

Minutes of the

33rd General Meeting of Members held in Munich on September 27th, 2015

Chaired by: **Ingo Wichelhaus and Christian Seidl
 (BVZL Executive Board)**

Minutes recorded by: **Daniela Paul**

Attendees:

BVZL Executive Board:

Christian Seidl	Life Bond Management GmbH
Ingo Wichelhaus	West Life Markets GmbH & Co KG

Full members:

BVT Life Bond Management GmbH	Andreas Graf von Rittberg
cash.life AG	Jens Grüneklee
Life Bond Holding GmbH & Co. KG	Michael G. Hoesch
North Channel Bank GmbH & Co. KG	Volker Bellmann
Policen Direkt Versicherungsvermittlung	Rafael Kurz
RV Funding AG/Winninger AG	Dr. Marcus Simon
Vida Capital Inc.	Adam Meltzer
West Life Markets GmbH & Co. KG	Ingo Wichelhaus
WTW Weidinger Thiele Wenninger	Dr. Robert Wenninger

Sustaining members:

Fasano Associates	Michael Fasano
Anna M. Bailey	RiverRock Trust, LLC
Wilfried van der Post	UniCredit Bank AG
Sascha Jahns	UniCredit Bank AG

PR Agency:

Lothar Trummer	ConsulTancy GmbH
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Location: Künstlerhaus Munich

Time: 10-11 a.m.

Agenda:

Date: Tuesday, September 27th, 2016

Time: 10-12 a.m.

Venue: Kuenstlerhaus (Lenbachplatz 8, 80333 Munich, Germany)

1. Welcome/Agenda

- a) Housekeeping
- b) *Re-election of Christian Seidl*

2. Budget forecast 2016/2017

3. Short update on the different sections of BVZL

- a) German Market
- b) UK Market
- c) US Market
- d) Legal and Tax
- e) Communications and Politics

4. Current Projects/Strategy

5. Miscellaneous and next meeting

1. Welcome and Agenda

- Board members Ingo Wichelhaus and Christian Seidl open the meeting and welcome all attendees. The invitation for the meeting along with the agenda was sent in time (August 31, 2016) and to date no objections or amendments have been received.
- The quorum of 25% has been established with 8 out of 12 full members being present.
- With regard to the minutes of the 32nd (virtual) General Meeting of Members of April 15, 2016, there are no objections or comments from members.

a) Housekeeping

New BVZL Member:

Ingo Wichelhaus introduces the new member in the German section, *Winner AG* (formerly RV Funding GmbH). Managing Partner Dr. Simon briefly presents the company, which offers German customers a fair and transparent way to sell their endowment policy or annuity. Via an online tool, customers immediately receive the purchase price and purchase offer. Behind Winner AG stands Mr. Mutschler, founder of cash.life.

Withdrawals as per December 31, 2016:

BVT Life Bond Management GmbH

Managing Partner Mr. von Rittberg expresses his thanks to the BVZL for the long, friendly and constructive relationship, which BVT Life Bond Management GmbH is forced to end due to the maturity of its US life settlement funds.

b) Re-election of Christian Seidl as Board Member

There are no objections from members with regard to Ingo Wichelhaus acting as election administrator. Mr. Seidl's official term as Board Member responsible for international affairs ends per December 31, 2016. Ingo Wichelhaus praises the work done by Mr. Seidl on behalf of the BVZL and suggests that his term be extended by another two years. On the part of the members, there are no comments or counterproposals.

The vote in favor of Mr. Seidl's reelection is unanimous, there are no abstentions. His term of office will therefore be extended by another two years and will last from January 1st, 2017 through December 31, 2018.

2: Budget 2016/2017

Budget 2016

The budget plan was handed out to participants at the beginning of the meeting and is attached to these minutes. Christian Seidl explains the budget item "Office/Administration", the responsibility of which was transferred from Consultancy to BVZL member Life Bond Management in August 2016. This became necessary due to a lack of qualified staff since the departure of Ms. Sofie Türk in February 2016 and the resulting poor operational quality. Monthly remuneration for administrative tasks, technical and physical infrastructure etc., which used to be EUR 3,000 for Consultancy, are now as follows:

- Remuneration for Life Bond Management GmbH for administrative tasks (15 hours per week, up from 12 weekly hours), office use, phone costs, postal charges, etc.: EUR 2,765.00
- EUR 169.00 per month for maintaining a „virtual office“ in Prinzregentenstraße
- 55.00 Euro per month for storage facilities in Prinzregentenstraße

The administrative tasks will be performed out of the office of Life Bond Management GmbH (Münchner Str. 54, 82069 Hohenschäftlarn), the BVZL's official address will however remain

Prinzregentenstr. 54, 80538 Munich. There, the BVZL will maintain a so-called “virtual office” (incl. letter and call acceptance, storage facilities, etc.).

Profit forecast:

For 2016, the Management Board expects to realize a profit of almost EUR 12,000, lifting the credit balance of BVZL to approx. 40,000 (incl. the budget reserve). So far, no new members have been won, however the projected profit from the BVZL ELSA Summit is relatively high, at EUR 13,000. Tax returns for the year 2016 are expected to be similar to 2015 levels (approx. EUR 7,000).

There are no questions or comments by members.

Budget 2017

Ingo Wichelhaus leads members through the budget forecast for 2017 (see attachment):

2017 projections of administration costs, tax returns and the expected profit from the BVZL ELSA Summit 2017 remain the same as in 2016. A provision in the amount of EUR 10,000 has been formed and is to be used for the relaunch of the BVZL website (necessary due to an obsolete and in part defective content management system), creation of a new image brochure and conducting of a marketing campaign. Detailed information on the exact content of the special project will be given at the next (virtual) members’ meeting in spring 2017.

Anna Bailey asks about the status of the merger talks with ELSA. Christian Seidl says that on the part of BVZL there is still considerable interest to pursue the negotiations, but since the election of a new ELSA executive board and the change of responsibilities talks have been postponed. Mike Fasano, who is also on the executive committee of ELSA, says that the new chair Alec Taylor is generally still interested to merge the associations however it isn’t a top priority for ELSA.

Christian Seidl says that irrespective of a potential merger, BVZL’s marketing and PR activities for the German, British and US life insurance markets should be expanded. He says that there is an observable growing interest of German investors in the life settlement markets, which should be taken advantage of.

On the part of members, there are no questions or comments on the 2017 budget.

3: Short update on the various sections of BVZL

a) German market

Ingo Wichelhaus refers to his detailed presentation on the German secondary life insurance market held at the summit. He only briefly reiterates the most important facts:

The market is currently defined by a low policy supply. In 2007 the purchase volume was EUR 1.4bn in combined insurance sums, in 2015 the number was only 175m (the total surrender volume was however EUR 13bn). Ingo Wichelhaus says that the BVZL will have to considerably step up its activities in terms of educating consumers on the possibility of a policy sale and do more to push dubious providers out of the market. These charge high commissions and con consumers with alluring payment promises, which is of course highly detrimental to the market and consumer trust.

Another subject is the financial situation of insurance companies in the ongoing low interest environment. The evaluation of insurers' "Day 1 Reporting" showed that only three life insurers did not have sufficient coverage for the new solvency capital requirement and are now being monitored by BaFin. The buildup of an additional provision to the premium reserve introduced in response to the low interest rate environment has proved successful, i.e. life insurers should be well prepared for the coming years.

With regard to the uncertainty as to the tax treatment of secondary market policies, Ingo Wichelhaus informs members that the tax consultancy WTW in cooperation with audit firm KPMG has filed a complaint with the EU Commission against the Federal Republic of Germany. Both companies are of the opinion that secondary market policies should be VAT-free for seller and buyer (as is the general rule for insurance products on the primary market). There is no reason why this should not apply to the secondary market, however some financial authorities (not all) do not accept VAT exemption. For policy purchasers a binding legal basis and security of the business model is however essential.

In reply to Michael Hoesch's question as to the likely duration of the complaint process, Jens Grünekleee says he expects an answer not before summer 2017, since at EU level all complaints must be translated into the official EU languages before they will be processed further. The BVZL and its members now hope to receive a general EU ruling on the tax treatment of secondary life insurance policies, not just German ones.

b) UK Market

Christian Seidl refers to the annuities panel at the BVZL ELSA Summit and the BVZL's general interest in the development of the secondary market for annuities in Great Britain (similar to the TEPs). There will be ongoing talks with Alec Taylor of ELSA on the subject.

c) US Market

Adam Meltzer, Co-Head US Section, emphasizes the strong growth of the US life settlement market in the US, above all the large trade volume on the tertiary market. He says most buyers are eagerly awaiting the trade of the AIG portfolio. Adam also mentions the two new LE provider companies, "Elevation" and "LSI", which are however currently only being used by brokers. Adam goes on to talk about the positive ruling of Florida's Supreme Court on STOLI (Stranger Originated Life Insurance Policies) policies, reaffirming that after the end of the contestability policies STOLI policies can no longer be contested.

d) Legal/Tax

cf. comments by Dr. Wenninger under a)

e) Communication and Politics

No updates

TOP 4: Current projects/strategy

Ingo Wichelhaus commends the BVZL ELSA Summit 2016 and the large number of participants. He emphasizes the good working relationship between BVZL and ELSA, which is to be continued and expanded. Plans are to hold another joint summit in 2017 (in London). For that, Michael Hoesch suggests a speaking slot for a representative from a primary insurer. Mr. Grüneklee says it might be difficult to win such a speaker, however suggests to approach the GDV (German Insurer Association). There is broad agreement on this proposal. Mike Fasano reports that for the Fasano Conferences he has not been successful in winning an insurance representative, however they once had a speaker from the "American Council of Life Insurers". As was to be expected, his stance was not too amiable towards the secondary market, however the slot was definitely a good "pull factor" for the conference.

With regard to the presentation/study of the University of St. Gallen on the comparison of life expectancy estimates, Anna Bailey suggests to have a broader focus next time and to include transaction dates, comparison target/actual life expectancies, etc.. It might be an idea to approach a servicing company to receive a larger amount and greater detail of data. Mike Fasano asks BVZL members to provide data as well, since for the studies the university

had to rely exclusively on data provided by AA-Partners. Adam said it would be interesting to have the large set of data from the AIG transactions however supposes that the transaction/s will be private. Christian Seidl offers to talk to Prof. Braun about the matter of data supply and provision.

5: Miscellaneous and next meeting of members

There are no questions or comments from members. Ingo Wichelhaus reaffirms to step up BVZL's activities at the political level (the EU complaint being a first step). Also, there should be an increasing focus on members' expertise regarding longevity/life expectancy estimates and the question how this potential can be tapped and marketed.

The next (virtual) members' meeting is planned to be held in April 2017.

Ingo Wichelhaus und Christian Seidl thank everyone for attending and close the meeting.



(sgd. Ingo Wichelhaus)



(sgd. Christian Seidl)