Analysis Report

Life Expectancy Comparison
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Provided by

Maple Life
ANALYTICS
An MLF Financial Group Company

Objectives of this Report

The objective of this report is to compare the Life Expectancy (LE) reports of the three major underwriters in the Life Settlement market over a significant period of time. To do so, we have taken historical life expectancy data and identified every insured for whom we have at least one LE from each underwriter. Ideally, a comparison of underwriters would involve a study in which each underwriter reviewed the same individual at the same time with the same medical files. We cannot control the conditions to this degree, so instead we have identified every possible combination of three LE's and retained only those combinations where all three LE's were issued within 6 months of each other. The short 6 month timeframe suggests that the reviews were likely based on the same information and improves the quality of the comparison.

What We Have

This evaluation is based on more than 10,000 lives with a life expectancy report from all three of AVS, Fasano and 21st Services. We have conducted a study of the cases for which all three reports are dated within 6 months of each other. This is a universe of 16,496 observations. Individuals may be included more than once, if they have more than one unique combinations of 3 LE's. In summary form, we began the study with approximately 20,000 unique lives and 75,000 LE's. When the criteria of all three LE's falling within 6 months of each were applied, this dataset was reduced to 9,452 unique lives and approximately 35,000 LE's, as detailed in Table 1 below. From this dataset, 16,496 unique combinations of three LE's resulted.

	Table 1 – Population of Lives and LE's Available for Study			
	Base Data		After Applying Time Limits	
Underwriter	Lives	LE's	Lives	LE's
Fasano	17,377	34,128	9,452	14,114
21st Services	18,304	21,065	9,452	10,679
AVS	19,885	23,185	9,452	10,732

An example of a specific individual with multiple LE's is attached as Exhibit 1. The SSN upon which the matching was developed is, of course, redacted.

There are other selection criteria which could be applied. For example, we considered rules such as:

1. All LE combinations which fall within a 6 month timeframe (our choice)
2. All LE combinations which fall within a 12 month timeframe (bigger dataset)
3. One LE per calendar year for an underwriter, all falling within 12 months of each other

After reviewing each of the three selection criteria described above, we found that the conclusions and information were much the same. We also preferred the tighter timeframe imposed by a 6 month time span, which influenced our final choice of selection criteria.

LE Analysis, Summary Level

In this review of the data, we will describe the differences in LE's over time. Data begins in January, 2005 and continues through September, 2012; an interval of 93 months. We have used a rolling three month window to smooth the data. For example, LE's labeled as "August 2006" are from the 3 months of August, September and October. LE's labeled as "September 2006" are from the 3 months of September, October and November. We have measured the average LE from each underwriter for each 3 month period of time. We then present the difference in average LE's in graph form.

As can be seen by looking at any of the three graphs of LE spreads, we see several different "eras" of LE comparability. There is no one underwriter who has been completely consistent with either of the other underwriters, so the timeframes can be expressed differently depending upon which underwriter is held as the constant. The notes below are from the graph comparing AVS and 21st to Fasano, but similar comments could be made by looking to any of the three graphs.

2005	AVS, 5 months shorter than Fasano, moving up to very similar results 21st, a fairly steady 15 months shorter than Fasano
2006	AVS, slowly returns to an average 5 months shorter than Fasano 21st, steady separation to an average that is 25 months shorter
2007	AVS, steady separation from 5 months shorter to 15 months shorter over the year 21st, steady separation from 25 months shorter to 30+ months shorter during 2007
2008	AVS, compression from 20 months shorter to 10 months shorter (extension year) 21st, compression from 30+ months shorter to 20 months shorter (extension year)
2009	AVS, steady separation from 10 months shorter to 20 months shorter 21st, steady separation from20 months shorter to 35 months shorter
2010	AVS, holds fairly steady at 20 months shorter on average 21st, late year compression from 35 months to 25 months shorter
2011	AVS, some compression from 15 months shorter to 10 months shorter over '11 21st, most of the year holds at 25 months shorter, with a late year widening to 30
2012	AVS, compression continues and lately these two have similar averages 21st, holding steady with an average LE 30 months shorter than AVS or Fasano

At a very high level of summary, any of the three graphs show that for the past 5-6 years, Fasano and 21st Services have averaged a 30 month separation, while AVS has moved within that range.

Conclusions

When the same insureds are reviewed by all three underwriters within a 6 month time span, we see meaningful and consistent differences. We see them across long periods of time and age bands. There is no doubt in our minds that investors who base their purchase and retention decisions on LE reports without an awareness of the differences in the underlying patterns will not achieve the results that they expect.

In our follow up papers on this topic, we will address:

Actual / Expected mortality results for these identical lives. Results will be examined based upon the underlying mortality multipliers, as well as by tracking the individuals.

Pricing / IRR implications of these differences

Maple Life Analytics has extensive data and expertise which it uses to advance its client's success in mortality based products.

For further information or to discuss these results, please contact:

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