

In The Spotlight



2007 LIFE SETTLEMENT INDUSTRY OUTLOOK

An MLF Financial Group Company

MapleLife
FINANCIAL INC.

Looking at LIFE in a new light™

> **Did You Know?**
Today's financial service firms face many challenges in embracing a strategic approach to regulatory change.

—PA Consulting Group

BECAUSE OF ITS VALUE, THE
LIFE SETTLEMENT INDUSTRY
HAS GENERATED ATTENTION.
TODAY, MORE THAN EVER, IT
REMAINS IN THE SPOTLIGHT.



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FINANCIAL INC.
Looking at LIFE in a new light™

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For the past several years, Maple Life Financial has prepared an industry outlook spotlighting the latest trends, developments, and important issues in the life settlement market for the upcoming year. As the first of its kind, this unique and highly popular publication utilizes the analysis of industry experts and insight gained from a national survey, and serves as a resource tool for financial service professionals seeking to map out their strategies.

In this edition, we gathered a broad and diverse team of high-level industry experts to provide a deep cross-sector look at our market. The group consisted of attorneys, chief executive officers, presidents, and other senior-level management from law firms, settlement agencies, BGA's, IMO's, and service providers.

In reviewing our findings, we note that overall optimism about the future of the industry remains and that the current rate of growth is likely to continue. As for the top issues for the next year, increased regulatory attention, pending legislation, need for greater controls, and the push to become more focused on customer needs were at the top of everyone's list.

In taking a closer look at these issues, we find that many view the scrutiny by regulators and lawmakers as a positive for the industry, which will help the market grow and mature. The current issues impacting the industry will be resolved and new guidelines providing for greater transparency and accountability will emerge. Because of this, the industry will see an increased number of new market entrants, which will generate a new wave of opportunity and competition. Companies that are compliance driven with consumer focused strategies are positioned for growth.

In addition to obtaining insight from life settlement experts, we also collected feedback from financial service professionals. Conducting a nationwide online survey of advisors, we sought to measure awareness and to gain a better understanding of needs for this crucial link in the industry's distribution chain. We found that despite increased levels of awareness, there continues to be low numbers of advisors actually conducting life settlement transactions. As to why, awareness and limited education/training resources, and not primary focus were reported. We are excited about our findings and have produced a special report that contains detailed information, including answers to questions about client bases, familiarity with the topic, quantity of transactions done, barriers to entry, professional designations obtained, organizations belonged to, industry publications read, and which issues will impact the industry most in 2007. Complimentary copies of the report as well as this industry outlook and other valuable resources are available online at www.MapleLifeFinancial.com.

Maple Life Financial is committed to providing practical and informative resources. Nobody understands the market more. We're different. We believe in what we do and it shows. How we do business says who we are and sets us apart from others, which is why we are the industry's top rated provider and servicer.

We would like to thank all who have participated in the preparation of our publication, may it serve as a valuable resource and help position you for a successful 2007. ?

Sincerely,

Nate Evans
President and CEO
Maple Life Financial

2007 Life Settlement Industry Outlook

IN THE SPOTLIGHT

Based on the insight from our industry experts and feedback from our national survey, four major trends are likely to develop in the life settlement industry during 2007. They are: increased scrutiny, increased legislation, self-examination by agencies, and a move by successful agencies to become customer centric.

> TREND 01: “INCREASED SCRUTINY”

Many view this trend as good and believe that it will strengthen the industry by legitimatizing it as a planning tool, and serve as a catalyst for future growth.

Change is good

Increased attention from regulators is changing our industry in dramatic ways, many believe for the better. The spotlight currently focused on our industry will bring to light the necessary issues to address, solidify life settlements as a legitimate planning tool, and serve as a catalyst for future growth. Once debated and resolved in public forums a new era will emerge, one with greater transparency, clearer guidelines, and more accountability.

Legitimate planning tool

As more organizations like the Life Insurance Settlement Association (LISA), Million Dollar Round Table (MDRT), National Association of Independent Life Brokerages (NAILBA), and the National Association of Insurance and Financial Advisors (NAIFA) to name a few, include life settlements in their annual events, publications, and education and training programs, their respective membership will grow to understand and recognize life settlements as a legitimate planning tool. In addition, as more guidelines become available such as those recently developed by the National Association of Securities Dealers (NASD) and the Financial Accounting Standards Board (FASB), financial service professionals will have a greater understanding on how to properly conduct such transactions.

Catalyst for future growth

Regulation and active involvement of governing bodies has only helped other

industries grow and become robust, contends Jonathan Polter, Managing Director of Michigan based Invescor LTD. The life settlement industry will redefine itself translating into tremendous market potential.

Pending legislative changes will be embraced by a new wave of market entrants who have been carefully observing the market and waiting for it to mature. New institutional funding sources will bring an increased flow of capital and broad range of purchasing parameters, which will translate into additional value for consumers and fuel future industry growth. They will also be more attuned to overly optimistic mortality assumptions and mispricing as more data emerges, believes Morris Fishman, CEO of Florida based ISC Services.

Other market entrants will also include more industry professionals like broker/dealers, BGA's, and captive agents. Harry Beck, Executive Vice President of California based Provada, suggests that greater numbers of captive agents will make moves to becoming independent in an effort to better serve clients.

> Trend 02: “INCREASED LEGISLATION”

Because of the attention from regulators, our experts believe that there will be an increase in legislation. They advise that successful agencies will carefully monitor pending changes, participate by voicing their concerns and experiences, and ensure their agency's compliance with any new requirements.

Maintain watch

Due to the attention from regulators, the industry will likely experience an increase in legislative activity for 2007. Already, 11 states (AL, AZ, IL, MA, MI, NH, NY, OR, RI, SC, and WA) are expected to propose legislation in the coming year.

When will this take place? The timing of such activity is difficult to predict, says Boris Ziser, Attorney for New York based Brown Rudnick Berlack Israels LLP. States may jump start or accelerate existing legislative efforts if they experience an increase in the volume of transactions.

In addition, the National Association of Insurance Commissioners (NAIC) is set to review proposed changes to the Life Settlement Model Act, which has served as a framework for many states' life settlement legislation. One change in particular to note per James Warring, CPA/PFS, CFP of Maryland based R&M Wealth Mgmt. Services, LLC, is that certain licensed advisors like attorneys, CPAs, or financial planners would not be required to obtain an additional license to negotiate secondary market transactions, provided no compensation is paid to the advisor by a broker or provider, but instead is received directly from the seller of a policy.

Any changes implemented could have a resounding impact on industry participants. Maintaining a close watch is essential, therefore the three websites you must view are:

- www.naic.org
- www.lisassociation.org
- www.maplelifefinancial.com.

Participate in change

Providing lawmakers with sound, logical, honest assessments, and insight, will help shape positive solutions where in the end, the best interests of the consumer are met. There are numerous ways to participate, like: authoring letters or e-mails to state's representatives, engaging in industry roundtables, discussions, or blogs, and most importantly ensuring compliance.

Ensure compliance

Compliance is more than just doing what's right, it's a broad spectrum of principles and procedures that governs all aspects of an agency, and defines it. Those who are successful employ principle-based controls.

> TREND 03: “SELF-EXAMINATION”

Because of the pending legislative changes, a trend of agencies examining how they do business will occur. Recommendations from our experts include: conducting an internal audit, implementing best practices, and establishing controls.

> DID YOU KNOW?

Forward-thinking organizations understand that having a complete grasp of enterprise risk is a source of business advantage.

—SAP

Agencies looking to establish effective risk management tools should closely examine how they do business, develop sound standards, ensure full compliance, and designate compliance officers, advises Geoffrey Etherington, Partner in the office of New York based Edwards Angell Palmer & Dodge LLP.

Internal audit

The industry's move to greater transparency and disclosure will force some agencies to reevaluate their values and business practices. A good place to start is with an internal audit. By reviewing policies, procedures, roles, and responsibilities, an organization can better identify and manage risks.

Best practices

The foundation to any agency seeking to implement controls is the developing and observing of "best practices". These principles outline proper and compliant behavior and are woven into the corporate culture. Starting at the top, successful companies set the tone for the entire organization by communicating and demonstrating consistent conduct. Hiring the right employees, providing education and training, and ensuring that responsibility and accountability are enforced throughout are key components.

Self-policing

Some agencies may fear an increase of costs to implement such controls, which may indeed occur short-term. However, long-term the overall benefits of avoiding costs due to noncompliance are far outweighed. Investing in sound business practices can actually turn into a differential advantage.

To ensure controls are in place and working, it is important for agencies to designate a well-trained professional(s) to provide guidance, manage activities, and monitor compliance. The focus should be to advise rather than enforce, and should be directly involved in all aspects of the organization.

Curbing questionable practices within the industry will help ensure a viable secondary market, states Michael Fasano, President of

Washington, DC based Fasano & Associates, and creates a win-win for all by adding value to life insurance contracts through increased surrender options.



> TREND 04: "SUCCESSFUL AGENCIES WILL BECOME CUSTOMER CENTRIC"

Compliance driven companies with consumer focused strategies are positioned for growth. Tips offered by our experts reveal that successful agencies recognize and understand the market's diversity, provide educational outreach, and seek to build enduring relationships.

Understand differences

From sophisticated corporate clients looking to recoup investment in a departing executive's compensation package, to an individual advisor seeking to help his/her client replace a policy whose premiums have grown too expensive to maintain, the life settlement industry is comprised of a broad and diverse group of financial service professionals each bringing different needs and perspectives. Agencies seeking to be customer centric understand this and focus on meeting their customer's needs.

This may prove to be a challenge as the market continues to change and grow more complex. Aaron Giroux, CEO of California based IMS Settlements, recommends agencies to take a hands-on approach and think outside the box when

searching for solutions. Look for changes that can be made to streamline processes, increase efficiencies, or provide a comprehensive approach. When solutions move outside an agency's scope, pursue strategic partnerships.

Educate

As found in our recent survey, the overall level of awareness of life settlements is growing amongst financial service advisors, with over three-fourths of respondents indicating they were familiar with the topic. However, despite this upward trend the number of transactions still remains low with a large majority of advisors reporting they have yet to conduct a life settlement, even though more than half of advisors reported they have senior clients who had surrendered a life insurance policy. When asked why, lack of awareness and education/training resources, and not primary focus were the top reasons given.

Educating financial service professionals on topics such as the life expectancy process is important, says Paul Kirkman, President of Minnesota based 21st Services, as many new to the field are unfamiliar with the differences of life settlement underwriting and the various methodologies used. Because of these differences, believes Valerie Coffey, Director of Operations for Washington, DC based Life Policy Dynamics, it is very important for agencies to properly manage client expectations.

Developing educational resources is a perfect way for agencies to expand their distribution channel. Spreading the message of how our industry works, the issues to be aware of, and the rules or guidelines to comply with, through articles, guides, continuing education courses, or seminars not only is an excellent sales and marketing opportunity, but positions you as an expert and helps build lasting relationships.

Build relationships

Earning a customer's trust is the

foundation to long-term success says, Robert Finfer, President of Maryland based Integrity Capital Partners. Agencies seeking to establish a pipeline of regular business can do so only after obtaining the confidence of a customer, which is earned one case at a time.

Trust and confidence will play important roles going forward, believes Robert Christensen, Principal of Illinois based RRC Insurance, due to the increased competition from the number of new market entrants. Agencies with established relationships will have an advantage.

Agents and advisors looking to form strategic relationships with life settlement brokerage agencies should conduct proper due diligence, recommends Jordana Balsam, President of New York based Balsam Settlement Management. Now more than ever, she believes it is essential to seek out a firm that clearly identifies representation, seeks to obtain the maximum fair market value for clients, and operates with the highest levels of compliance and customer service.

Due diligence should also be done by agencies on service providers as well, adds Phil Loy, President of Georgia based AVS Underwriting LLC. As the number of such increases, so will the importance in understanding their differences.

Closing

Reflecting on the insight we have learned from our industry experts, successful agencies will embrace changing rules and requirements, and recognize that such are not only good for the industry as a whole, but also for them as well. New growth opportunities will occur as more financial service professionals recognize life settlements as a legitimate planning tool, and begin offering service to their network of customers.

Prudent agencies will maintain a close watch on legislative issues, participate in change by voicing their concerns and sharing their insight with lawmakers, ensure full compliance, and employ principle-based controls. Savvy agencies will utilize compliance as a market advantage as more institutional players like broker/dealers or BGA's enter the industry seeking strategic relationships.

Proactive agencies looking for a competitive edge will take steps now to examine their policies and procedures prior to new legislative changes going into effect. As lawmakers move to ensure more transparency and sound business practices, agencies with comparable standards will be able to quickly respond and better adapt to changing market conditions, while others are left scrambling catching up and implementing new requirements. Tips

provided by our experts include performing an internal audit, establishing best practices, and designating a well-trained professional to help coordinate self-policing controls.

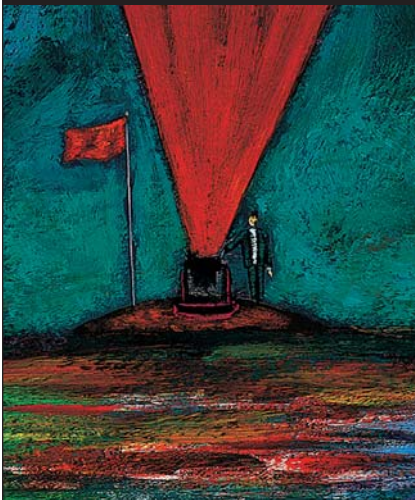
As competition within the secondary life insurance market increases, agencies seeking growth and ways in which to differentiate themselves from their competitors, will focus more on customer needs. Truly understanding customers or being customer centric, recognizes that differences in needs exist, that education is important, and that the key to building relationships is to earn trust.

Overall, our experts remain optimistic about the future of the industry. Many believe that despite the growing pains facing the market, the current rate of growth will continue.

Today more than ever the secondary life insurance market provides policyholders and the financial professionals who serve them with sound, flexible planning options. As these individuals continue to discover the many benefits provided by such transactions, so will the market continue to expand. ?

> To help agencies better utilize the insight provided from our industry experts, we have prepared a list of Seven Must Do's for 07, see page 6 and 7.

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> **DID YOU KNOW?**

Agencies looking for an edge are spending more time with advisors to help them identify and satisfy their business needs.

—Financial Advisor Magazine

Now that you know what our experts think will be the major trends for the life settlement industry in 2007, here's how you can use what you've learned. Follow these seven recommended must do's for the New Year to move your agency ahead of your competition.

> **MUST DO 01:**
"EMBRACE ATTENTION"

Many are looking closely at the industry now and waiting to make moves, and agencies at the forefront of compliance and customer centric issues are poised for growth as these new entrants enter the market.

Tip: Become niche focused

As competition increases, successful agencies will become more focused on niche markets. By narrowing your focus, you'll be able to craft a more effective marketing message, concentrate on your specialty, and offer better, more-specialized service. The three keys to niche marketing, according to Entrepreneur.com are meet unique needs, say the right things, and always test.

Tip: Identify your target market

Who to target will depend on your background, expertise, and distribution network. Agencies with insurance backgrounds will likely pursue wholesalers, and top producers, while those with finance backgrounds will likely pursue advisors like accountants, estate planners, financial planners, or trust officers. Your target market will also depend on your short and long term goals. New agencies looking to hit the ground running will pursue high volume producers or wholesalers, while established agencies will look to diversify and broaden their pipeline by adding new sectors like charitable organizations or foundations.

> **MUST DO 02:**
"ADDRESS LEGISLATIVE CHANGES"

Increased legislation is expected over the next year. Demand will grow for agencies that are compliance leaders and have invested in multi-

state licenses allowing them to offer nationwide service.

Tip: Subscribe to news alerts

Because of its competitive advantages, observing such changes should be a top priority for leaders. A simple and practical method of staying up to date is to subscribe to various complimentary news services such as those offered by major search engines or Maple Life Financial. Most major search engines offer automated news alert services, where users input various keywords that when matched sends a content link via e-mail. Industry specific e-newsletters like Maple Life Financial's Life Settlement eNews are also a valuable source of information.

Tip: Research the Internet

If not already, actively searching the Internet will become an important business function for agency leaders. Be on the lookout for state specific news impacting you or your customers. Collect, share, and store important information so that all in your agency and

network of customers will also be up to date. Sites to visit often include: www.naic.org, www.lisassociation.org, and www.maplelifefinancial.com.

Tip: Look inward

In addition to external monitoring, savvy agencies will also look inward for compliance related issues as well. As the industry moves to greater transparency and disclosure, agencies with compatible processes will be better able to respond to new requirements and obtain necessary licensure quicker, translating into significant market value as other companies play catch up.

> **MUST DO 03:**
"ADOPT CONTROLS"

Agencies will seek to reevaluate who they are and how they do business, many will seek to adopt controls.

Tip: Communicate and demonstrate principles
Those pursuing long-term success

Must Do's

01: Embrace Attention

02: Address Legislative Changes

03: Adopt Controls

04: Utilize Technology

05: Focus On Needs

06: Partner with Professionals

07: Pledge Support

07 Business Strategies

SEVEN MUST DO'S FOR 07

will ensure that corporate principles match their practice and that expectations and accountability are communicated and demonstrated from the top down. Such controls will become central to an organization and help define it.

Tip: Analyze organization

Proactive agencies will conduct an internal audit, examining corporate principles, procedures, and safeguards. A good resource for agencies looking to do these themselves is the Institute of Internal Auditors (IIA) at www.theiia.org, who provides various resources outlining the process.

Tip: Market your commitment

Your internal analysis should be reformatted and organized into a sales document, which would then serve as a “due diligence” piece for prospective strategic partners or customers. This is particularly useful for agencies marketing to wholesalers or advisors connected with broker/dealers.

Tip: Get rated

Top agencies looking to differentiate themselves from others in the field, will maximize their outstanding organization by pursuing a life settlement broker rating currently offered exclusively by Scope at www.scope-group.com. By obtaining a written evaluation of their firm's business practices, an agency can effectively confirm their position in the industry and highlight areas in which they excel.

A high rating can be used as a unique selling point in marketing efforts, especially as it attests to the strengths in all areas of business, from financial strength and provider relationships to compliance and ethics. A positive rating is a seal of approval, and is especially valid when it is assigned by an industry-recognized leader such as the aforementioned.

For agents or advisors searching for qualified agencies, the rating will make it clear that you are someone they can trust to handle cases for their clients.

> MUST DO 04: “UTILIZE TECHNOLOGY”

Technology is a key component

to implementing risk management and other process driven solutions. It also serves as a great vantage to agencies that incorporate it early on in their development saving both time and resources.

Tip: Build flexible systems

Not every agency when it first starts out has a need for a fully staffed IT department, complete with an active directory network running multi-user applications. What's important is that IT solutions be given forethought prior to implementation. At the core of any solution should be tools to provide basic data collection and reporting, security, online access, and flexibility for integration with new solutions as they are implemented in response to innovation and growth.

> MUST DO 05: “FOCUS ON NEEDS”

Now is the time to position your agency for the next wave of new market entrants, by establishing yourself as a specialist.

Tip: Understand and respond to differences

Each target market has unique needs and will respond differently to life settlements. For wholesalers, that need may be a strategic relationship that utilizes their distribution and leverages your broad provider network and industry licenses. Reach this group by highlighting your specialty and demonstrating your track record. Showcase your strengths of compliance, sound business practices, and high levels of customer service. For top producers, the need may be customer support in preparing life settlement transactions. Reach this group by developing easy to use tools such as a list of basic purchase parameters, a quick case qualifier, and a simple application. Be sure to include complete contact information and make available on your website. Other support activities could be the obtaining of life expectancy reports from reputable providers

For advisors, the need most likely will be client marketing materials. Reach this group by developing educational collateral designed especially for seniors that contains easy to read and understand content and case examples. Maximize your relationship by offering co-branding opportunities.

> MUST DO 06: “PARTNER WITH PROFESSIONALS”

Now more than ever it's important to know who you are doing business with. Agencies looking to expand provider networks or distribution channels must conduct due diligence.

Tip: Conduct due diligence

Questions to consider:

- Is the company institutionally owned and funded?
- Are all parties properly licensed?
- Is the company rated?
- Is a rescission period offered and escrow services used, even in states where not required?
- Is E&O coverage provided?
- Are all parties involved in the transaction protected?
- Are antifraud and consumer privacy measures employed?
- Are HIPAA compliant forms required and procedures utilized?
- Are background checks performed?
- Is next of kin approval required?

> MUST DO 07: “PLEDGE SUPPORT”

Organizations are a perfect way to help stay on top of the latest developments.

Tip: Join an organization

In addition to the various publications and events offered, they also provide education and training and a collective voice to share concerns over industry developments.

Common industry related organizations are:

- Advisors | FPA | www.fpanet.org
- Advisors | NAIFA | www.naifa.org
- Agents | AALU | www.aalu.org
- Agents | MDRT | www.mdrt.org
- Brokers | LISA | www.lisassociation.org
- Wholesalers | NAILBA | www.nailba.org

Close

In a growing competitive environment where increased scrutiny and controls are set to have a major impact, agencies embracing attention, addressing legislative changes, adopting controls, and focusing on customer needs are well suited for long-term stability and future growth. ?

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