

Maple Life Financial

Platform Guide

April, 2009

MAKING THE MOVE TO LIFE SETTLEMENTS

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I. Letter from the President

In a volatile economic climate where challenging times require innovative thinking, investors are searching for new opportunities to improve the risk and return equation in their portfolios.

One option that many institutional investors are considering is the secondary market for life insurance policies – particularly life settlements. While a relatively new investment product, life settlements are gaining popularity because they offer attractive risk-adjusted returns and cash flows that are generally accepted as having no correlation with cash flows from other financial assets. The life settlement market continues to demonstrate robust growth. According to Conning Research, life settlements are expected to average \$21 billion (face value) per year through 2017.¹ This could result in a stock of settled assets that will grow from about \$30 billion today to more than \$200 billion by the end of 2010-2020 decade. The substantial growth is the result of several factors the most important of which is simple demographics: the ‘Baby Boom’ generation has just begun to enter into the age range where life settlement economics can be produce viable transactions between buyers and sellers. So the potential supply of ‘eligible’ policies is primed for growth. Education and an increase in the general awareness that settlement options even exist will also expand the supply-side of the market. Demand for investments already exists yet is expected to substantially increase as more investors become comfortable with the very notion of the asset class and when ‘pioneer’ investors actually achieve returns that are in line with what was anticipated when their settlement portfolios were constructed. Coupled with the development of products such as settlement-backed bonds, hedging mechanisms and opportunities for ‘bite-size’ exposure the return experience is expected to demonstrate that diversified pools of assets offer attractive uncorrelated returns and therefore belong in the portfolios of sophisticated investors around the globe.

While the general opportunity in life settlements may be familiar to many institutional investors, most prospective investors (and even many experienced investors) often do not fully understand how life settlements actually work. Industry experts understand that the life settlement market is a dynamic, ever-changing one, where rules, regulations and market rhythms fluctuate on a regular basis. Before one makes a move into such a fast-moving market, they will need all the tools and expertise available to get up to speed and stay ahead of the curve.

¹ Conning Research & Consulting Strategic Study Series: Life Settlements, New Challenges to Growth 2008.

That's where Maple Life Financial comes in.

In this article, "Making the Move to Life Settlements", Maple offers the most current and most valuable information on the life settlement market in a clear, concise and objective manner. We will also explain how Maple Life Financial can help investors participate in this intriguing and fast growing asset class.

Maple Life Financial believes that consistency, trust and integrity are the hallmarks of a good life settlement provider. In this paper, we will explain e how investors can make the most of the life settlement market, in the factual, realistic context that Maple Life Financial regularly operates in. No platitudes or promises – just hard information investors can use to take advantage of one of this most promising alternative investment opportunity.

Cordially,



Nate Evans

President and Chief Executive Officer

Maple Life Financial

II Contact Information

4350 East-West Hwy., #900

Bethesda, MD 20814

877-777-0635

www.MapleLifeFinancial.com

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III. Executive Summary

Life insurance policies have emerged as credible investments that have drawn the interest of institutional investors around the world. Investments in life insurance policies offer returns that are largely uncorrelated to other asset classes, making life settlements a valuable tool in constructing an efficient diversified investment portfolio.

A life settlement is normally defined as the sale of an existing life insurance policy by its owner to a third party investor. For purposes of this discussion, the definition of life settlements will also include trades of a policy subsequent to its initial ‘settlement’. The new owner of the policy pays ongoing premiums and collects death benefits upon the occurrence of a mortality event. Purchasers clearly anticipate that the policies they acquire will generate attractive risk-adjusted rates of return over time.

The life settlement industry traces its roots back to 1911 when the United States Supreme Court ruled that a life insurance policy is an asset that can be purchased or sold. Despite the ruling, prior to the 1990’s few options existed for policy owners with unneeded or unwanted life insurance policies to actually enter into such purchase and sale transactions.

In the last decade of the 20th century the foundation for the current life settlement market was established with the development of a market for viatical policies. The life settlement business is the natural evolution of the viatical industry and, finally, buyers and sellers of life insurance policies have a market in which to transact business. The Viatical Settlements Model Act was developed, and refined, by the National Association of Insurance Commissioners (NAIC) to promote and maintain industry standards. These standards, along with suggested regulations proffered by the National Council of Insurance Legislators (NCOIL) have together served as the bedrock for state laws governing the life settlement market around the country.

Today, some of the world’s most sophisticated investors include life insurance assets in their investment portfolios, either via direct purchase or through innovative synthetic products designed and sold by global financial institutions. Attracted by the promise of cash flows that are uncorrelated to other asset classes, these investors have spurred the rapid growth of the industry.

While most purchasers have historically viewed settlements as a ‘buy and hold’ product, recent developments have stimulated activity to the point where there are many opportunities for investors to acquire policies that have been previously settled as the initial buyers look to trade out of their positions.

Policies, whether acquired in an initial transaction with the original policy owner (a life settlement) or purchased from another investor all require the same basic economic underwriting process be conducted to establish value. As the market has grown so too has the need for reliable data so that all market participants can truly understand the risks and realizable rewards inherent in life insurance policies. The promise of easy double digit returns led to an enormous influx of capital over the past five years despite the lack of empirical evidence to substantiate these returns.

The future of the secondary market for life insurance policies appears bright. The supply of product, real and synthetic, has to date been sufficient to meet demand. Good regulation is welcomed by industry participants seeking to ensure the long-term viability of the market. Increased scrutiny of underwriting results may lead to changes that could help bring a convergence between actual and expected mortality. Insurance company acquisition programs and the increasing recognition of the benefits of including policies in diversified portfolios should ensure that life settlements have a permanent place in the investment world.

IV. History of Life Settlements

While the life settlement industry traces its roots back to 1911 when the United States Supreme Court ruled in *Grigsby vs. Russell* that a life insurance policy is an asset that can be purchased or sold, the precursor to today’s life settlement business was the ‘viatical’ industry that was primarily established in the early 1990s. A ‘viatical’ is the sale of a life insurance policy by an insured who has a terminal illness that can reasonably be expected to result in death within a relatively short amount of time (generally defined as a life expectancy of 24 months or less). The viatical industry emerged mainly as a way for individuals with HIV or AIDS to obtain cash to fund their medical needs and to be able to live the rest of their lives with relative dignity.

The viatical industry demonstrated both the promise and the risks of investing in life insurance policies. The experience of many participants was not good as the unregulated business had its share of fraudulent transactions and unscrupulous promoters. Too, with the discovery of the ‘triple cocktail’ a medical breakthrough extended the life expectancy of many sellers leading to poor realized returns for many investors. Overall, the performance highlighted the need for good regulation and the recognition that the asset class requires a healthy appreciation for risk and a well-reasoned approach to policy underwriting, acquisition, portfolio composition and diversification and asset management.

With the clear interest among investors for investments backed by life insurance assets, the evolution of the viatical industry into the life settlement (essentially the sale of a policy where the insured is not terminally ill) industry was natural. The initial outlines for regulation of the business were established when the National Association of Insurance Commissioners (“NAIC”) issued the Viatical Settlements Model Act in 2001. The NAIC Model Act has been updated and, along with a separate act proffered by the National Council of Life Insurance Legislators (“NCOIL”) now form the bedrock from which has grown most of the laws passed by almost all states that pursue regulation of settlements. As of April 2009, 33 states had adopted some form of life settlement regulation and it is anticipated that the vast majority of the remaining states will address the industry by the year 2012.

This extensive regulatory framework has helped address many of the most egregious practices that plagued the industry in its formative years and protects both policy sellers and buyers. Regulations are helping to force the settlement process to become more transparent which is also a sign of an increasingly efficient market.

V: Growth of the Life Settlement Market

According to a 2008 report by Conning Research and Consulting entitled "Life Settlements: New Challenges to Growth", the face amount of life settlements transacted in 2007 was \$12 billion, a 100% increase from the estimated volume of 2006. Conning estimated that the total face value of policies outstanding and settled approximates \$23.5 billion at the end of 2007, a number that has surely grown to exceed \$30 billion based on net settlements (new settlements less maturities) that occurred in 2008. Conning expects that the market’s robust growth will continue for several years and projected that the annual volume of policies settled will average about \$21 billion (face value) per year over the 2009-2017 time frame.

The most significant force propelling the market forward is the sheer number of individuals who are reaching the age where their policies may qualify for settlement. As it has with almost every major demographic trend over the past 60 years, the Baby Boom generation will drive the growth in the life settlement market. As will be discussed in greater detail for policies to ‘pencil out’ sellers must have age and health profiles that ‘work’ from an actuarial perspective. While there is no true minimum age at which a seller’s policy may qualify, it is generally viewed that the insured covered by the policy should be at least 65 years old. The post-World War II generation has just recently begun to move past that point.

Additional reasons for the growth in the supply of policies include increased consumer awareness about the product resulting from aggressive marketing of life settlements by industry participants and industry trade associations like the Life Insurance Settlement Association (LISA), and broader investment criteria on the part of policy purchasers. The education outreach has meant that more consumers are aware of options to access the equity in their policies to meet financial needs.

Greater comfort level with the asset class has also led to an expansion of the criteria that investors use to select policies. Today, the ‘sweet spot’ for policies that might fit portfolio criteria is broader than it was when the market first emerged. The more flexible investment criteria have resulted in the pool of policies qualifying for settlement to be much larger than it would have been otherwise. This trend is expected to continue as demand for investment products linked to mortality grows.

VI. Why Are Investors Interested In Life Settlements?

When the industry was young, investors were attracted to the market almost solely because of what were considered to be high absolute rates of return. Portfolio considerations generally were not a factor. Over time however, and with the wide investor base that now looks at the asset class, buyers have realized that the life settlement market has many sought after investment characteristics, including, but not limited to:

Uncorrelated Returns: Cash flows from life settlements are a function of individual mortality. Mortality is not correlated to movements in equity, debt or commodities markets. Mortality is not impacted by what happens in the global or domestic economy or by geopolitical events. Cash flows from life settlements are therefore completely independent of returns on other asset classes.

Attractive Absolute and Risk-Adjusted Returns: In the current environment (2009) individual policy gross returns generally project to be 10%-18% depending on the life expectancy vendor(s) used. While life settlement return events are mortality linked, the cash payments are, ultimately, credit based. The payment of life settlement cash flows (death benefits) is extremely secure. Most life settlement investors purchase policies that are backed by companies with financial strength ratings of BBB and higher as determined by S&P or Moody's. The network of rules, regulations and capital requirements that exist have all been established to protect the policyholder. Maple Life Financial is unaware of any valid life insurance policy where the payment of the death benefit has not been made...ever. Protected by regulatory capital requirements, a ready market for policy blocks of failed institutions, and state insurance funds, the risk that a valid benefits claim will not be honored is considered de minimis and most industry participants believe that payment of death benefits is generally immune from the health of the issuer.

Legitimate Market: That the life settlement market's explosive growth is expected to continue for the foreseeable future provides investors with a level of comfort that did not exist five years ago. The marketplace has been legitimized and investors can now enter with reasonable assurance that there are multiple exit strategies beyond merely holding policies to maturity.

Increasing Liquidity in the Market: Increasing liquidity in the market is evidenced by the emergence of electronic trading platforms for both initial settlements and policy re-trades as well as the fact that blocks of seasoned policies can be traded with valuations that reflect current market conditions as long as up-to-date medical information is obtained.

Emergence of New Products: Securitization of life settlement assets has occurred and is growing. Most securitized transactions are 'private label' and not rated but they have provided many institutions with the ability to gain exposure to the sector without having to commit hundreds of millions of dollars in accumulation programs. The rise of synthetic life settlement products, including 'virtual' portfolios and mortality indices highlight both the wide acceptance of the asset class and the continued need for physical asset trading. Over the last ten years, the potential benefits of including settlements in a portfolio have been recognized by commercial banks, investment banks, hedge funds, mutual fund families, pension funds, investment fund syndicators, and, surprisingly, insurance companies.

VII: The Process of Buying a Policy

Pursuing and completing the purchase of a life insurance policy from its original owner can be a complex process involving many different parties including life settlement brokers, financial advisors, insurance companies, life expectancy vendors, and, in most cases, a licensed life settlement provider.

The traditional life settlement transaction where a policy is purchased from its original owner will require the gathering and analysis of voluminous information about both the policy holder and, most importantly, the person whose life is insured by the policy (they are often not the same). The data about an insured will include: their age, their medical history, an estimate of their life expectancy that will be procured from an independent life expectancy underwriter, the type of policy, policy face amount, surrender value, policy or other loans, current and projected premiums, etc.

Life settlement transactions involving the purchase of a policy from its original owner are regulated in many states and properly documenting the transaction is both necessary and prudent. As such, the timeline to complete a life settlement transaction is usually four weeks to six weeks at a minimum. The key to getting the job done quickly and accurately is getting the paperwork as quickly as possible and using organizations that are properly licensed and demonstrated experts in the field. Key documents include life settlement applications, physician medical records and policy illustrations.

To the extent that a seller is represented by competent professionals, the process can be fairly smooth. In regulated states buyers may need to be licensed to be able to effectuate this initial purchase of a policy from its original owner. This is the reason that investors seeking to build diversified portfolios often work with a licensed organization such as Maple Life Financial.

The typical life settlement transaction is triggered by the life insurance policy owner's decision to sell. The decision to sell can be a function of any number of factors including (i) no longer needing the policy; (ii) no longer being able to afford the policy; (iii) desire to obtain cash for general purposes; (iv) wanting to a different kind of coverage, etc. Whatever the reason, the steps to a sale are always the same:

1. The policy owner consults with an advisor and decides to sell his or her policy.
2. The policy owner and their advisor decide whether to work with a broker or to go directly to buyers/providers.
3. The client and advisor submit the policy for valuation to buyers/providers. Typically the seller will fill out an application providing authorization to obtain medical records from doctors and in-force ledgers from life insurance companies to prove that the policy is in-force, to determine what the future premiums could be and to help buyers understand the nuances of the policy's economics and status.
4. If the policy meets the investment criteria of a capital source, offers will be sent via the channel selected by the seller.
5. The client and advisor review the offers and the client either accepts his or her preferred offer or rejects all offers. The client and advisor complete the provider's closing package and return essential documents.
6. The provider places the purchase price in escrow and submits change of ownership forms to the insurance carrier.
7. The paperwork is verified and funds are transferred to the policy seller.

VIII. What is a Life Expectancy and How is the Value of a Policy Determined?

Appreciating what a life expectancy is and understanding the process of valuing a policy is critical for any investor that is considering allocating capital to the sector. Making matters more complicated is that there are alternative methodologies that investors can use to arrive at asset valuation.

All valuations require the same basic information: an estimate of the life expectancy of the individual covered by the policy being purchased, a current in-force illustration that lays out projected premiums for the policy for as long as possible and data regarding the sex, smoking status and birth date of the insured.

A life expectancy is the midpoint, expressed in years or months, of life remaining for a population of people of a given age, sex, smoking and health status according to a given mortality table. In other words, at the LE, 50% of the particular population will have died and 50% will live longer. The distribution of mortality throughout the projection period is called the ‘mortality curve’. An LE is NOT an estimate of the date upon which someone will die.

The most widely employed valuation methodology is called the ‘probabilistic’ method. Its application requires the use of some sophisticated pricing models that investors and their advisors either buy from third party vendors or develop in-house. This approach assumes that an investor will acquire a significant portfolio of assets.

Using the in-force illustration the pricing models will determine the underlying ‘cost of insurance’ (COI) that is required to be paid over time in order to maintain the policy in good standing. In the early years, the COI is less than the scheduled premium that is presented in an illustration but in later years the COI can be significantly more than the illustrated premium.

Armed with an LE and an estimate of future COI, the pricing models will project out periodic income and expense for the specific asset that reflects how the population having characteristics like the insured is projected to experience mortality at given points during the projection period. The resulting cash flows will be discounted at an investor’s required rate of return to determine what price an investor is willing to pay for a specific asset.

It is crucial to understand that this method of valuation assumes that a buyer will acquire a large enough portfolio, in terms of the number of non-identical lives, so that the probabilities embedded in the mortality tables used in the pricing model will have some validity. Investors must recognize that it is impossible to determine the point at which any individual mortality event will occur.

IX: What is a Provider?

A life settlement provider is a “financial entity” that buys a life insurance policy from the policy owner and pays the owner when the transaction is completed. In many states, it is only a licensed life settlement provider who can actually transact with the original owner of a policy (this restriction does not exist for re-trades of policies). It may be easiest to view a life settlement provider as the middleman or ‘buyer’s broker’ that enters into the transaction with the policy-owner and pays the policy-owner when the life settlement transaction closes. Most life settlement

providers 'own' the policy for just an instant as they essentially enter into a simultaneous transaction that transfers ownership to the ultimate investor. This is typically accomplished via the terms of an 'origination agreement' between the provider and the investment entity. Of course, there are some life settlement providers that use their own capital to purchase policies for their own portfolio. Full service life settlement providers like Maple Life Financial provide services that include policy sourcing, policy underwriting, policy pricing, pricing negotiation, acquisition closing, post-acquisition servicing (payment of premiums, periodic premium optimization, life tracking, etc) and death benefit collection.

X: Portfolio Construction

Investing in life insurance policies does require some degree of planning. It is axiomatic that the mortality of any given individual is a random event which is why mortality tables are constructed based upon the mortality experience of hundreds of thousands of lives. So an allocation of capital to the life settlement sector must be done with the expectation that a portfolio of policies covering many different lives will be acquired. Like all investment classes, diversification within the asset portfolio itself would generally be considered prudent. The following is a list of the types of policy and portfolio diversification requirements that are typically developed when a capital source sets out to begin acquiring policies. Depending on the specific criteria, the guidelines can be dollar weighted or straight averages.

1. **Minimum number of lives:** As previously stated, investors must compile a portfolio that has enough different lives to have statistical significance so that the actuarial tables that underwriting is based on have validity. Most investors require a minimum of 100 lives though many industry participants believe that a portfolio of at least 300 lives is needed to achieve appropriate minimum levels of diversification.
2. **Face Values:** Generally speaking, investors anticipate that their capital will acquire a certain level of death benefit. Coupled with the minimum number of lives the minimum required total death benefit will show a required average death benefit for the portfolio. But as individual policies can range from \$50,000 to tens of millions of dollars, minimum and maximum individual policy face amounts are also required. Depending on the amount of capital committed to an investment program, typical ranges are minimum face amount of \$250,000 with a maximum face amount of \$15 million (where there might be a limit as to how many policies having a face value greater than \$5 million or \$10 million could actually

be purchased). Because it is as expensive to underwrite a small policy as it is to underwrite a large policy, many investors will set floors so that the acquisition process can be financially efficient. A floor of \$250,000 per insured (as opposed to per policy) is typical.

3. **Age and sex of the insured:** While not as important a criteria as some others, an investor may wish to set parameters like 65% males and 35% percent females with age ranges of 65 to 85 with an average age of 78.
4. **Policy and Portfolio LE range:** These will be a function of the anticipated life of the investment program. For example, policies with LE ranging from 25 months to 180 months with a portfolio average of 120 months might be appropriate for a program with a 15 year investment horizon. Investors must always remember than an LE is the midpoint along a curve...it is not the endpoint.
5. **Health Characteristics:** Medical developments that extend life expectancy are one of the risks in underwriting and projecting based on current data. Accordingly, diversifying across diseases is an important consideration as was learned by investors in viatical policies. Even within diseases (such as cancer) diversification can be important. An example of portfolio criteria (by no means exhaustive) might be: no more than 50% with no disease; 20% with coronary artery disease; 15% with respiratory ailments; 10% with dementia, such as Alzheimer's; 10% with lung cancer; 5% with breast cancer; 5% with prostate cancer; 10% with diabetes (Type I and Type II); 10% with miscellaneous problems, etc.
6. **Issuer concentration and credit characteristics:** Despite the fact that death claims have always been honored, regardless of the credit quality of the issuer, most investors have guidelines as to the percentage of their portfolio that can be concentrated with any single insurer as well as 'buckets' covering the financial strength of the insurers as determined by independent rating agencies like Moody's or A.M. Best. Examples would be no more than 25% of policies by face amount from any one insurer, no more than 50% of policies from the top 4 insurers and a requirement that there be at least 10 insurers represented in a portfolio. Credit rating criteria might be along the lines of 50% rated AA- or better, 30% rated A- to A+ and 10% rated BBB- to BBB+.

7. **Maximum Survival at Maturity:** Insurance policies generally run until the insured reaches a certain age with the typical maturity being 95, 100 or 120 years of age. If the insured has not passed away by the policy maturity date the policy will expire and the policy owner will receive any cash value that exists in the policy. Most investors in settlements manage cash value to be as low as possible so that at maturity one would expect to have minimal cash value. When projecting out mortality along a curve, there often are circumstances where it would be expected that some portion of a population would be alive when a policy matures. Investors should set a maximum probability of survival so that they minimize the risk that they will own policies that mature with little or no value due to survival of the insured.

This list is of course incomplete and is not meant to represent a recommendation for the design of any particular portfolio. Every investor will have its own unique portfolio design requirements. This summary does, however, provide a sample of what sophisticated investors consider when designing a diversified portfolio of life insurance policies.

XI: Risks and Returns in Life Settlements

Properly underwritten, a diversified portfolio of life settlement contracts can be expected to produce attractive risk adjusted returns over an extended time horizon that are uncorrelated with both traditional and alternative investment options. The important terms here are 'risk-adjusted' and 'extended time horizon' as life settlements do have some unique risks and characteristics that any investor must appreciate before designing and implementing an investment program.

Gross Asset Returns: Over the past five years individual life settlements have been underwritten to produce returns ranging from 9% to 15%. Returns can vary depending on the characteristics of the policy being purchased as the life settlement market, like any other market, is affected by the forces of supply and demand. For example, very high face amount policies and very long LE policies typically trade at premium return levels because there are just fewer buyers for those assets. Any observer would say that this is an incredibly wide range and would question why there is so much variation in projected value. The answer to this question lies in the first and most significant risk in life settlements: LE underwriting risk.

LE Underwriting Risk: There many vendors offering medical underwriting services to life settlement investors, each with their own methodology for estimating mortality. But the business of estimating life expectancies is not a fully developed science and there can be enormous variation of opinion between these different vendors with respect to the same life. Further, given the young age of the industry and the long time frames of some LE (remember that an LE of 10 years means that only 50% of a population will have died...the other 50% will live longer and some percentage may live more than 25 years), the critical measure of accuracy, known as actual to expected mortality, is only beginning to be empirically demonstrated. The result of the wide difference of opinion is that for a given price, one investor may be looking at mid-double digit returns while another investor could project no return or even a loss over the investment horizon. LE underwriting risk leads directly to the next issue facing investors.

Longevity risk – Simply stated, longevity risk is the risk that the individuals whose lives are insured by purchased policies will live significantly longer than anticipated. As previously noted, the mortality of any individual is random and it is a virtual certainty that every individual life expectancy will be incorrect as to the specific individual it was issued for. The expectation is that on a portfolio basis there will be a reasonable degree of accuracy. This, of course, is a function of the ability of the LE provider to project LE's that are accurate, on average, given a large number of lives.

Ways to mitigate both LE Underwriting Risk and Longevity Risk do exist. The most employed method is for an investor to buy multiple LE and to use the LE in some combination. This is a common practice though how investors ultimately use the data can vary. For example, some investors some will order two LE and average them; some get three and use the average of the two longest, and some order LE and have their own internal medical underwriting process make a final determination. However, in a competitive market, always using a conservative approach may require that an investor have lower return expectations in order to win policies as there are, or have been, investors willing to buy on the most aggressive LE they can find.

Liquidity risk – Life settlements are a zero-coupon investment (they pay a lump sum when the insured dies) that is coupled with the requirement to continually fund premiums to maintain the policy in-force. Investors in life settlements must therefore understand that they will have extensive cash outflows after they purchase a portfolio. Some investors project and anticipate that periodic mortality events will either augment reserves or be the primary source of funds for premium needs. The risk exists that mortality events will not occur as projected, leading to a cash flow shortfall that could require sales of assets or letting certain policies lapse.

Accumulation Risk: When investors allocate capital to an investment class they expect to get exposure relatively quickly. That can be difficult in the life settlement market, at least if a program is buying from original owners and not acquiring policies that have been previously settled. The issues involved include the fact that each transaction is unique with extended underwriting and closing times. Too, sellers are often elderly and do not always act quickly. Finally, the market can be competitive and is not well suited to an investment thesis that is absolute return based. Investors should look at life settlements as an asset class where permanent exposure is useful for portfolio efficiency. If an investor is not willing to modify return criteria as needed to meet market conditions then they may have an extended accumulation period.

Credit risk – While it theoretically does exist, as previously stated Maple Life Financial is not aware of a single valid death claim not being paid regardless of the financial health of the insurance company that issued the policy. The entire regulatory framework in the United

States is designed to ensure that policyholders get paid when they have valid claims. Even in midst of the credit crisis that occurred in the autumn of 2008, and despite significant financial problems at the holding company level of major insurance entities, state regulators and insurance companies reinforced this message to policyholders.

Legal risk – Poorly documented transactions run the risk of being subject to legal challenges from original beneficiaries. This risk can be both mitigated and eliminated when an investor uses an experienced underwriter and provider like Maple Life Financial.

Regulatory risk – For institutional investors, good regulation should be welcomed. Industry efforts have been designed to promote transparency of life settlement transactions, to protect the rights and values of policy owners and to bar nefarious practices. However, the insurance industry has continued to try and bar life settlements (even as some insurers become major investors in the product). While the guidelines offered by both the National Association of Insurance Commissioners (NAIC) and National Conference of Insurance Legislators (NCOIL) have similar provisions (with a few notable differences), the risk is always that an individual state will adopt regulations that essentially inhibit investors from buying policies from residents of that state. In the end it is the consumers that are hurt but it would also shrink the market of viable transactions. To make sure that an investor is complying with the individual state laws and that they are kept abreast of activity at the state level, they should align themselves with providers like Maple Life Financial who possess the operating licenses, state by state expertise and in-house compliance departments necessary to make sure that an investor does not run afoul of the regulations in any state.

Legislative risk – The growth of life settlements could lead to a scenario where Congress decides to tax the cash build-up in life insurance policies. Currently, life insurance proceeds grow tax-free, with no income or capital gains tax due on the death benefit. For settlement investors this may not be too much of an issue as the practice is generally to minimize cash build-up in policies and the death benefit of a policy purchased as an investment is subject to taxation. The risk to the market is that taxation of cash build-up will make insurance policies less attractive and could therefore reduce the potential size of the industry.

Service Provider Risk – Buying life settlements requires a thorough knowledge of individual state rules. Managing policies post-acquisition is a critical exercise to make sure that the policies do not lapse and that insurance companies credit accounts with payments made. Not having competent assistance in all phases of the ownership life-cycle is a greater risk than many investors appreciate.

XII: Maple Life Financial: Making the Move to Life Settlements

As investors evaluate both the risks and opportunities associated with life settlements, finding a credible, ethical life settlement provider should be a significant goal. As that process unfolds, we ask investors to consider Maple Life Financial.

Maple Life Financial has knowledge and understanding of the U.S. secondary life insurance market that is unparalleled. We have direct experience in all aspects of the life settlement market and have been instrumental in its development. We operate in a fully transparent environment with full disclosure and strict compliance with all regulations. We seek to make every transaction a positive experience for all parties involved.

An MLF Financial Group Company
Why we're different

- We are institutionally owned and funded.
- We were one of the first providers to evaluate and purchase life settlement for our own account.
- We employ superior risk assessment for each asset purchased and serviced.
- Our process and infrastructure allow third-party capital sources to enjoy the benefits of our institutional approach.

We believe in what we do

- We have been an active participant in the industry since it first emerged.
- Our in-house compliance experts actively work with state regulators to educate, promote, and establish model practices.
- We are supporting members of the Life Insurance Settlement Association and co-founders of the Life Settlement Institute.
- Our senior team of insurance and financial experts offer industry specific leadership and are frequent speakers, presenters, and authors in industry events and publications.
- Our educational materials reach more than one million insurance and financial professionals annually.

We have the credentials

- We are one of the top-rated life settlement providers
- We have the necessary regulatory requirements and are able to purchase life insurance in all states where required, except Alaska.

We honor our relationships

- We are fully supportive of the distribution channels and do not interfere with client relationships
- Our dedication to sound business practices and industry compliance is well known and respected

Our best practices

We are firmly committed to doing business the right way and strive to protect all parties involved. Due diligence is conducted on every transaction. As part of this commitment we verify that all parties are properly licensed, where required, offer a rescission period to sellers, offer E&O coverage to brokers, use independent escrow services, even in states where that's not required, employ anti-fraud and consumer privacy measures, are HIPAA compliant, and perform regular background checks.

Unique Perspective – Unparalleled Experience

Along each of the dimensions by which life settlement providers are measured, Maple Life Financial brings a unique value proposition:

Distribution: Maple Life Financial is projected to process over \$20 billion in death benefit face amount in 2009. This volume is for single non-policy non premium financed life insurance from across our multiple distribution channels

Underwriting: While maple Life Financial uses the common third-party external life expectancy underwriters, it also has internal expertise to validate consistent performance. Maple Life underwriters average over 25 years of experience. Our underwriters come from positions as chief underwriters or medical directors for major insurance companies.

Compliance: Maple Life Financial has the most extensive compliance programs in the industry. Within 12 months of joining the compliance team, the attorneys and paralegals at Maple Life Financial must complete the Certified Fraud Examiners program. The CFE designation is most commonly used by claims personnel at life insurance companies. Each purchased case is reviewed prior to closing in the same manner that the insurance carrier will examine the case when they decide whether or not to pay the death claim.

Servicing: Maple Life Financial is one of only two servicers to have been rated as a consumer finance servicer by Standard and Poor's. The infrastructure at MLF LexServ allows portfolio owners to actively view and manage their assets to whatever level of detail they desire.

Join the growing number of investors who have discovered that making the move to life settlements, especially with Maple Life Financial, was the right move to make.

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XIII: Appendix I: Glossary

Key terms in understanding life settlements:

Accelerated Death Benefit - An advance settlement of death proceeds payable under a life insurance policy.

Accumulation Value - The dollar value, at any valuation date, of all amounts accumulated under the policy.

Beneficiary - A person who receives continued annuity contract payments if the annuitant or owner dies while payments are still due.

Cash Surrender Value -- The cash value after surrender charges have been deducted, i.e. the amount of money, before adjustment for policy loans or late premiums, which the policyholder will receive if the policyholder allows the policy to lapse or cancels the coverage and surrenders the policy to the insurance company.

Contestability Period -- The time period at the beginning of a life insurance policy during which the insurer can challenge the death claim based on material misrepresentations submitted at time of issue.

Contract Owner - The person or entity that has all rights to the life insurance (policy) contract. Usually the person or entity that purchases the policy.

Death Benefit -- The face amount of the life insurance policy paid upon the insured's death, i.e., the dollar amount stated on the specification page of a policy and paid by the insurance company to the beneficiaries of the estate, less any outstanding debts or liens, upon policy maturity or death.

Escrow Agent - An entity designated by the provider and recognized by governing state authority (i.e. insurance commissioner) to accept, verify, and /or transmit documentation and pay the proceeds of a financial transaction.

Face Amount -- The amount stated as payable at the death of the insured at the maturity of the contract.

Insured - The individual whose life is covered by an insurance policy

Life Expectancy (LE) -- The average number of years of life remaining to a number of people of a given age according to a given mortality table.

Life Settlement -- The sale of a life insurance policy by the policyholder, before the policy matures. Such a sale, at a price discounted from the face amount of the policy but usually in excess of the premiums paid or current cash surrender value, provides the seller an immediate cash settlement.

Life Settlement Provider – A company like Maple Life Financial that purchases life insurance policies in a life settlement and takes over premium payments and subsequently receives the death benefit.

Net Death Benefit -- The death benefit of the life insurance policy or certificate to be settled, less any out- standing debts or liens.

Premium -- The amount of money a policyholder pays, usually in installments, for an insurance policy or annuity. Payment plans vary depending on the type of policy or annuity.

STOLI (Stranger Owned Life Insurance) -- Transactions in which life insurance policies are sold after policy issuance to third party - investors at a premium over the value that would be received upon surrender to the carrier.

Maple Life Financial

Maple Life Financial is recognized as a global leader in helping institutional investors achieve their objectives in the mortality-based products market. Known for its world class service and integrity, Maple Life Financial provides a broad array of services to institutional investors, including the origination of investment grade assets. Maple Life Financial is headquartered in Bethesda, Maryland. For more information, please call +1-877-777-0635 or visit www.MapleLifeFinancial.com.

MLF LexServ

MLF LexServ an affiliate of Maple Life Financial and Cantor Fitzgerald is one the nation's leading servicer of mortality-based products, providing turnkey processing, closing, and servicing functions for institutional investors. MLF LexServ is headquartered in Bethesda, Maryland. For more information, please visit www.MLFLexServ.com.

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