

Ten Life Settlement Industry Predictions for 2010

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1. Life settlement buying activity will return at an incremental and measured pace as institutional funds find increased liquidity and easing pressure from balance sheet issues.
2. Feverish talk of large scale life settlement securitization will increase and bring more attention to the industry. This will of course feed speculation that the life settlement market is finally poised to reach the \$60 billion plus potential it has long been rumored to have. Although, the industry will fall well short of anything near a \$60 billion market in 2010.
3. New institutional participants will be drawn into the industry to position themselves for the eventual push towards increased securitization. This dovetails with the sentiment that institutions are searching for greater diversity and attractive returns in vehicles other than mortgage backed securities. Life settlements are certainly one of those options.
4. The number of newly licensed life settlement providers will increase by 10-20% to serve the new institutional investors.
5. The increased buying activity will continue to focus on quality policies rather than broadening the average life settlement provider's buying parameters to include higher risk policies. As capital comes into the market and buying competition increases, buyers will lower target IRR's rather than chasing 20%+ IRR's with higher risk, less competitive policies.
6. Main Street's awareness of life settlements will reach new heights as more life settlement brokers and life settlement providers go "direct to consumer." Direct-to-consumer marketing will never replace the traditional policy origination sources of insurance agents and financial planners, but it will gain more traction than ever before in 2010.
7. Growing statutory and regulatory governance of life settlements will push many of the fly by night life settlement brokers and life settlement providers out of business or force them to conform. With New York and California—two of the largest life settlement markets—becoming regulated states, unlicensed brokers and providers will have few options in which to operate. As a result of the new legislation more transactional transparency will be mandated further hampering fly-by-

night operations.

8. The appeal of premium financed policies will continue to erode in the broader market as investors stay risk averse. A select few buyers will seize the opportunity to acquire the out of favor policies for pennies on the dollar.

9. European money will become a bigger player on the buy side. This will be exacerbated if the Fed raises rates to 2% by the end of the year and the dollar strengthens as some predict. A chronically declining dollar makes it tricky for European funds to buy US policies as gains are offset by weakening currency valuations. Dollar denominated life insurance assets could prove to be a coup for foreign investors if the dollar strengthens.

10. Intermediary commissions will shrink due to increased competition, transparency and electronic platforms.

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