by the Life Insurance Settlement Association, 1011 E. Colonial Dr., Suite 500, Orlando, FL 32803, (407) 897-6796. For advertising rates, visit www.lifesettlementreview.com or call Shannon Fleshman at 407-894-3797.

Send reprint permission requests to advertise@lifesettlementreview.com. Log on to your account to make any subscription changes.

■ Industry Pioneer Predicts Business Growth Despite Challenging Times

Meir Eliav ■

By Daniel Jimenez

If there was a life settlement hall of fame, then Meir Eliav would surely be among the first class of inductees. In 1991, Eliav established Legacy Benefits Corporation, one of the nation's first viatical and life settlement providers. As a pioneer in the settlement industry, he was a founding member and past-President of the Viatical and Life Settlement Association of America (VLSAA), currently known as the Life Insurance Settlement Association (LISA), the industry's largest trade association.

Eliav was born in Argentina and emigrated to Israel in 1964, where he studied finance at Tel Aviv University and subsequently earned an MBA. He has over 30 years of international finance experience beginning in 1974 when he joined Bank Hapoalim, the largest Israeli bank, initially serving as comptrol-

ler of one of the bank's international banking subsidiaries. Subsequently, he was transferred to the U.S. to manage the bank's new operation in California, which included responsibility for the bank's operations on the west coast of the United States.

Prior to establishing Legacy Benefits, Eliav joined a private conglomerate in New York, serving as the President and CEO of one of its banking subsidiaries and later as the CFO of the entire group, which dealt primarily in manufacturing, aviation leasing and trading.

Here are Eliav's thoughts on the changing role of life settlement providers, his reasons for starting the industry's first trade association, and the potential for future life settlement securitizations.

The old business model where providers held policies in trusts and tracked them has changed. Many providers now simply buy the policies in order to flip them to a financing entity.

There has been an evolution in the way that providers have operated. Historically, providers were purchasing policies as originators for financing entities or funds. Two or three years ago, big financial institutions started to enter the life settlement market. Some of the large banks began to operate in the dual roles of act-

ing as a provider as well as a financing entity, and are currently competing with companies like ours. They have the advantage of having tremendous resources at their disposal to utilize the value of those policies in different ways.

How can providers continue to offer value to their clients given these changes?

We recognized quite some time ago that the market was changing. We needed to start looking outside the box as to what we could do to build on our reputation and the advantage of having been in the

business for so many years. We wanted to further develop our expertise in buying policies and to play a wider role in the industry. I felt that the function of the provider was changing and if we did not evolve into something bigger and better we would stay where we are, which meant falling behind our competitors.

We concluded that we needed to bring substantial equity into the firm in order to expand our position in the marketplace. Doing that would enable us to compete with the larger institutions. That proved

(Continued on page 23)

■ LOCATION

Legacy Benefits Corp. is headquartered in New York City.

■ SIZE

25 employees.

■ BACKGROUND

In 2004, Legacy Benefits became the first ever to originate a portfolio of life settlement assets for a securitization transaction underwritten by Merrill Lynch and rated A1/Baa3 by Moody's Investor Services, a milestone for the firm and industry.

Legacy has originated policies for leading global institutions and since 2008 has been utilizing its own substantial equity to acquire, warehouse and trade policies and portfolios as part of its role as an industry market maker.

■ Meir Eliav

(Continued from page 22)

to be accurate. In January of last year, we completed a sale of 50% of the company to a US subsidiary of a large public company (KMN Holdings Ltd., formerly known as Mofet Holdings, Ltd.) and as a result of this transaction, substantial capital was infused into Legacy Benefits.

This change allowed us to play a broader role because we are now able to utilize our equity to purchase any policy that comes through our door that has an economic value, regardless of whether we have a buyer for that policy. We purchase that policy for our own balance sheet and to add it to our policy warehouse portfolio. We can now keep the policies while we look for opportunities to unload them to the appropriate purchaser. Legacy also now has the ability to participate as an investor and/or lender in a life settlement structure, as we have successfully already done this year.

What will happen to other providers who don't have resources to build their own policy warehouse?

They will face a challenge. More and more funds and financial institutions that we see entering the market are looking in that direction. They expect that the company not just act as a provider or policy originator but also be someone with "skin in the game." They want the provider to do more than just go out and buy a policy. The profit margins and fees for providers as well as brokers are diminishing. The role of the provider that enters into an origination agreement and expects only to have access to cash to buy policies is certainly diminishing. In the end, small providers will leave the market and the larger ones like us will play a more extensive role in the industry.

Legacy Benefits was the first provider to do a securitization. Tell me about some of the challenges that were involved.

We had decided to change our business focus from viatical settlements to life settlements so we faced a challenge as to how we were going to finance buying larger policies. It became clear to us that we had to use a totally different business model and that we had to have the financial backing of a Wall Street institution. Finding financing was a great challenge at the time because, unfortunately, the viatical settlement industry was the subject of unfavorable publicity and had earned a bad reputation as a result of the illegal activities of certain participants in the industry. We all know about the crimes that were committed and of certain individuals who were put in jail for their actions.

Coming from the banking industry where I worked for so many years, I realized when I founded Legacy that in spite of the fact that the industry was not regulated at that time, I had to operate with the highest standard of ethics because I knew then that sooner or later the industry would be regulated across the country. However, approaching the big banks was a challenge because the attitude was, "If you are in the viatical settlement business, then you must be a bad guy." So, we had to show them that not only weren't we a bad guy, but we were doing things the right way.

We had a lot to do in educating the bankers that this was a sustainable business model. We had to convince them that there is value to the consumer and to the financing entity and that, therefore, we should pursue it. So that's what we did. It took us a long period of calling on many of the big banks but we eventually were

able to get the attention of Merrill Lynch. Merrill Lynch recognized that they could work with us and come up with a business structure that made sense.

The recent AIG deal is the first successful securitization since a failed attempt in 2006. What kind of an impact will it have on the industry?

The truth is that we don't know. We don't know because most of the details of that transaction have not been made public. We are unclear to what extent this is a transaction that has been offered to investors or if it is a deal that has been done internally within different departments of AIG to improve their overall financial situation. However, I think it's a very positive development. The fact that a rating agency was able to give them a strong rating is very positive.

Obviously, the large number of policies involved [in the transaction] is very important. I'm glad that it happened because investors will have something to look at [when considering life settlement investments]. The rating agencies will find it easier to follow this transaction and hopefully others like it will come to the market.

You were one of the first presidents of the viatical association now known as LISA. What was your primary reason for starting an industry association?

I fought very hard in the early 90s to establish an association. There were just a few companies who were dealing in viaticals at that time. We decided that in spite of the fact that we were competitors, there were many aspects and issues that we needed to deal with that would affect all

(Continued on page 24)

■ Meir Eliav

(Continued from page 23)

of us either positively or negatively. We realized that if we put our resources together, we would be able to achieve much better results when talking to state regulators rather than having representatives from each individual company doing so on their own. That vision was absolutely right because then suddenly the industry had a voice. We were able to show the world that we were serious business people getting involved in an industry that made sense. In the beginning, the association only had 20 or 30 members. We eventually started growing and the rest is history.

What is your general outlook on the future of the industry?

I am now more positive than I have ever been about our industry even considering the very difficult times that we have all lived through since last September. During the last part of 2008 and the beginning of 2009, some investors acted like this was the end of the world and we'd all have to go back to farming to survive. I did not share that view. I have remained very positive about this country's economy and specifically, about what our industry has to offer. I've always felt and I continue thinking that the life insurance industry is a very important pillar of our economy and that it will continue to be

sustained. As a result, the life settlement industry will endure and prosper.

The business model of buying a life insurance policy from someone that no longer needs it, and by doing so, providing funds to that policy holder, offers a tremendous value that didn't exist a number of years ago. The value of this transaction is being recognized more and more. Many seniors didn't know that they had the option of life settlements. The more people that learn about life settlements, the more policies will enter our market. ■

Dear Providers: You've Come a Long Way, Baby

ates ethically and properly. Their assemblages of documents get more scrutiny, or are the only legally allowed documents for transactions.

Providers keep elaborate records and proof the policies which come to them for sale so as to avoid future questions for investors and for the policy-selling public. They interface with the brokers and—in ever more states—ensure that the process is proper, documents are in order and that the deal gets done. They serve as much more than a passive investor, but instead form the heart of the industry, necessary for it to function in the manner that it does. The success of these entities has been remarkable as they have wrestled through the change from being small and largely uninformed investors to transforming into large and complex organizations.

The challenge that lies ahead may be greater though. To keep the industry progressing, Providers will have to continue to offer much leadership on the appropriate roles of all parties, help create appropriate regulatory structures, and act as police on the beat of the settlement arena. They will be the instruments, if successful, for adequate and organized gathering of data about the industry and its participants.

Changing Roles

Providers, as we all recognize, come in all sorts of business out-

fits and conditions. Some have massive capital and some excellent providers have little of their own capital to deploy but continue to do a great job and serve the public well. Providers, more and more, are taking on the role of industry police, offering to research the adequacy and appropriateness of the policies they acquire for investing interests. Some look diligently, while others may not, at the appropriate levels of licensing for all participants in the industry. LISA's new tools for looking at licensure will surely offer more solid evidence to the public of the essential role of a good Provider in the process.

So whether they serve as obscure investors or as sophisticated regulatory surrogates/overseers of the settlement industry, Providers must be here to stay. More than life insurance companies who are supervised for solvency, but get relatively little attention from regulators in their market conduct, good Providers are helping regulators and the public to have confidence in the settlement option. Providers have a bright future and great tasks to do beginning with doing business properly with licensed investment enterprises and settlement brokers.

Hats off to Providers, the backbone of the industry. ■

Doug Head is the executive director for the Life Insurance Settlement Association (www.thevoiceoftheindustry.com).