

Understanding the market through heat maps

The life settlement market has seen varied activities in the trading of life insurance policies. This report utilizes heat maps to describe the activity within the secondary and tertiary markets, offering insights into the distribution of transactions based on policy size and life expectancy (LE). The analysis is based on universal life policies from male and female insureds collected over the years 2014-2023.

	Secondary Market		Tertiary Market	
	Nr. of policies	Face Value	Nr. of policies	Face Value
Universal Life	4226	USD 6.54 bn	3228	USD 8.26 bn
Male	75.3%	69.3%	72.5%	66.1%
Female	24.7%	30.7%	27.5%	33.9%

Heat map analysis

Heat maps are structured to identify "hot spots" within a market, highlighting areas of significant activity. For this analysis, the life settlement market data was split between the secondary and the tertiary market, compare the two main columns below. The upper charts show the activity in number of transactions per LE bracket (y-axis) and face amount brackets (x-axis). The lower charts show the same information as transacted face amount. The highlighted areas indicate strong activity in terms of number of traded policies or in terms of traded face amount in a particular spot.

Distribution according to number of transactions (upper charts)

The strongest market activity is concentrated in the upper left section that are smaller policies with life expectancies up to 120 months. In the secondary market, this segment represents 54% of all trades, in the tertiary market it's 38%. Furthermore, policies with longer life expectancies are traded less frequently, particularly in the tertiary market where they constitute just 5.4% of transactions, in contrast to 22% in the secondary market.

Face amount distribution (lower charts)

Policies with face values of more than USD 5 million and life expectancies ranging from 24 to 96 months account for a significant part of the total traded face amount. This is particularly pronounced in the tertiary market, where policies larger than USD 5 million make up over 54% of the traded face amount, compared to 31.6% in the secondary market. Notably, there is a spike in trades involving policies with large size and longer life expectancies representing 5% of the total death benefit traded in the secondary market.

Secondary Market

		Face Value								
		Transactions	Up to 500k	0.5 - 1.0 mio	1 - 2 mio	2 - 3 mio	3 - 4 mio	4 - 5 mio	over 5 mio	
Based on nr. of transactions	LE	up to24	4.1%	1.5%	0.5%	0.2%	0.1%	0.2%	0.3%	
	24-48	10.0%	4.7%	2.4%	1.0%	0.4%	0.6%	0.7%		
	48-72	8.2%	4.9%	3.0%	1.2%	0.5%	0.8%	1.0%		
	72-96	8.8%	3.7%	2.4%	0.9%	0.4%	0.5%	0.7%		
	96-120	5.1%	3.0%	2.5%	0.9%	0.3%	0.7%	0.8%		
	120-144	3.5%	2.8%	1.7%	0.9%	0.2%	0.6%	0.4%		
	144-168	1.9%	2.0%	1.3%	0.4%	0.2%	0.5%	0.4%		
	over 168	1.4%	1.7%	1.1%	0.4%	0.2%	0.5%	0.7%		
	Based on face amount	LE	FV	Up to 500k	0.5 - 1.0 mio	1 - 2 mio	2 - 3 mio	3 - 4 mio	4 - 5 mio	over 5 mio
		up to24	0.7%	0.9%	0.5%	0.3%	0.3%	0.5%	2.1%	
24-48		1.8%	2.7%	2.6%	1.8%	1.0%	2.0%	5.0%		
48-72		1.5%	2.8%	3.3%	2.0%	1.2%	2.5%	5.9%		
72-96		1.7%	2.1%	2.5%	1.5%	1.1%	1.6%	4.4%		
96-120		1.0%	1.8%	2.8%	1.6%	0.8%	2.2%	5.0%		
120-144		0.8%	1.6%	1.8%	1.5%	0.5%	1.9%	2.2%		
144-168		0.5%	1.2%	1.5%	0.6%	0.5%	1.6%	1.9%		
over 168		0.3%	1.0%	1.2%	0.8%	0.5%	1.7%	5.0%		

Tertiary Market

		Face Value								
		Transactions	Up to 500k	0.5 - 1.0 mio	1 - 2 mio	2 - 3 mio	3 - 4 mio	4 - 5 mio	over 5 mio	
Based on nr. of transactions	LE	up to24	2.3%	2.0%	1.2%	0.5%	0.3%	0.8%	0.9%	
	24-48	7.7%	5.0%	3.2%	1.6%	1.3%	1.8%	2.9%		
	48-72	6.2%	3.5%	2.5%	1.4%	0.8%	1.8%	2.2%		
	72-96	4.3%	2.5%	2.0%	1.1%	0.6%	1.5%	1.4%		
	96-120	2.8%	1.9%	0.6%	0.5%	0.2%	0.6%	0.9%		
	120-144	1.0%	0.9%	0.3%	0.4%	0.1%	0.4%	0.4%		
	144-168	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%		
	over 168	0.2%	0.2%	0.1%	0.0%	0.0%	0.1%	0.0%		
	Based on face amount	LE	FV	Up to 500k	0.5 - 1.0 mio	1 - 2 mio	2 - 3 mio	3 - 4 mio	4 - 5 mio	over 5 mio
		up to24	0.5%	1.1%	1.2%	0.8%	0.7%	2.6%	5.1%	
24-48		1.5%	2.8%	3.4%	2.8%	3.1%	5.8%	17.8%		
48-72		1.2%	2.0%	2.7%	2.6%	1.9%	5.6%	14.1%		
72-96		0.9%	1.4%	2.1%	2.0%	1.5%	4.8%	9.3%		
96-120		0.5%	1.1%	0.7%	0.9%	0.6%	2.0%	6.2%		
120-144		0.2%	0.5%	0.3%	0.8%	0.3%	1.2%	2.9%		
144-168		0.1%	0.1%	0.2%	0.1%	0.4%	0.5%	0.7%		
over 168		0.0%	0.1%	0.1%	0.0%	0.1%	0.3%	0.2%		

Data Sampling and Data Provider

The information in this report is based on data which is collected by AAP on a multi provider basis. The transparent life settlement providers are (in alphabetical order):

- FairMarket Life Settlements
- Habersham Funding LLC
- Life Capital Group
- Life Equity
- Life Policy Traders
- Life Settlement Solutions
- LifeTrust, LLC
- Q Capital Strategies
- RiverRock Partners, LLC
- Settlement Group, Inc.

Life Settlement Market Activity

Mth to Mth

	Proj. Ret.	Volume
Secondary Market		
Main Market (Age 75-86)	↓	→
Tail Market (Age < 75)	↓	↓
Tail Market (Age > 86)	↑	↑
Tertiary Market		
Tertiary Market All	↓	↓
Total Market		
Sec. and Tert. Market	↓	↓

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AA—Partners Ltd.

Witikonstrasse 36
CH-8032 Zurich
Switzerland
Tel. +41 76 414 42 29

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www.aa-partners.ch

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