

[Preliminary bids were due in the Fortress portfolio sale](#) By [Donna Horowitz](#) Updated 07:30 PM, Oct-25-2013 ET

Preliminary bids were due Thursday, Oct. 24, in the sale of [Fortress Investment Group LLC](#)'s life settlement portfolio, with \$4.168 billion in face value of insurance policies.

The portfolio is, by far, the largest to come on the market in recent years.

It wasn't immediately clear how many bidders made offers or what they were.

[Macquarie Capital](#) is arranging the auction for [Fortress](#). [Dan Miller](#), a managing director with Macquarie in New York, did not return calls or e-mails seeking comment. Macquarie previously represented Belgian bank [KBC Bank NV](#) when it originally sold its portfolio, with \$6.2 billion in face value of life policies, to Fortress in late 2010 for \$332.5 million. Fortress beat out other bidders including [Apollo Global Management LLC](#).

Apollo spokesman Francis McGill declined to say whether the private equity firm put in a bid in the latest auction.

Meanwhile, new details have emerged on the characteristics of the portfolio.

The summary offered by Macquarie said that Fortress would like to divest its entire life settlement portfolio in an asset sale, according to industry sources.

Macquarie described it as a large, highly seasoned portfolio made up of policies on older-age insureds with a variety of impairments, which is delivering increasing cash flows.

The portfolio contains 649 policies on 496 lives. A total of 29 insurance carriers are represented. The weighted average of life expectancies of insureds is 96.2 months. The average age of insureds is 83.

The male-to-female ratio as a percentage of death benefits is 56% male and 44% female. The average death benefit is \$6.4 million.

The portfolio is said to have delivered unlevered returns of 8% to 12%.

When Fortress bought the KBC portfolio for \$332.5 million, it said it expected to receive net returns of 28.7%, according to a November 2010 Fortress Life Settlements Fund document. The KBC portfolio is only part of Fortress' life settlement holdings, however. The private equity firm also obtained the [SageCrest](#) portfolio with \$514 million in face value and the \$1.34 billion HM Ruby fund portfolio.

Fortress also is offering its experience to the buyer on an ongoing basis through a servicing agreement.

The life expectancy estimates for the portfolio's insureds, provided by 21st Services, have not been updated since the Minneapolis life expectancy firm extended its estimates on average by 19% in January, industry sources said. This means that the estimates for those policies may be too short.

The [Stroock & Stroock & Lavan LLP](#) law firm of New York is representing Fortress in the transaction.

Fortress began reaching out to potential buyers in mid-September.

For now, Fortress is keeping its \$1 billion in policies issued by [Phoenix Cos.](#), which are tied up in litigation. Fortress affiliate Lima LS [PLC](#) has been waging a legal battle with Phoenix, accusing it of racketeering and fraud in a scheme to sell policies it knew would land in the secondary market, collecting premiums and then avoiding paying death benefits. It also has been fighting Phoenix over its cost-of-insurance rate increases imposed in 2010 and 2011. Fortress argues that they discriminated against investors who own policies. Phoenix has denied wrongdoing.

It is expected that only a small number of private equity firms or other big companies with deep pockets will have the means to bid on the portfolio.