



# Due Diligence Review

## *Life Settlement Advisors LLC*

**T**he purpose of a due diligence review is to assess the appropriateness of a given product or service for the membership of the Indiana Bankers Association. It is intended to augment, not replace, an institution's own due diligence efforts.

It is not the purpose of a due diligence review to make qualitative choices among competitors. A due diligence review is not an exclusive relationship. The IBA reserves the right to serve other firms offering the same or similar products/services.

Every effort has been made to assure the accuracy and completeness of this due diligence review. Any comments or questions should be addressed to Paul Freeman at 317-387-9380, e-mail: [pfreeman@indianabankers.org](mailto:pfreeman@indianabankers.org).

### **COMPANY OVERVIEW**

Life Settlement Advisors LLC specializes in the sale of unwanted or unneeded life insurance policies in the secondary market. "Life settlements" are basically the purchase of a life insurance policy on a third-party insured who has limited and reasonably determinable life expectancy. Policies become available when the fundamental need for life

insurance disappears because of changing circumstances, or a policy becomes economically inefficient.

### **COMPANY HISTORY**

Life Settlement Advisors is an affiliate of i2 Advisors, which began working in the senior life settlement market in January 2001. During the past five years, i2 Advisors has processed more than 50 life settlement transactions, totaling in excess of \$50 million in death benefits on behalf of a number of trusted advisers. In November 2005, i2 Advisors made the decision to form Life Settlement Advisors LLC as a separate corporate entity to focus on this segment of its business. Leo LaGrotte is the majority shareholder and serves as president and chief executive officer. i2 Advisors is a full-service insurance agency established in October 1994.

### **BACKGROUND ON LIFE SETTLEMENTS**

A life settlement is simply the sale of an existing life insurance policy by an insured with a limited life expectancy to a third party. With a long-term life settlement, the insured has a medically determined life expectancy of three to 17 years. Such a sale allows the individual to sell an asset for fair

market value and provide funds for his or her personal use. Life settlements should not be confused with viatical settlements, in which life insurance policies are purchased which cover the lives of persons with terminal illnesses — usually with life expectancies of two years or less.

There are several situations that can create a need for a life settlement:

- The policy owner owns multiple life insurance policies and wishes to eliminate one.
- The beneficiary for whom the policy was originally purchased is now deceased or no longer has a need for the policy.
- A reduction in the value of the policy owner's estate reduces the tax liability for which the policy was originally designed to provide.
- The policy owner wishes to make a charitable contribution, but would be faced with liquidity constraints as the result of such a donation.
- The policy owner can no longer afford to pay the premiums.

"The emergence of the life settlement has altered the landscape of the insurance trust business. It has presented an alternative course of action for trustees of trusts holding life insurance policies. In some cases,

sale of a policy pursuant to a life settlement will redound to the benefit of the trust and its beneficiaries dramatically, providing them a benefit that may be substantially in excess of what the more limited options previously available permitted, or by opening to them an alternative that is more in keeping with their present interests.” (Dean Edward Miller, *The Banking Law Journal*, May 2002.) This may suggest that in numerous instances, a bank or trust company serving as trustee of such a trust should regularly consider whether to sell a policy pursuant to a life settlement.

#### FINANCIAL STRENGTH AND STABILITY

The following documentation was provided as part of this due diligence review:

- Personal financial statement on Leo M. and Michelle L. LaGrotte, dated 1/1/2006;
- U.S. Individual Income Tax Return for 2003;
- U.S. Individual Income Tax Return for 2004;
- W2 Earnings Summary for 2005.

This information reflects a significant net worth centered primarily in

agency ownership and personal real estate. Income is derived principally from agency operations and has grown approximately 30 percent from 2003 to 2005.

LaGrotte is a 1985 graduate of Ball State University. For the past 10 years he has specialized in senior life settlements and policy performance reviews.

#### INDUSTRY REPUTATION

The IBA was provided with the following references:

##### First National Bank & Trust

Kate Borkowski  
317-574-1631 x1053

##### The National Bank of Indianapolis

Greg Zusan  
317-261-9713

##### Salin Bank & Trust Company

Jim Dimitroff  
317-532-2266 x1012

Each of these references was contacted by the IBA. Without exception, LaGrotte was described as professional, conscientious and possessing a high level of industry knowledge and experience. It should be noted, however, that these

references cover a variety of business relationships, not necessarily including, or limited to, senior life settlements.

i2 Advisors is an associate member of the IBA. LaGrotte is a member of the National Committee on Planned Giving, the Estate Planning Council, the University Club of Indianapolis and Kiwanis International.

#### MARKET POSITION

Life Settlement Advisors believes that its experience in processing senior life settlement cases and its understanding of the true life settlement value sets it apart from its competitors in the industry.

#### CONTACT INFORMATION

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#### CONCLUSION

Our due diligence finds Life Settlement Advisors LLC to be an established, reputable and viable provider to the financial services industry. It has an extensive and satisfied client base, evidencing its integrity and ability to perform. Based upon these findings, the IBA is pleased to recommend it to its members for their consideration. ❖

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## IBA Due Diligence

The mission of the Indiana Bankers Association is to support its members' efforts to provide financial services to the citizens of Indiana. One responsibility of that mission is to keep the membership informed of those products and services that can assist them in their success. Frequently the IBA has the opportunity to help match the needs of the Indiana banking industry with the products and services of those firms serving the industry.

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The IBA has made every reasonable effort to fully explore and document the information contained in this Due Diligence Report. This Due Diligence Report is provided for informational purposes only. The IBA does not endorse, guarantee nor warranty the products or services offered.

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## Forty Year Club

The Indiana Bankers Association welcomes the following banker to the Forty Year Club, an organization of professionals who have completed at least 40 years of service to the banking industry:

**G. Richard Gatton**, First Savings Bank, FSB, Middlebury and Howe ❖