

Market volume increases 32% in 2015

Transactions so far this year are on pace to exceed last year's total

BY DONNA HOROWITZ

The number of life settlement transactions grew by 32.6% last year while the total face value remained the same, a reflection of the market's increasing appetite for smaller-face policies.

In all, the volume increased to 1,123 transactions last year compared to 847 in 2014 and the face value totaled the same \$1.65 billion for each year.

Several life settlement provider executives say volume so far this year already is topping purchases for last year.

Market players are feeling much more upbeat and now believe that they are truly seeing a turnaround from the past in which the market was hammered after stranger-originated life insurance policies disappeared. The only damper is the delay in getting life expectancy estimates from the market's two busiest life expectancy providers, **AVS Group LLC** and **ITM TwentyFirst LLC**, which is slowing an already long process that generally takes four to five months.

The Deal's seventh annual survey of market volume is compiled from data mainly provided by insurance departments through public-records requests. A small number of transactions were not captured because certain providers only are licensed in states that don't require nationwide reporting.

Last year's data includes transactions for 33 providers, including eight who bought no policies at all. That compares to data in 2014 from 34 providers, which included nine who didn't do any transactions.

The purchase of smaller-face policies continues to be seen across-the-board, an effort led by **Coventry First LLC**, once the market's dominant player, which now has fallen into second place in the number of transactions and sixth place in face value purchased.

Coventry, based in Fort Washington, Pa., which continues to advertise its consumer-direct program on national TV stations, bought 168 policies with \$108.78 million in face value last year compared to 161 policies and \$235.14 million in face value in 2014.

However, the Buerger family, which owns Coventry, is in the midst of buying **Life Equity LLC** of Hudson, Ohio.

The deal is expected to close once key regulators, including the Florida Office of Insurance Regulation, give their blessing.

Life Equity, which shot up to the number one spot in the rankings with the purchase of 181 policies with \$332.78 million in face value last year, has traded places with Coventry. In 2014, Life Equity came in second place behind Coventry, completing 112 transactions with \$243.61 million in face value.

And although several market players previously speculated that the Buergers might shut down Coventry after suffering four years of multimillion-dollar losses following the exit of funding partner **American International Group Inc.** (AIG) from the market, Coventry CEO Alan Buerger says that isn't true.

Top 15 providers 2015

Provider	Settlements	Total Paid (\$M)	Face Value (\$M)
Life Equity LLC	181	\$31.42	\$332.78
Coventry First LLC	168	\$22.91	\$108.78
Abacus Settlements LLC	106	\$53.81	\$184.53
GWG Life LLC	105	\$38.04	\$180.37
Settlement Group Inc.	93	\$7.60	\$87.43
Magna Life Settlements Inc.	84	\$27.39	\$108.10
Berkshire Settlements Inc.	65	\$63.51	\$148.01
Habersham Funding LLC	56	\$14.80	\$32.15
Montage Financial Group Inc.	55	\$30.66	\$133.94
Q Capital Strategies LLC	51	\$9.24	\$55.59
FairMarket Life Settlements Corp.	42	\$6.52	\$82.46
Legacy Benefits LLC	35	\$6.70	\$63.54
Maple Life Financial Inc.	32	\$7.61	\$58.84
Life Settlement Solutions Inc.	13	\$0.75	\$4.82
Institutional Life Services LLC	12	\$4.16	\$30.33
Totals:	1,098	\$325.12	\$1,611.67

"Coventry is now and will continue to be in business," he told The Deal in an e-mail.

As to other speculation that Life Equity's funders might flee once the Buergers take over because of uneasiness over working with them, Buerger doesn't expect that to happen.

"We are not concerned. We did our due diligence and are comfortable with the relationships Life Equity has," Buerger said.

As to whether Coventry will transfer its consumer-direct business to Life Equity because it doesn't have Coventry's regulatory or litigation baggage, Buerger said his family doesn't intend to do that.

Reid Buerger, executive vice president with Coventry, has been more visible in the market recently, taking meetings with market players at two industry conferences in May to nail down and build upon relationships with Life Equity as well as offering to sell them policies from Coventry's consumer-direct program.

Coventry has been selling such policies to market members for about 18 months, Alan Buerger said.

"Investors like them because they have not seen them before," he said. "We continue to meet with market participants because there is substantial interest."

Buerger said that although Coventry may own 50 to 100 or more policies

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at any one time, the company's business model is to sell policies rather than buy and hold them.

"I think that's an industry trend, smaller face," Joe Lucent, president of **Settlement Group Inc.** of St. Mary's, Ga., said. "We're tapping into the real life settlement market."

He characterized this segment of policies as \$500,000 and under in face amount.

"It's a lot more work. You have to become more efficient without a doubt," he said.

Instead of trading one \$5 million policy, he now has to trade 10 or 20 policies to reach the same face amount.

"Can I do a \$50,000 policy? If the math works. Tell me the premium and life expectancy. It's what we have to do," Lucent added.

He said he might only make a few thousand dollars instead of a much larger fee, and even in some circumstances, do the work for free on viaticals.

Lucent said he was on the phone last week with two relatively young people selling viaticals who have terminal cancer. One woman of 50 with stage four breast cancer has a 10-year-old son.

"It isn't about the money at that point. I would do the case for free," he said.

The woman did an accelerated death benefit for \$125,000 of the \$250,000 policy and is selling the remaining \$125,000 so she can set up a savings account for her son to go to college.

Settlement Group came in fifth place last year with 93 transactions and

\$87.43 million in face value compared to fourth place the year before with 75 purchases and \$117.99 million in face amount.

Steve Shapiro, CEO of **Q Capital Strategies LLC** with offices in New York and Boca Raton, Fla., said much of his business continues to focus on small-face policies. He originates policies for Chris Orestis' **Life Care Funding Inc.** program, which goes to pay for seniors' long-term care.

"That program is beginning to grow. It's generally small policies, \$1 million and under and generally \$500,000 and under," he said.

Shapiro said he's sourcing about half of the policies he buys directly from insured persons. He has nothing against using life settlement brokers, but he doesn't see them serving this niche.

He didn't want to give away his secret sauce for how he's finding such policies, but said "we've got direct channels helping generate leads."

In addition to a web presence, he said Q Capital uses access points for people with long-term care needs who might want to sell their policies.

"This is hard stuff, doing more direct and on smaller policy sizes. ... I think what we're starting to do is develop all parts of the market. I think the growth opportunity in the small face is definitely bigger," Shapiro added.

He said his company still buys large-face policies of up to \$10 million, however.

He's also seeing an increase in policy flow through the traditional broker channels.

"Generally, I'm upbeat. We're seeing good volume. ... We're seeing a market that's robust and growing again," Shapiro said. ■

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