

# Asset Acquisition and Maintenance: Choosing Your Partners

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# Who Are the Partners and What Are their Responsibilities?

## **Originator/Life Settlement Provider**

- Responsible for origination of policies, compliance with life settlement laws and compilation and review of required documents. Interfaces with sellers and their brokers.

## **Portfolio Servicer**

- Responsibilities typically include premium payment and verification, periodic premium optimization, life tracking, death claim processing, and general policy and file maintenance. Should provide electronic directory of policy, life settlement and maintenance related documents.

## **Trustee or Manager**

- Responsible for the management of the operations of the acquisition vehicle; duties specified in Trust Agreement or Management Agreement are often ministerial.

## **Verification Agent**

- Independent entity sometimes used to confirm that required closing documents have been completed and executed and thereafter that the Portfolio Servicer is directing premium payments and performing its other obligations according to plan. Sometimes the Owner fills this role.

## Who Are the Partners and What Are their Responsibilities?

### **Payment Agent**

- Responsible for setting up bank accounts for premium payments, managing the accounts, and making premium payments directed by the Portfolio Servicer.

### **Document Custodian**

- Responsible for storing the original life settlement and policy documents.

### **Professional Advisors**

- Actuaries responsible for advising on valuations and life expectancy underwriting.
- Attorneys responsible for legal advice and document preparation and review.

# Key Considerations in Evaluating Potential Strategic Partners

## **Experience**

- Does your partner have demonstrated experience servicing a number of life insurance policy portfolios? Will your partner provide added value through its depth and breadth of market knowledge?

## **Capability**

- Has your partner invested in personnel, infrastructure, business processes and IT solutions to fully support its business responsibilities to you? Can it adequately support your life settlement business as it grows?

## **Track Record, Stability and Reputation**

- What is the partner's track record in terms of growth, performance and stability? How do their current clients evaluate their performance? What is their reputation?

## **Service Offerings**

- Does the partner offer the full range of services required for successful implementation of your strategic business plan?

# Key Considerations in Evaluating Potential Strategic Partners

## **Operating Standards and Procedures**

- Does your partner have comprehensive operating standards and procedures to assure quality of performance, compliance with law and protection of confidential information?

## **Due Diligence**

- Are any issues raised by a due diligence investigation of the background of the principals, regulatory compliance, litigation and financial condition?

## **Transparency and Reporting**

- Will your partner share key operations metrics and keep you abreast of all aspects of the services it performs? What reports will be provided? Will you have direct computer access to information on your policies?

## **Choose Partners Well**

- Quality partners enhance credibility, provide valuable market perspectives and avoid problems, delays and unnecessary expense.

## **Ensure Roles and Responsibilities are Clearly Defined**

- Contracts should clearly define duties and responsibilities, including due diligence, valuation, premium optimization, premium payment, life tracking, death processing, claims, bank account management, general oversight and verification services.

## **Utilize Metrics and Reporting to Track and Manage Operations**

- Monthly reports to track policy originations, purchases and servicing activities (which tend to be cyclical).
- Monthly bank account activity and reconciliation reports, which should mirror corresponding servicing activities.
- Proper reports facilitate confirmation of compliance by partners with their duties, analysis of performance and management of operations.

## **Align Interests of Partners**

- Contracts with partners should align your interests and your partner's interests and promote your strategic business plan.

### **Policy Documents**

- Life Insurance Policy (with Endorsements and Amendments)
- Policy Application
- Recent Policy Illustration
- Annual Statement
- Verification of Coverage

### **Insured Medical Underwriting Documents**

- Medical Records
- Life Expectancy Reports
- Medical Release Authorization
- Powers of Attorney
- Attending Physician Statements

## **Other Closing Documents**

- Life Settlement Contract
- Escrow Agreement
- Change of Ownership Forms
- Change of Beneficiary Forms
- Authorization to Release Policy Information
- Authorization to Provide Death Certificate

## **Other Closing Documents**

- Authorization of Servicer
- Appointments of Designated Contacts
- Spousal or Beneficiary Consents and Waivers
- Disclosure Forms
- Settlement Statement (Broker Compensation Disclosure)
- Trust Agreement or other owner documents

### **Origination Agreement**

- Term
- Ramp-up period
- Production requirements or goals
- Funding commitment
- Pricing procedures
- Policy and portfolio eligibility criteria

### **Origination Agreement**

- Compensation to originator
- Allocation provisions
- Funding, approval and closing process
- Provider representations, warranties and indemnities
- Events of Default
- Termination provisions

### **Servicing Agreement**

- Specification of services
- Standard of care
- Compensation to Servicer
- Ownership of documents and information
- Right of audit and inspection
- Compliance with law

### **Servicing Agreement**

- Indemnification
- Confidentiality
- Events of Default
- Termination upon sale of individual policies
- Termination of entire agreement
- Transition period obligations

### **Trust Agreement or Management Agreement**

- Specification of duties (often ministerial)
- Decision making protocol
- Performance standards or limits
- Fees
- Indemnification and exculpation

### **Verification Agent Agreement**

- Detailed specification of verification responsibilities
- Agreement on verification procedures to be performed
- Certification requirements
- Timetable for review
- Fees
- Indemnification and exculpation

Policy Maintenance

Mortality Tracking

Death Claims

## **Premium Payments**

- Varied approaches to modality and payment methodology
- Redundant processes

## **Annual Review of Performance**

- Varies based on customer strategies
- Validation / re-optimization of premium streams

## **Updating of Medical / LE reports**

- Varies based on customer strategies
- High value added potential

### **Active Tracking through Designated Contacts**

- Insured Address, Phone Number, and General Health Status are tracked.
- Primary method of contact can be either letter or phone
- Frequency of contact is regulated by states, and generally follows the Model Act.
- Contact initiated 90 days after last successful response when insured LE is greater than 12 months.
- Contact initiated 30 days after last successful response when the insured LE is 12 months or less.

### **Tracking with Death Reference Files**

- Typically done weekly or monthly using insured SSN
- Social Security Death Index and other state reference files used as sources of death data

### **Obituary Notice Tracking**

### **Notify Carrier of Death and Obtain Claim Forms.**

#### **Obtain Certified Copy of Death Certificate**

- Sources include Insured's Family, Agent / Broker, State and Federal Government Entities.
- Regulations differ by State and deaths which occur outside the US have special requirements.

### **Submit Completed Claim Forms and Death Certificate to Carrier**

#### **Follow-Up**

- Typical processing time is 2 – 3 weeks.
- Follow up activity
- Large face policies and deaths outside the US trigger additional carrier scrutiny and delay the claim payment process.