



Portrayal of Life Settlements in Consumer-Focused Publications

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Insurance Studies Institute is a non-profit foundation dedicated to advancing knowledge and understanding of the insurance industry's economic and social impacts in a free market economy.

Throughout the rise of the life insurance secondary market (“LISM”), many articles have been written about life settlements. This paper attempts to gauge how consumer-focused articles may be influencing consumers’ understanding of the LISM. It attempts to measure seniors’ level of awareness of life settlements; to quantify the portrayals of life settlements as published in consumer-focused articles; and to evaluate the need for expanded communication with consumers to ensure appropriate understanding of the LISM and life settlements.

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Introduction and Summary

Life insurance has evolved from providing economic safeguards for dependents and businesses to playing an important role in more complex needs such as investment, retirement funding, and estate planning. However, policyholders’ needs for life insurance change over time, and continued holding of such policies may not always be suitable. Prior to the development of the life insurance secondary market (“LISM”), the only options available to policyholders who wanted to dispose of their life insurance policies was to surrender the policies or allow them to lapse. Today, policyholders have the new and valuable option to sell their policies in the LISM to third-party investors.

It is estimated that over eighty percent of seniors hold some form of life insurance, but few are aware that this asset can be sold for cash. The emergence of the LISM offers seniors the ability to realize substantial value for their insurance policies as their needs transition from life insurance to other requisites, such as annuities and long-term care funding. In order for seniors to avail themselves of this powerful financial option, seniors need to be better informed about the LISM. As a result, it is paramount that the perceptions and information reported to seniors by consumer-oriented media regarding the LISM need to be balanced, fair, and accurate.

The Insurance Studies Institute (“ISI”) researched all major publications from January 1, 2005 through March 18, 2009 and found 847 articles dealing with the LISM in some manner. ISI found that 138 of 847 articles (approximately 16.3%) were published in consumer-oriented publications, with the balance appearing in insurance industry- or LISM-specific publications. In addition, ISI found the portrayals and accuracy of LISM in the 138 consumer-oriented articles were balanced between positive, neutral, and negative, with all articles including both positive and negative aspects in varying proportions. However, when examining the 138 articles over time, ISI discovered clear shifts from positive to negative and then back to positive over the five year study period. Most striking, though, is that ISI was able to find only 138 articles over a five year period on a subject that touches approximately 80% of seniors. Thus, from the available data, it is clear that information about the LISM that is available to seniors is both sparse and inconsistent.

The current level of communication to seniors regarding the LISM needs to be improved, both in magnitude and clarity. The LISM and its stakeholders could benefit by following the lead of the reverse mortgage industry, which, after years of slow growth, awakened millions of seniors to the substantial

value in their homes that could be converted to retirement funding. This was accomplished with a proactive industry promotion program.¹

As the LISM continues to grow and evolve, it will receive more attention from the media. If LISM stakeholders do not effectively and accurately communicate their message to the senior public, then others will communicate messages that may add further confusion and misinformation. To avoid this, the stakeholders need to take a more proactive approach to communicating the value of life settlements.

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¹ An index of promotional materials can be found at: www.worldalliancefinancial.com/NewsRoom.cfm

Published Portrayal of Life Settlements to Seniors

ISI has sought to advance knowledge and explore the social and economic impact of the insurance industry's many components. This includes the dynamics of the LISM, which expanded to have purchased approximately \$15 billion of life insurance survivor benefits in 2008.² Despite this growth, there have been few articles informing consumers of this new option. Based on recent research, half of the senior population in the US is not aware of the life settlement option.³

The erosion of retirement benefits caused by the 2008 and 2009 market turmoil and recession makes the need for seniors to explore the benefits of the LISM more critical than in prior years. Unfortunately for seniors, articles that were aimed at consumers convey a mix of positive and negative messages. LISM stakeholders themselves have failed to communicate an industry message directly to consumers. Thus there is concern that consumers have not been adequately informed of the LISM and are being denied valuable opportunities to capture needed retirement funding. These observations serve as the basis of this research paper.

This paper attempts to gauge how consumer-focused articles, to the extent such have been published, may be influencing consumers' understandings of the LISM. This paper also examines whether the number and distribution of articles available to consumers has been reasonably sufficient to establish broad awareness of the LISM and life settlements, and attempts to determine whether published articles portray a generally positive or negative profile of the LISM.

Only Half of Seniors Know of Life Settlements

In May 2009, Golden Gateway Financial, Inc. and ISI jointly completed a survey ("Gateway/ISI survey") that polled 500 seniors aged 62 or older. The survey found that "80% of seniors polled owned some form of life insurance policy, but nearly half are unaware it can be sold for cash now."⁴ Milliman and Robertson, a leading actuarial consulting firm, wrote in a 2004 letter that "88% of all universal life policies and 85% of all term policies never result in a death claim. When applied to policies issued to seniors aged 65 and older, the percentages are 76% and 74%, respectively." These unfulfilled policies, which seniors surrender or allow to lapse, may be eligible for sale in the LISM.

Another finding in the Gateway/ISI survey reveals that nearly 60% of seniors are concerned about the economy and that their savings may not be enough to sustain them through retirement. This observation has been supported by other recent published articles. For these unfortunate seniors, selling a life insurance policy at full market value not only provides cash many times greater than policy cash surrender values, but relieves the burden of paying premiums on an unneeded or unwanted policy. However, because 50% of seniors are not aware of the benefits life settlements can provide, they are deprived of that opportunity. The Gateway/ISI survey found that many seniors are not prepared for today's current retirement environment and that many are not informed about their options.

² Conning Research & Consulting, Inc., *Life Settlements: New Challenges to Growth*, 2008.

³ Golden Gateway Financial, Inc., *New Survey Data Show Life Insurance Offers Many Seniors a Way to Generate Income in Retirement*, conducted by United Sample, available at <http://www.marketwire.com/press-release/Golden-Gateway-Financial-994587.html> (last visited 11 Aug. 2009).

⁴ *Ibidem*

Gathering Data on Published Articles About Life Settlements

An intensive search was undertaken of 847 available articles (“data”) that referred to life settlements. These articles were published between January 1, 2005 and March 18, 2009. Only articles intended for consumers were included in the sample. Articles that appeared in trade and professional journals were not included. Reviewed articles were obtained through journal and newspaper search engines such as Business Source Premier,⁵ ProQuest Newsstand Complete,⁶ General Reference Center Gold,⁷ and the FINRA⁸ and AARP⁹ websites that are available to seniors. These search engines produced a compilation of relevant articles from newspapers, journals, magazines, and newsletters that discuss life settlements.

There were some restrictions placed upon the search criteria: (1) articles from sources such as National Underwriter and other specific industry journals were excluded because they were written for an industry-specific audience; (2) press releases (“PR”) published through newswire services were excluded because they are primarily promotional pieces for companies in the industry and do not represent objective opinions; and (3) articles that only spoke of STOLI¹⁰ or viatical settlements for the terminally ill were excluded because they focus on issues that are not relevant to seniors considering lapsing or surrendering their life insurance policies.¹¹ Outside these restrictions, all relevant articles published between January 1, 2005 and March 18, 2009 were included.

The sources were searched multiple times on different dates to ensure that a thorough search was performed. The complete list of publications involved in this project is located in Appendix I.

Scoring and Classification of Articles

The reader’s attitude towards new concepts or ideas, especially when dealing with topics of mortality such life settlements, can be strongly influenced by the article’s or author’s portrayal. Therefore, ISI

⁵ Business Source Premier provides nearly 3,300 full text scholarly publications, including more than 1,000 peer-reviewed journals. In addition to the full text, this database provides indexing and abstracts for more than 4,100 journals (St. Thomas University Library).

⁶ ProQuest Newsstand Complete carries the full text of 300+ U.S. and international news sources. It includes coverage of 150+ major U.S. and international newspapers such as The New York Times and The Times of London, plus hundreds of other news sources and news wires (St. Thomas University Library).

⁷ General Reference Center Gold, Includes scholarly and general interest material. In addition to material from periodicals (Magazine Index), the database also includes newspaper articles, the Columbia Encyclopedia, and other reference material. Covered subjects include politics and current events, consumer electronics, arts and entertainment, automobiles, recreation and leisure, crime, personal finances, and food. It is updated weekly.

⁸ www.finra.org

⁹ www.aarp.org

¹⁰ Stranger-originated life insurance (“STOLI”) policies are life insurance policies originated by a person or group with no direct relation (or “insurable interest”) to the insured. Such policies were generally introduced to the life insurance markets by investors and promoters in 2006 and raised major concern among insurers as to whether the strangers had a legal insurable interest in the insured. To have a legal insurable interest, the person must have a desire to keep the insured alive. As of this report, most states have passed laws prohibiting the promotion and purchase of, and participation in, any life insurance policy application and any life insurance policy issued pursuant to such an application by anyone not having an insurable interest in the insured. However, existing life insurance policies sold to investors as a life settlement are not STOLI.

¹¹ “Viatical settlements” are life insurance policies sold to investors where the insured is terminally ill. Typically, a terminally person has a life expectancy of 24 months or less.

sought to systematically classify the portrayals of these articles using a technique called content analysis.¹² The 138 consumer-focused articles were categorized as “positive”, “negative”, or “neutral” towards the topic life settlements, based on the opinions and views represented in the articles. This was evaluated based on the tone of titles, author opinions, and third party quotes and references used in the articles. For example, a statement that portrayed life settlement as a benefit to seniors or as having social utility was categorized as a positive statement. A statement that portrayed life settlement as a detriment, danger, or risk to seniors or to society in general was categorized as negative. If an article contained both positive and negative aspects it was classified as neutral. If incorrect or misleading portrayals of life settlements appeared in the articles, such information was included in the classification (positive, negative, or neutral) process because of its ability to persuade readers, despite the inaccuracy.

The reviews were conducted principally by an internal researcher and reviewed by two associates. While this method is vulnerable to bias and subjective judgments, ISI chose not to solicit reviews of the articles by a diverse group of readers that could have helped neutralize these vulnerabilities. It is believed that the portrayals of life settlements in the articles were generally clear, and when in doubt, the articles were classified as neutral. If the preponderance of statements in an article were positive, the article was classified as positive, and in like manner other articles were classified as neutral or negative. The article classifications were then sorted by publication date, which enabled measurement of trends in the portrayal of life settlements.

The scoring and classification of the articles were based on three components of each article:

1. Article titles were scored separately because titles are used to draw attention to an article and to persuade the audience to read the article’s content. Even when the article is not read, the title or headline can do much to influence a reader’s opinion.
2. Author’s opinion towards life settlements is another significant aspect that was scored separately.
3. Third party quotes that were used in the articles to support opinions, arguments, or statements were scored separately.

For each article, the tenors of the title, the author’s presented opinion, and the quotes and references were each given a score of +1 for positive, or -1 for negative. Thus each article could have a total score ranging from +3 (all positive), to -3 (all negative). If the total count of an article was +2 or +3 the article was classified as positive; if the count was -2 or -3, it was classified as negative. An article with a total score between -1 and +1 was classified as neutral. The scoring structure is illustrated in Table I below:

Table I: Content Analysis Scoring Structure

-2 or lower	Negative
-1 to 1	Neutral
2 or greater	Positive

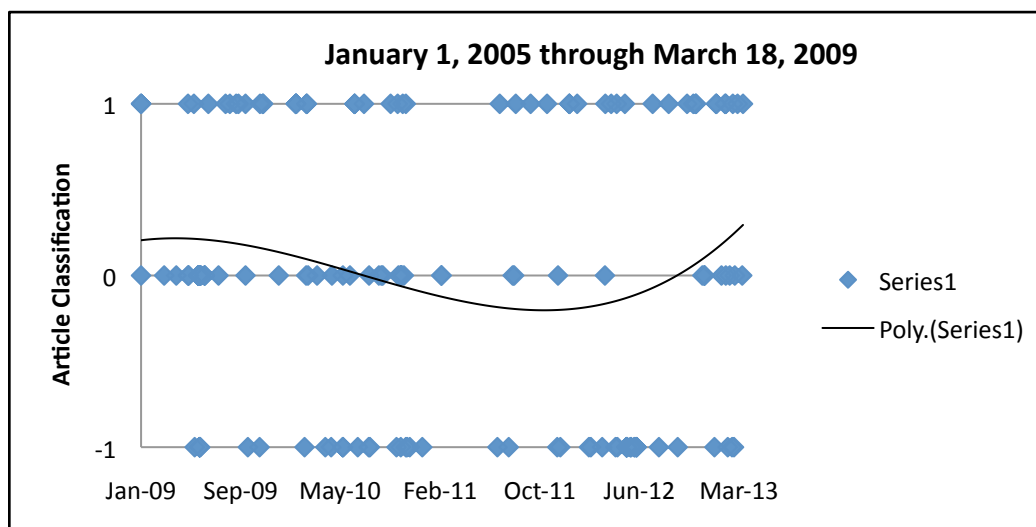
¹² Content Analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantify and analyze the presence, meanings, and relationships of such words and concepts, then make inferences about the messages within the texts, the writer(s), the audience, and even the culture and time of which these are a part. “Texts” can be defined broadly as books, book chapters, essays, interviews, discussions, newspaper headlines and articles, historical documents, speeches, conversations, advertising, theater, informal conversation, and practically any occurrence of communicative language (Colorado State University).

When an article supported both negative and positive positions towards life settlements, or didn't clearly state an opinion either way, it was classified as neutral. This allows for better measurement of positive or negative articles against one another. Using a methodological scoring system helped to remove bias from the classification process.

Attitudes Towards Life Settlements Have Changed Over Time

Plotting the positive, neutral, and negative article classifications by date enables the fitting of a polynomial trend line¹³ to identify fluctuating trends between positive and negative portrayals. Life settlement articles published between January 2005 and July 2006 were more positive than negative, but overall representations changed to more negative than positive from August 2006 through September 2008. However, from October 2008 through March 2009, the trend reversed again towards being more positive than negative. These shifts in portrayal are illustrated in Table II below.

Table II: Polynomial Trend Line of Life Settlement Articles Classified as Positive, Negative, and Neutral



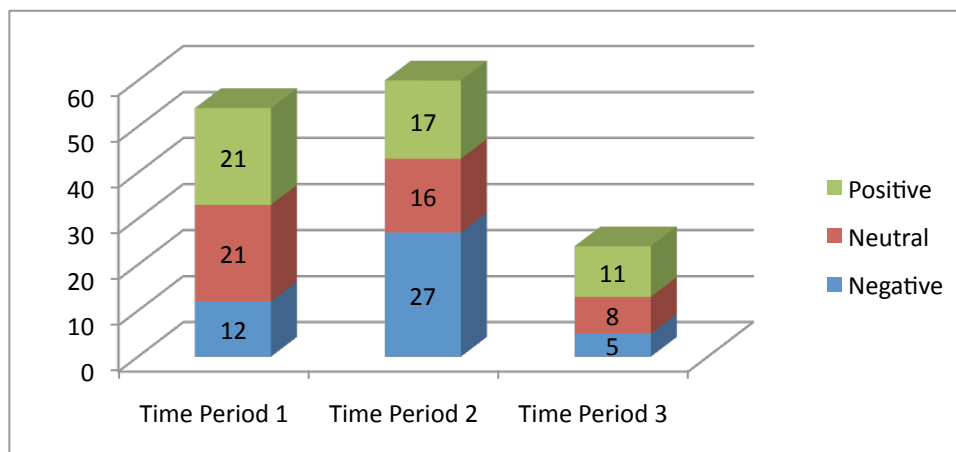
The polynomial trend line in Table II maps the changing portrayals of the articles spanning over time from January 2005 to March 2008.

¹³ Polynomial trend line - a trend line is used to express a general pattern or direction of time series data. A polynomial trend line that is curved represents fluctuations in the time series.

The first point where article portrayals changed from more positive to negative occurred around July 2006. This time period is illustrated in the graph at the point where the polynomial trend line crosses the y-axis line. From that point until around September 2008, the published portrayals were more negative, as indicated by the polynomial line. In October 2008 the second shift in the portrayal of life settlements occurred, where the polynomial trend line crosses above the y-axis for the second time.

Another way of looking at the data is illustrated below in Table III. The column for Time Period 1 (January 2005 to July 2006) reveals that the prevailing portrayals of life settlements presented in consumer-oriented publications was generally positive or neutral. During this period there were 21 positive and 21 neutral articles, versus 12 negative articles. The article portrayals shifted in the second column during Time Period 2 (August 2006 to September 2008) when the published articles' portrayals were more negative with 27 negative articles, compared to 17 positive and 16 neutral articles. The third column shows the second shift in portrayals in Time Period 3 (October 2008 to March 2009) in which 11 of the articles were positive, 8 were neutral, and only 5 were negative. These graphs demonstrate that portrayals of life settlements appear to have traveled through several stages of differing attitudes.

Table III: Classification of Articles by Time Period



Statistical Testing of the Three Time Period Means

The prior tables and graphs show that articles' portrayals of life settlements changed between each of the three time periods. The question is, are these changes statistically significant? Because the scoring and classification of the articles are subjective, as noted earlier, testing for statistical significance may be somewhat irrelevant. Nevertheless, given the compiled data and the belief that the scoring and classifications are more accurate than not, following through with applicable statistical testing is appropriate.

The means, variances, and number of observations (articles) for each Time Period are calculated and shown in Table IV. The mean of all scores for Time Period 1 is 0.1667 while the mean of all scores for Time Period 2 is -0.1667. Statistical tests used to determine if the two means for Time Period 1 and

Time Period 2 are equal include the t-statistic¹⁴ and the two-tail p-statistic.¹⁵ The t-statistic for the test comparing the means of Time Period 1 with Time Period 2 is 2.1996. This t-statistic value is outside of the 95% confidence range of two standard deviations (a range of 1.96 to -1.96); thus, the means are significantly different. Concurrently, the two-tail p-statistic returns a measure of 0.0299, which is less than the alpha¹⁶ testing level of 0.05. This indicates that there is only a 3.0% probability that these events occurred by chance.

Table IV: Statistical Comparisons of Three Time Periods

	<i>Time Period 1</i>	<i>Time Period 2</i>	<i>Time Period 3</i>
Mean of Time Period Scores	0.1667	-0.1667	0.2500
Variance	0.5943	0.7175	0.6304
Observations	54	60	24

	1 vs 2	2 vs 3
Hypothesized Mean Difference	0	0
Df	112	45
t Stat	2.1996	-2.1311
P(T<=t) one-tail	0.0149	0.0193
t Critical one-tail	1.6586	1.6794
P(T<=t) two-tail	0.0299	0.0386
t Critical two-tail	1.9814	2.0141

Based on the results of statistical tests for Time Period 1 and Time Period 2, it can be concluded that Time Period 1 is significantly different from Time Period 2. This concurs with the polynomial graph in Table II, which showed a shift in the portrayal of life settlements from Time Period 1 to Time Period 2. It is noted that application of the Central Limit Theorem¹⁷ implies that a sample size of roughly 30 or greater can be assumed to have a normal distribution, and the sample size used in this test included 115 articles from Time Period 1 and Time Period 2.

Further statistical testing of the means for Time Period 2 and Time Period 3 concludes that they are also significantly different. As shown in Table IV, the mean of scores for Time Period 2 is -0.1667 while the mean of scores for Time Period 3 is 0.2500. When testing these two means against each other the t-statistic of -2.1311 is outside of the 95% confidence range of two standard deviations (1.96 to -1.96). Also, the two-tail p-statistic of 0.0379 is less than the testing alpha level of 0.05. The results of these statistics show that the two means are statistically not equal. This concurs with the polynomial graph in

¹⁴ T-statistic, also known as the t-test, measures the extreme estimate of a statistic. It is computed by dividing the difference between the hypothesized value and the measured statistical value by the estimated standard error. In this study, the hypothesized value is zero and the t-statistic determines if the difference of the means of the two samples is statistically equal or significantly different.

¹⁵ Two-tail p-statistic is the probability that the differences in the mean have occurred purely by chance.

¹⁶ Alpha refers to the maximum amount of chance a researcher is willing to accept that they will reject a null hypothesis that is true (Type I Error). For this study an alpha of 0.05 is used.

¹⁷ The Central Limit Theorem states that for simple random samples of n observations taken from a population with mean μ and standard deviation σ , regardless of the population's distribution and provided the sample size is sufficiently large, the distribution of the sample means x will be approximately normal with a mean equal to the population mean ($\mu_x = \mu$) and a standard deviation equal to σ/\sqrt{n} .

Table II which shows the portrayal of life settlements changing from negative in Time Period 2 to positive in Time Period 3.

Based on the various statistical tests and the trend line graphs, it can be concluded that there were definite shifts in how published consumer-focused articles portrayed life settlements during the overall time period from January 1, 2005 through March 18, 2009.

With this data in hand, we can ask: Why did these shifts in the portrayal of life settlements occur?

Possible Causes For Changes in Portrayal of Life Settlements

Almost every positive article hits on the point that life insurance is an asset that should have the same property rights as any other asset. The positive articles emphasize that life settlements provide life insurance policyholders with the ability to sell their life insurance policies for a price set by the secondary market, which is typically materially greater than the cash surrender value. This point was emphasized in almost every article, regardless of time frame. Even the articles that were negative towards life settlements touched on this aspect.

The overall portrayal of life settlements turned negative in July of 2006. Based on anecdotal observations, a large impetus for this was because more attention was given to insurance commissioners. State insurance commissioners were often quoted in the articles, sometimes focused on legitimate issues and other times leaning toward fear-mongering. The following are examples of this:

- "Settlement brokers are ginning up transactions."¹⁸ "This is an industry with big ethical problems."¹⁹ "This business is filled with corrupt players. And there's a larger question: should someone profit from another person's death?"²⁰ "This is a billion-dollar industry. There is a lot of money changing hands and policies are being traded like commodities."²¹ Statements by Jim Poolman, North Dakota's insurance commissioner.
- "These contrived transactions must be stopped,"²² said Sy Sternberg, New York Life Insurance Co.'s chairman and chief executive officer, addressing the NAIC's Life Insurance and Annuities Committee. "These schemes have been touted as 'win/win' arrangements. However, when you look closely at the details, there is only one winner: The speculator."²³

During the period when life settlements received more negative attention (August 2006 to September 2008), the major themes were STOLI, speculation on death, fraud, and alleged fraudulent actions by a few firms such as Mutual Benefits and Coventry. Also, considerable attention was paid to lapse-based pricing assumptions of insurers and how such assumptions may be affected by life settlements. Both journalists and insurance commissioners expressed concern that life settlements would adversely affect the economics of insurers.

¹⁸ Aaron Eistein, *NFP, Its Stock Price Hurting, Looks Beyond Insurance; Investors are Leery of Firm's Emphasis on Life Settlements*, Investment News, Oct. 2006.

¹⁹ Charles Duhigg & Joseph Treaster, *Spitzer Suit Accuses Company of Abuses in Insurance for Elderly and Ill*, New York Times, Oct. 2006.

²⁰ Robert O'Conner, *Life Insurers Seek to Rein in Life Settlements*, Best's Review, June 2006.

²¹ Ibid.

²² Ibid.

²³ Ibid.

When life settlements started to receive positive attention again (October 2008 to March 2009), the reasons were much the same as during the initial study period (January 2005 to July 2006), namely that life settlements provide policyholders the ability to sell an unwanted/unneeded asset and benefit from the financial flexibility provided by a life settlement. Of course, due to the economic crisis in 2008 and 2009, the need to liquidate assets for retirement income received more attention.

In spite of the positive portrayal of life settlements in Time Period 3, a consistent negative theme portrayed life settlements as a morbid transaction and that investors were simply speculating on death.

Overall, the major positive themes were (in decreasing order of attention received):

1. The ability to sell an unwanted/unneeded asset;
2. Relief from making premium payments;
3. Retirement funding;
4. A sound investment for investors;
5. Changes to the estate tax making life insurance unnecessary;
6. The fiduciary responsibility of financial advisors to inform clients of this option; and
7. The ability to purchase new, more appropriate, insurance products.

The overall major negative themes were (in decreasing order of attention received):

1. Speculating on death;
2. Morbidity of the transaction;
3. STOLI/lack of insurable interest;
4. Fraud;
5. Lack of disclosure/transparency;
6. Loss of value (a settlement being worth less than the insurance policy survivor benefit);
7. Tax consequences; and
8. Loss of insurable capacity.

Examples of statements in articles are shown in Appendix I. The list is incomplete and only represents statements that were scored for this study.

Similarity to Increased Growth of the Reverse Mortgage Industry

There is an apparent similarity between media portrayal of the life settlement industry and the reverse mortgage industry. "As more seniors take out reverse mortgages and tell their friends how it has changed their lives, the growth will continue. More children with aging parents are investigating the benefits of a reverse mortgage, and the myths are being dispelled. One of the most important factors in the increased volume is that media provided valuable information about reverse mortgages and for the most part have given an accurate representation of the value of this product."²⁴

The federal government is supporting the reverse mortgage industry with loan guarantees, i.e., the government is guaranteeing the ability of eligible seniors to extract equity value from their homes. This puts the government in the mortality investment business because "actuarial tables determine how

²⁴ Bruce E. Morosco, *Bright Future Ahead for Reverse Mortgages*, Broker Magazine, Vol. 8, Issue 8v (Sept. 2006).

much money borrowers can withdraw from their homes. While a 62-year-old borrower might qualify for a loan worth 57% of the home's value, a 94-year-old borrower could receive as much as 85% of the property's value.²⁵

The life settlement industry has not enjoyed broad government support, but the opportunity for seniors to extract full market value from their life insurance policies may make life settlement a more attractive option than reverse mortgages. Further, “the amount of losses in the reverse-mortgage business as a result of the housing bubble won't be known for years. The Department of Housing and Urban Development, which runs the FHA (the Federal Housing Authority) that guarantees reverse-mortgages), asked for nearly \$800 million in taxpayer money next year (2010) to boost its loan-loss reserves due to deteriorating home prices. ‘Needless to say, this program is very sensitive to the projected path of long-term house price appreciation,’ HUD Secretary Shaun Donovan told industry leaders last month at a conference.”²⁶

As was the case with reverse mortgages, it seems that the government needs to take a larger role in educating and communicating to the public about the economic advantages of life settlements. The actuarial aspects of a reverse mortgage are very much like the actuarial aspects of life settlements, but the market risks do not exist when dealing with life settlements.

In March and April of this year, the number of reverse mortgages increased nearly 20% from the same period last year.²⁷ April alone experienced the highest number of transactions since the government-backed program's inception in 1990.²⁸ Of course, “brokers point to retirement savings gutted by stock-market declines as a big reason for renewed interest in reverse mortgages. Another reason for the growing demand: A tough housing market has made it harder for seniors to sell their homes and downsize.”²⁹ Consequently, life settlements could also serve to benefit those seniors suffering from the current economic woes. Unfortunately, many are not aware of this option.

A variety of techniques have been used to communicate the merits of reverse mortgages, including print and media advertising, information seminars, and television ads featuring a trusted senior actor. One of the biggest challenges the reverse mortgage industry faced was getting rid of the bad reputation it developed during the early years of its existence. As the industry matured from its origination in 1990, it began to garner interest due to the advantages it provided to seniors in search of financial alternatives. The industry undertook the job of educating seniors on how to use reverse mortgages to supplement retirement funding, and the life settlement industry now needs to do the same.

Conclusion – There is a Need to Proactively Educate Seniors

The evolution of the life insurance secondary market has had various ups and downs. Over the last several years, there have been periods when life settlements have been presented positively by the

²⁵ Nick Timiraos, *Seniors Drawn to Mortgages That Give Back*, Wall Street Journal, June 2009.

²⁶ U.S. Department of Housing and Urban Development, *Prepared Remarks for Secretary of Housing and Urban Development Shaun Donovan at the 6th Annual Housing Policy Council Meeting*, available at <http://www.hud.gov/news/speeches/2009-05-07.cfm> (last visited May 2009).

²⁷ Nick Timiraos, *Seniors Drawn to Mortgages that Give Back*, Wall Street Journal, June 2009.

²⁸ *Ibid.*

²⁹ Bruce Morosco, *Bright Future Ahead for Reverse Mortgages*, Broker Magazine, Sept. 2006.

media, and there have been periods when the opposite has been true. Yet, through it all, consumers have had relatively little exposure to life settlements. This is most likely the result of the industry's lack of communication with the senior community.

From January 2005 through March 2009, only 138 media articles focused on life settlements were published in consumer-oriented publications. This is only 16.3% of the 847 total life settlement-related articles published in the same period. We can see that most of the published articles were directed at those who were, by and large, already informed. Of the 138 articles reviewed, 35.5% portrayed a positive perspective of life settlements, 32.6% were neutral, and 31.8% were negative. This observation excludes advertisements and public relations releases published by insurers or stakeholders in the LISM.

Overall, the portrayals of life settlements were reasonably balanced between positive, neutral, and negative. When examining these portrayals over a span of time, there was a clear shift from positive to negative and back to positive. However, all articles included both positive and negative aspects of life settlements.

The question ISI asks is: did the media articles provide useful knowledge to senior consumers? In the 2009 Gateway/ISI survey, approximately 50% of the seniors surveyed did not know of life settlements, even though 33 states have life settlement laws and regulations. From these numbers, the efficacy of the consumer-oriented articles is in question. The Gateway/ISI survey did not test for positive or negative perspectives of life settlements among those who did know of life settlements, but the general lack of knowledge is telling of a deeper issue than perception.

During the years 2005 to 2006 the LISM expanded rapidly as many new stakeholders entered into the market and industry growth was sufficiently strong to generate business. In these times, special promotion and public relations for the LISM was not deemed necessary. In late 2006 and through 2007, attention turned to legislation and regulation as a result of certain bad practices and lawsuits. As the subject of STOLI became popular, LISM stakeholders and insurers sought to distance themselves from such practices. During this period, the LISM stakeholders focused on lobbying to ensure the passage of life settlement laws that would protect seniors and be favorable to the industry. Again, most of the industry's efforts were devoted to lobbying and not on public relations or self-promotion to senior consumers.

With the capital markets' turmoil in 2008 and 2009, LISM industry stakeholders found a host of new challenges. At the same time, the crisis brought into focus the need for seniors to find liquidity to augment retirement funding and the need for investors to seek investment in assets that are not correlated to market swings. Life settlements generally meet these criteria, but their existence and benefits have not been adequately communicated to seniors.

The LISM can benefit itself and millions of seniors by following the lead of the reverse mortgage industry, which, after years of slow growth, awakened millions of seniors to substantial value in their homes that could be converted into retirement funding. This was accomplished with a proactive industry promotion program.³⁰

As the LISM continues to evolve and grow, it will receive more attention from the media. Regardless of the nature of the media's portrayal of life settlements, if LISM stakeholders do not communicate their

³⁰ An index of promotional materials can be found at: www.worldalliancefinancial.com/NewsRoom.cfm

message to the senior public then they are choosing to let others communicate a message that may not be to their liking. If the LISM stakeholders want to have a say in the public’s perception of life settlements, it needs to take a more proactive approach to communicating the value of life settlements to seniors.

Appendix I

Samples of Article Comments, Sorted by Date and Time Period				
Time Period 1		Article Reference	Sample Comments	Classification
1/05-7/06				
Feb-06	Sally Law, <i>Banks Weigh in on Growing Baby Boomer Market</i> , US Banker.	"All the major banks – I assure you, every one of the major banks, and I'm talking investment banks and others – are in this asset or looking at the asset and following it very closely," Simon says. "They feel the yields will be higher than they get in most other places in the market. The non-correlated returns, which of course are everybody's concern today – [banks] don't want it tied into the stock market."	Positive	
Oct-06	Charles Duhigg, <i>Joseph B. Spitzer Suit Accuses Company of Abuses in Insurance for Elderly and Ill</i> , New York Times.	"If brokers aren't acting in their clients' interests in representing them to buyers like Coventry, that's a real problem," said Doug Head, executive director of the industry's trade group, the Life Insurance Settlement Association. "This has been a controversial business since it was created. We need state regulations to make sure the public perception of our business isn't damaged even more."	Negative	
Time Period 2		Article Reference	Sample Comments	Classification
8/06-9/08				
Feb-07	<i>Seniors Beware: What You Should Know About Life Settlements</i> , www.FINRA.org .	Because the life settlement industry is relatively new and may target seniors who may be in poor health, it can be prone to aggressive sales tactics and abuse.	Neutral	
Jul-07	Matthew Goldstein, <i>Even the Insurers Have Hopped on Board</i> , Business Week.	<ul style="list-style-type: none"> ➤ But most insurers also realize life settlements aren't going away--and so they're getting into the game. AIG, for example, is one of the biggest buyers of life settlements, snapping up policies with a face value of \$1.1 billion since October, 2001. It isn't alone. Bermuda reinsurer Axis Capital Holdings Ltd. recently purchased a \$400 million life-settlements package. CNA Financial Corp., a 100-year-old Chicago insurer, has \$108 million invested in life settlements. ➤ Big insurers don't know what to make of life settlements. On the one hand, they can jeopardize profits that for years have been easily gleaned; on the other, this burgeoning market can't be ignored. 	Positive	
Nov-07	<i>Meteor Reveals Further Details of Senior Life Settlements</i> , Investment Advisor.	Graham Devile, managing director at Meteor Asset Management, said: "Senior life settlements are a widely recognized alternative investment class where returns are not correlated to any of the traditional asset classes and thus provide investors with the ability to diversify their portfolios."	Positive	
Jan-08	Cara Baruzzi, <i>That Settles It?</i> , New Haven Register.	"This has been the biggest change in the history of the life insurance industry," Feen said. "This is a real hot topic. It's a wonderful opportunity for the consumer." "A lot of baby boomers, as they age and approach retirement, are really worried about their future," Feen said. "People have not realized their retirement dream. Here's a chance for them to realize an opportunity they may not have realized they ever had." Life settlements can provide "hope and opportunity" for people who need additional funds to cover other expenses, such as long-term care, or to compensate for other financial shortfalls, he said. "Everyone wins with a life settlement," he said. "The policyholder gets cash, the investor receives the future payout and the insurance company continues receiving premiums."	Positive	
Feb-08	Marc Lifsher, <i>The Nation; Treating Death as a Commodity; A Growing Industry Involves Buying, Selling and Profiting from Life Insurance</i> , Los Angeles Times.	"You ought to know who you sell to. You don't want Tony Soprano buying your life insurance policy," said Newport Beach attorney Jay Adkisson, who writes about financial fraud on an internet blog called quatloos.com . "I don't like the idea of people growing life insurance like so many crops."	Negative	
Mar-08	Leslie Reed, <i>Bill to Restrict Life Settlements Heads to Next Round. It Would Require Most People to Wait Five Years Before Selling a Life Insurance Policy to an Investments House</i> , Omaha World-Herald.	<ul style="list-style-type: none"> ➤ The new business makes the Nebraska Department of Insurance and the state insurance industry uncomfortable. They are pushing the Legislature to adopt a bill to require most people to wait five years before selling a life insurance policy. ➤ The bill would lengthen the waiting period for selling a life insurance policy from the current two years to five years. 	Negative	
Apr-08	Diane Levick, <i>Phoenix Now Buying Policies Enters 'Life Settlement' Market</i> , Hartford Courant.	"Phoenix, for instance, won't settle policies that are under 30 months old because the problematic ones are typically settled right after two years have elapsed," Hillman said. He faults middlemen and bloated fees paid on settlements for also tarnishing the settlement industry. "It's a very inefficient execution chain, and there's way too many people in the middle and there are some egregious elements of compensation because it's very opaque," Hillman said.	Positive	
Apr-08	Amanda Smith, <i>Managers Turn to EEA Life</i>	Lawrence House fund manager Alan Stokes says this lack of correlation is one of the main	Positive	

Apr-08	Settlements, Money Marketing Magazine.	attractions of the EEA fund. He finds it particularly useful in reducing volatility within a portfolio and in generating a high yield without the high levels of capital erosion on some products. EEA Fund Management marketing director Peter Winders says: "We are seeing a considerable increase in interest from IFAs and also from multi-managers who realize that we have continued to deliver in the face of adversity. They recognize the value of uncorrelated assets in diversifying risk out of portfolios."	Positive
Jul-08	Patrick J. Kiger, <i>Over Your Dead Body: What if a Stranger had a Life Insurance Policy on You?</i> , AARP Bulletin Today.	<ul style="list-style-type: none"> ➤ Not surprisingly, STOLI is vehemently opposed by the mainstream insurance industry, which argues that it's fraud for a person to buy a policy with only a profit—not an insurance—motive. There's also the fear that industry profits will sag as insurers, faced with fewer policies being dropped for personal or financial reasons, have to pay out more in death benefits than their actuarial models anticipate. In large part, state lawmakers have jumped on the anti-STOLI bandwagon. In fact, at least 11 states have banned STOLI arrangements outright, and at least 20 states are considering such legislation. ➤ "When you're in your 20s, you have life insurance agents telling you that you absolutely need insurance," Darras says. "These are the same people who are now knocking at Grandma's door, saying that she doesn't need insurance anymore and that she'll benefit from selling her policy to them at a deep, deep discount." 	Negative
Aug-08	Kate Huges, <i>The Longer the Seller Lives, the Less That Investors Will Make</i> , The Independent on Sunday.	After about two years, the man sells his policy for \$800,000. After all commission costs, expenses, interest charges and legal fees, the man pockets \$297,328.42. Independent research carried out in the US suggests policyholders generally receive around a quarter to a third of the cover's value, though this can be higher or lower depending on life expectancy.	Negative
Time Period 3			
10/08-3/09	Article Reference	Sample Comments	Classification
Jan-09	<i>The Lifeline Program; Lifeline Program Expands Non-Correlated Life Settlement Investment Opportunities; Courting Private Equity Firms, Investment Banks and Hedge Funds</i> , Investment Weekly News.	"With the scandals and financial freefall of 2008 behind us, we believe that life settlements are the secure investment that can be depended upon in the coming year and beyond," said Wm. Scott Page, president and CEO of The Lifeline Program. "Life settlement portfolios generate attractive yields even during market downturns."	Positive
Feb-09	Jennifer Hodson, <i>Clients Cash in Policies --- Life – Settlements Industry Sees Growth as People Seek Funds</i> , Wall Street Journal (Eastern edition).	<ul style="list-style-type: none"> ➤ ... investors wary of turbulent markets are turning to investments that aren't correlated to any set of economic indicators. ➤ One of the possible reasons for the shift in the perception of life settlements could be the fact that life insurance companies are getting involved in the business. As Matthew Goldstein states, "most insurers also realize life settlements aren't going away – and so they're getting into the game." The appearance of large insurance companies into the life settlement industry could be helping to make the industry appear more legitimate and reputable. 	Positive
Feb-09	Tom Kelly, <i>Life Settlements Can be Financial Option for Seniors</i> , The Herald.	Typically, after two years of premium payments, the policy is bundled with others and sold to an insurance company, large bank, hedge fund, pension fund, or private equity company for about 20 percent of the \$4 million face value, or \$800,000. The purchasing company or fund assumes the responsibility of continuing the premium payments. After the premium finance company is repaid, and after brokers are paid a fee for arranging the policy sale, the original purchaser nets about \$300,000.	Positive
Feb-09	Mike Kaszuba, <i>Who's Cashing in on Life Insurance Policies?; Minnesota Considers a Ban on 'Stranger-Originated' Policies Sold to the Elderly</i> , Star Tribune.	"It's nothing more than a wager on human life," said Robyn Rowen, executive director of the Minnesota Insurance and Financial Services Council.	Negative
Mar-09	Jason Breslow, <i>Life's Values Falls as Seniors Sell Insurance Policies</i> , Bloomberg.	<ul style="list-style-type: none"> ➤ "You've now got more people who would be willing to make investments that aren't correlated to any set of economic indicators. ➤ "We think in the long run people are better off keeping their policies or finding ways to keep their policies so that their beneficiaries, or their estates, can get the maximum value of the coverage that they purchased," said J. Bruce Ferguson, senior vice president for state relations at the American Council of Life Insurers in Washington. 	Positive

Appendix II

List of All Sources Used in Research Study			
Source Title	# of articles	Source Title	# of articles
Wall Street Journal	11	Canadian Corporate News	1
Best's Review	7	Chicago Citizen	1
Business Week	7	Daily Herald	1
Investment News	6	Deseret News	1
Money Marketing Magazine	6	Entrepreneur	1
Omaha World Herald	5	Financial Executive	1
Financial Times	4	Foundation and Endowment Money Mgt.	1
FINRA	4	Ft. Lauderdale Sun-Sentinel	1
AARP Bulletin Today	3	Grand Rapids Business Journal	1
Financial Planning Magazine	3	Indianapolis Business Journal	1
National Post	3	Insurance Advocate	1
Advisor Today	2	Investment Advisor	1
Bank Investment Consultant	2	Investment Weekly News	1
Buffalo News	2	Knight Ridder Tribune Business News	1
Chicago Tribune	2	Life Settlement Institute	1
Columbus Dispatch	2	Minnesota Lawyer	1
Crain's New York Business	2	Money Management	1
Hartford Courant	2	Network World	1
Houston Chronicle	2	New Haven Register	1
Jewish Exponent	2	New York Post	1
Kiplinger's Personal Finance	2	Nonprofit World	1
Los Angeles Times	2	Orlando Sentinel	1
Modern Machine Shop	2	Paraplegia News	1
New York Times	2	Products Finishing	1
Newsday	2	Securitization News	1
St. Petersburg Times	2	Tampa Tribune	1
Star Tribune	2	The Gold Coast Bulletin	1
The Herald	2	The Independent on Sunday	1
The Washington Post	2	The Miami Herald	1
Toronto Star	2	The San Diego Union – Tribune	1
Advocate	1	The Western Morning News	1
Al Bawaba London	1	Tribune Business News	1
American Banker	1	US Today	1
Asian Wall Street Journal	1	US Banker	11
Bank News	1	Total Articles	138
Bloomberg	1		
Business Insurance	1		



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