

■ Peninsula's Goode On Realizing Potential

Whether in Business or on the Polo Field, the Key is to Live Life Passionately

J. Mark Goode ■

As CEO of The Peninsula Group, LLC, Washington, D.C., J. Mark Goode observes that “the life settlement market is now celebrating its 10th anniversary of serving America’s senior insured consumers and that the industry is beginning to realize its potential. As Chair of the Life Insurance Settlement Association’s (LISA’s) political action committee (LISA-PAC) with Doug Head he actively coordinates and strategizes the national effort to develop fair life settlement legislation and regulations for the industry. The Committee keeps LISA prepared to protect our industry in the legislative skirmishes that surface as those opposed to life settlements attempt to restrict the life settlement market. Goode is committed to seeing the life settlement market as well as his company realize its full potential. His background has prepared him well for all of these leadership opportunities and

challenges. For instance, he served for seven years in the United States Marine Corps – and was a Captain in the Field Artillery. He was on active duty during the first Gulf War and awarded the Navy Commendation Medal. That Marine Corps experience helped him develop the discipline to set goals and overcome obstacles, as well as gain an understanding of how to be an effective leader. Further, his Master’s degree in government and legislative affairs from George Washington University gave him a firm understanding of the interplay between government and commerce. And his years in the real estate investment banking world taught him the art of recognizing intrinsic value and skill in negotiating, financing and closing transactions.

Goode fielded questions about how the industry is developing and how his firm is reacting to the new market realities and opportunities...

How did you enter the life settlement market?

Following the Marines I started my commercial career in real estate development and investment banking and was involved in those sectors until 2001. I was driven by a strong entrepreneurial spirit and was searching for a new and robust market opportunity. Fortunately in 2002, I identified this small, rapidly emerging life settlement marketplace which, in 2002, was roughly a half billion dollars in face value. With a half trillion dollars of senior citizen-owned life insurance in force, I could see the remarkable “win-win” potential to serve consumers while building a profitable business. At that early point, the industry was incredibly inefficient with few participants, as well as a very high regulatory risk. There was very little legal and compliance expertise surrounding life settlements during this period. The young market was inefficient and there was very little expertise in medical underwriting. There were also major threats by life insurers who did not want to see the secondary market for life insurance develop and flourish.

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■ LOCATION

Washington, DC

■ SIZE

20 Employees

■ MORE INFORMATION

Peninsula is the majority owner and managing member of Capital LLC, Life Policy Dynamics, LLC; and Peninsula Insurance Capital, LLC.

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*(Continued from page 23)***What will help the market continue to grow?**

The marketplace has been out of balance but as credit begins to flow again, we will begin to see new sources of both equity and leverage that will facilitate increased demand for the purchase of life settlements. This return of capital in 2010 will help the market to grow and will bring it back into balance between buyers and sellers. 2009 has been a soft “Buyers” market and there has been less economic value available for sellers of life policies, resulting in less motivation for owners of policies to sell them. If a policy owner has a choice, he is less likely to sell a policy in a soft market. It would be similar to saying, ‘I have a well located condo in New York City and I’m not selling this year because I know the New York market has strong intrinsic value that is not reflected in the current market pricing.’ Just as there is a current oversupply and limited number of buyers in the real estate market, there exists an imbalance of supply and demand in the life settlement market.

Will the industry ever reach the point where a Fidelity or Vanguard will offer their customers a life settlement mutual fund?

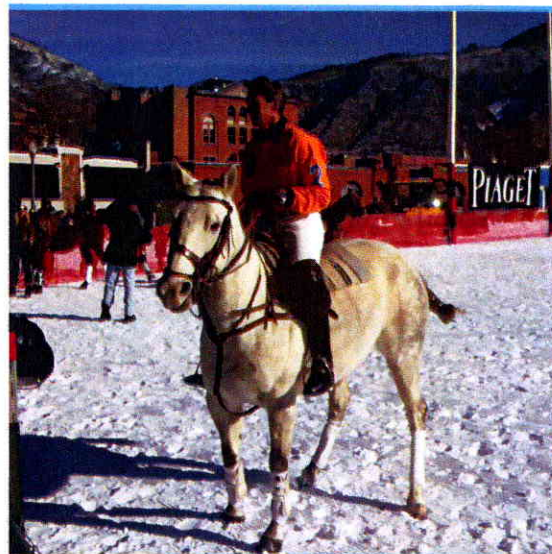
One of the things we must do as an industry is better serve high net worth retail investors who would love the chance to invest in this market but to do so in a way that mitigates their longevity risk while still providing for a reasonable level of liquidity. To date, those investors have not been well served. The industry has not yet created a quality U.S. retail product that offers investors an opportunity to participate in a

broad and diversified portfolio of settlements. I believe there is demand for an American product that offers an investor an interest in a portfolio of at least 100 lives, as well as the opportunity for liquidity if needed. Retail investor products to date have been largely fractionalized ownership opportunities, which we know should have a high degree of mortality risk and may not be a suitable retail investment product. I believe that a mutual fund manager will recognize this opportunity to partner with an experienced life settlement platform to build and manage a quality life settlement mutual fund.

Why is this an optimal type of investment opportunity for a mutual fund?

The risk for life settlements is longevity risk and not credit risk. Never in 200 years has there been a case when an owner of a life insurance policy has not received the contracted death benefit. In a portfolio of life insurance policies, the investor holds a basket of contracts issued and guaranteed by a diverse group of A-rated life insurance carriers. If you held debt for any one of those carriers, you might, for example, receive a 5.75% yield on a 7 year corporate bond. With a direct cash investment in life settlements, the investor is likely to receive twice that yield for substantially less credit risk. It’s important to keep in mind, the regulators are vigilant to protect the industry and policy holders. If there is insolvency, the owner of the policy goes to the head of the line and benefit claims are paid ahead of bondholders, creditors and everyone else.

So, then the risk in the life settlement market is longevity and requires portfolio diversity in order to mitigate and manage the mortality risk.



Goode riding during the World Snow Polo Championship in Aspen, Colo.

Obviously fractionalized ownership in a single policy contract magnifies that longevity risk. If a large mutual fund company partners with a life settlement originator and servicing platform that risk can be mitigated and managed.

Could it practically be done today?

Yes, with the proper off-shore fund feeder structure into a tax treaty jurisdiction such as the Peninsula Longevity Fund we have developed in Ireland. However, the key to sustainable success is absolute transparency and perfect execution by the fund’s investment manager.

Would there be a demand from the public for such funds?

Yes, American investors desire predictable asset backed returns with less volatility and market correlation. However, like global investors they have been fearful and are sitting on a lot of cash right now. A fearful and volatile market is one of the factors that have contributed to the flight of investment and run-up in the price of gold, long considered a safe haven. Our asset class provides another important investor option. That’s what the LISA European road show next month is all about. Industry leaders will visit the major European finan-

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cial markets in late February on a highly coordinated and publicized basis. The LISA roadshow is intended to build investor awareness and confidence while encouraging investor participation in this asset class.

So, is the industry on the cusp of major growth?

In 2010, I believe the capital will return to life settlements and the growth of our market will resume its acceleration. Someone in our industry will build a \$1 billion life settlement fund. It is going to happen and in this abundant market that success need not be limited to only one player. Today the market benefits from updated methodologies from medical underwriters based on current mortality tables to assess longevity. With that important correction in medical underwriting and mortality projections now available to us, longevity risk is further mitigated. With greater returns for less risk, capital can no longer sit on the sidelines.

Who will benefit from that growth?

After what the industry has been through in 2008 and 2009, there will clearly be a flight to quality. The most compliant and talented originators, service providers and investment managers will be the winners. And, this is not a winner takes all situation. The industry is big enough for several players to profit and win.

Will Peninsula be one of the winners?

Yes, I believe so because we are well positioned with complete vertical integration, experienced and innovative managers and a highly disciplined team. It comes from my Marine Corps background. We are well prepared and vigilant on the compliance, having a level of expertise and market knowledge that is valuable.

How important is data to developing the life settlement market?

Transparency is critical for the healthy development of any market and reliable market data is essential. Nearly two dozen industry leaders have seen the value of contributing data to our annual Life Policy Dynamics market study. The annual study that we have developed over the past three years look at many important policy and insured dynamics and market trends. Prior to this LPD study, there was literally no micro level market data available for new investors to measure the marketplace and to measure risk.

In 2006, the first year of the study, we had a few hundred lives. In 2007 the sample size doubled and for the 2008 study we had 1,000 lives. We are now collecting data for the 2009 market analysis and intend to have 1,200 data points in this year's report, to be published in late February.

The more reliable data we have, the more transparency there will be. A transparent market attracts more capital.

So, what is the essence of what you have learned from being in this business?

Oscar Wilde said that the real purpose in life is to realize one's true potential and it is my goal to reach my own potential, as well as fulfilling the remarkable potential of our company, while doing my best to help this industry realize its magnificent potential to serve both insurance consumers and investors.

From this conversation it seems that your work is one passion in your life. Are there any others?

Beyond this business my other passion is polo. It is a team sport that combines strategy, endurance and skill. First and foremost, the player relies upon the performance of his horse as well as his team-

mates. No wonder Polo has endured for centuries, it's a passionate game played with intensity at high-speeds. I have had the privilege of playing in the Heritage Cup during July at the Royal Military Academy at Sandhurst. Recently, I participated in the World Snow Polo Championships in Aspen Colorado. My team Captain was the legendary Carlos Gracida, a three-time triple-crown polo champion. In order to win a Triple-Crown, one has to win the three major tournaments – the Gold Cup in England, the Argentine Open at Palermo and the US Open in Florida. ■

**Restoring The Balance
In 2010, The Industry
Regains Its Firm Footing***(Continued from page 22)*

and competing for business.”

More money will come into the business and the paper of more carriers will be held, he maintains. But as more participants enter the market, IRRs will also get smaller, he adds.

Haynie maintains that a highlight in 2010 will be the trade mission for European investors looking for opportunities in the life settlement market. It will help address investor concerns and educate prospective investors in the industry, he adds. “I have got to believe it will increase business. If we don't tell our story better, we will be spinning around in a circle.” ■