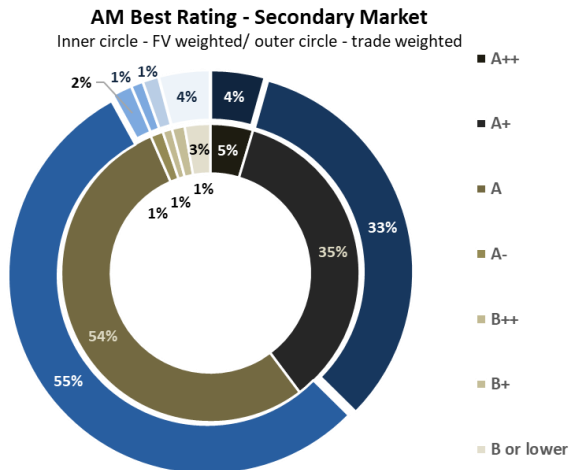


Credit quality of life insurance carriers & development over time

The average credit rating of life insurance carriers of which policies are traded in the life settlement markets, is high, compare the chart below. The vast majority of transactions refers to carriers with AM Best ratings of A and A+.



There are also insurance carriers with lower credit ratings. A well known example is PHL Variable Insurance Company (PHL). But policies of insurance carriers with lower ratings are rarely traded overall.

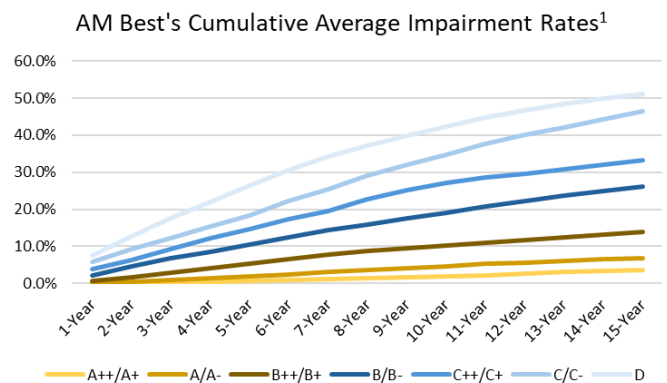
The list of the insurance carriers which issued the traded policies, is pretty stable. The below list shows the top ten companies in the secondary market over the last 12 months in the secondary market, the market shares refer to the number of policies.

National Life	13.7%	Pacific	4.6%
Lincoln	12.2%	Brighthouse	4.1%
John Hancock	10.7%	Transamerica	4.1%
American General	7.1%	New York	3.6%
Protective	5.6%	Talcott	3.6%

But how develops the financial stability rating of insurance carriers? Life settlements should be considered a mid to long

term investment. Is there a substantial risk that the financial stability of insurance carriers deteriorates over time and investors face substantial counterparty risks?

AM Best published a study¹ regarding this question covering U.S. Life/ Health & Property/ Casualty companies over the years 1977 to 2012. The purpose of the study was to provide the basis for estimating the likelihood of a default. It calculated the 1-year to 15-year cumulative average impairment rates per rating category. The study reveals that the lower the financial stability rating overall, the higher the rate of impairment, and vice versa. Thus, the risk that a well rated insurance company becomes financially impaired, is low overall.



The AM Best rating of the life insurance carriers of which policies are traded in the secondary market, are overwhelmingly high. Thus, even though the low interest rate environment and the COVID pandemic certainly were challenging for the life insurance industry, the credit risk for investors in life settlements is still low if the AM Best rating of the carriers at purchase was reflective of the broad life settlement market.

¹Best's Impairment Rate and Rating Transition Study—1977-2012; Best's Special Report March 28, 2013

Data Sampling and Data Provider

The information in this report is based on life settlement transaction data which is collected by AAP on a multi provider basis. Per each transaction information regarding the policy, the insured and the transaction itself is obtained.

The transparent life settlement providers are (in alphabetical order):

- FairMarket Life Settlements

- Habersham Funding LLC
- Life Capital Group
- Life Equity
- Life Settlement Solutions
- LifeTrust, LLC
- Q Capital Strategies
- 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	↓	↓

AA-Partner is a boutique company specialized on life settlement consulting. The company is domiciled in Zurich, Switzerland and provides consulting services as independent 3rd party for institutional clients. AA-Partner is a member of ELSA, the European Life Settlement Association.

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