

Life settlements—an ethical and socially responsible investment

Life settlements is a longevity/ mortality related investment topic. And on this background the question, whether a life settlement investment is 'ethical' or 'socially responsible', comes up in discussions with potential investors from time to time. Thus we decided to make the question the topic of this month's issue.

First and foremost, business models that are based on the remaining life time of individuals or an estimate thereof, are anything else but a new invention. Take for instance the annuity business which is a sort of 'bread and butter business' of life insurance companies:

- An annuity is issued by an insurance company and is bought by an individual. The buyer pays a lump sum and in exchange the insurance company pays an income stream to the buyer.

- The payments stop when the buyer of the annuity passes away. Thus the insurance company realizes a windfall profit in case of an early death.

No one would characterize an annuity as 'unethical' or 'socially irresponsible', nor would gains of an insurance company from this business be considered as 'unethical'. Thus, there are business models that are based on the remaining life time of individuals, and they are not 'unethical' in any respect.

The life settlement market is great for the original policy owners

As already mentioned, life settlements are a longevity/ mortality related investment as well. With life settlements an investor buys an unwanted or unneeded policy from the original owner, he pays the ongoing premiums and collects ultimately the death benefit.

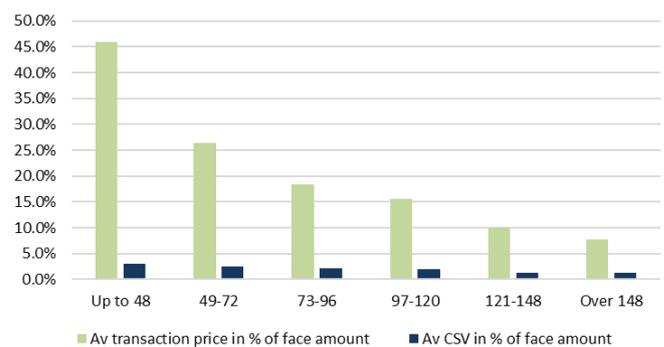
The owner of a policy, which is not needed any more, has three options: a.) he can lapse the policy; b.) he can surrender the policy; or c.) he can sell the policy to an investor. The first

option is not appealing. And with regards to options b.) and c.), a sale is by far the better solution than a surrender, compare also the following chart. We collect life settlement transaction data and therefore can compare the two options.

- The transaction price is a multiple of the cash surrender value on average. Thus, a sale is much more favorable from an economic perspective than a surrender.

- The advantage for the seller increases with shorter life expectancies. The seller gets more cash at hand in a moment where it is most needed for the support of the family or for the payment of medical bills and treatments.

Secondary market transactions 2014-2023



The sale of a policy is by far the most advantageous of the three options from an economic perspective.

Given that life settlements is a mortality/ longevity related investment, it has been widely discussed in the past by ethical and religious groups whether or not our market and an investment is ethical and social responsible. Today, we are not aware of any religious or ethical group framing life settlements as 'unethical' or 'social irresponsible' and opposing our market. The advantages of the life settlement market for policy owners are so obvious that there are no good reasons to be against it.

Data Sampling and Data Provider

The information in this report is based on life settlement transaction data which is collected by AAP on a multi provider basis. Per each transaction information regarding the policy, the insured and the transaction itself is obtained.

The transparent life settlement providers are (in alphabetical order):

- FairMarket Life Settlements

- Habersham Funding LLC
- Life Capital Group
- Life Equity
- Life Settlement Solutions
- LifeTrust, LLC
- Q Capital Strategies
- Settlement Group, Inc.

Life Settlement Market Activity

Mth to Mth

Secondary Market	Proj. Ret.	Volume
Main Market (Age 75-86)	↑	↑
Tail Market (Age < 75)	↑	→
Tail Market (Age > 86)	↓	↓
Tertiary Market		
Tertiary Market All	↓	↓
Total Market		
Sec. and Tert. Market	↑	↑

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