

Many transactions refer to younger insureds

The quite surprising surge in average face amount which we reported in our July issue seems to be an outlier. The August transactions support the new normal in our industry, the average face amount was in the same range as last month. We therefore have the impression that the unusual high average face amount of the June transactions is an outlier.

The closed transactions reported in August show market activity in all market segments. The AAP Life Settlement Reference Rate—Main

Market trended sideways from 12.9% in August to 13.1% in this issue.

The average age over a twelve month window one year ago was 78.8 years, two years ago it was 78.7 years. However, the average age in the broad secondary market stands at 76.6 years currently. This is quite a shift since transactions always occur over the whole age spectrum which usually leads to just slow swings in the average age. A movement of about two years is therefore quite remarkable.

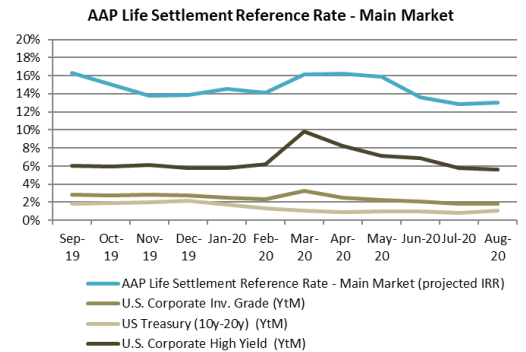
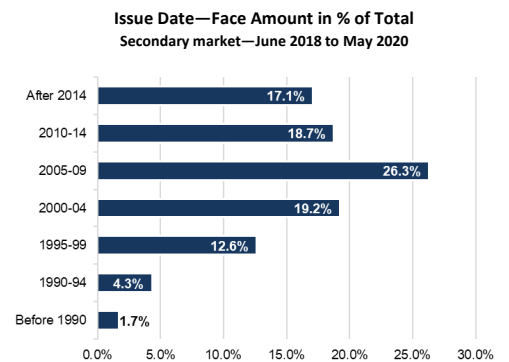
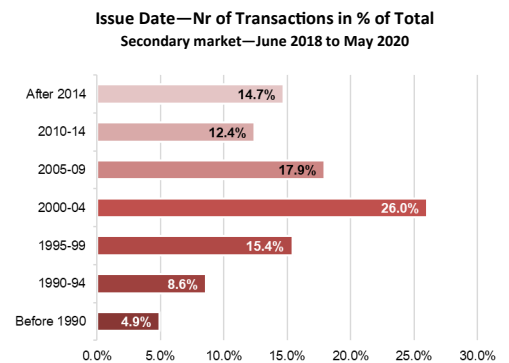


Chart of the month – market structure

Many questions from new investors in our asset class refer to the market structure. We took secondary market transactions from June 2018 to May 2020 in order to give an overview. Joint policies and viaticals were ignored. The vast majority of transactions refer to insureds between 70 and 90 years. The average face amount is USD 1.5 Mio for the whole data set.

We discussed already various facets in previous issues as the age distribution, the life expectancy distribution, the valuation and so forth. Another angle to look at the data is from the issue date of the policies. Policies always come with an issued date (please be aware that conversions are not sepa-

rated, however the overwhelming majority of the policies are not conversions and the picture therefore is not materially distorted by this fact). The policies with issue date prior to the year 2005 are on average smaller—the four brackets represent 54.9% of all transactions however just 37.9% of the traded face amount. The picture looks different for policies with issue dates from 2005-14. 30.4% of the transactions refer to the two brackets, but they represent with 45% the lion's share of the traded face amount. Roughly every seventh policy has an issue date 2015 and onwards, and the average face amount is smaller than in the previous two brackets, it is about USD 1.7 Mio.



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):

- Emergent Capital, Inc.
- 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

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	↓	→

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