AAP
Life Settlement Focus Report

May 2026

Life settlements—DPI is the new IRR

The IRRs in the life settlement markets have been always double digit on average. While such high IRRs are attractive, they partly miss the point. Decisive is the realized IRR, thus ultimately the capital that has been returned to the investors relative to the contributed capital (DPI; **D**istributed versus **P**aid-**I**n).

DPI is a very well known metric in private markets (private lending/ private credit, private equity). It sets the money, that has been returned to investors, in relation to the invested capital.

Investments of private market funds are realized over time. The investment funds return the cash from realized investments to the investors, which is the DPI. The DPI increases over time and will ultimately exceed 1 if an investment is profitable overall, the investor has received more money back than has been put in.

Unlike IRR, DPI if purely about realized outcomes, time is not a factor. Investors look for realized returns. They want spendable, re-investable capital back, which DPI directly measures.

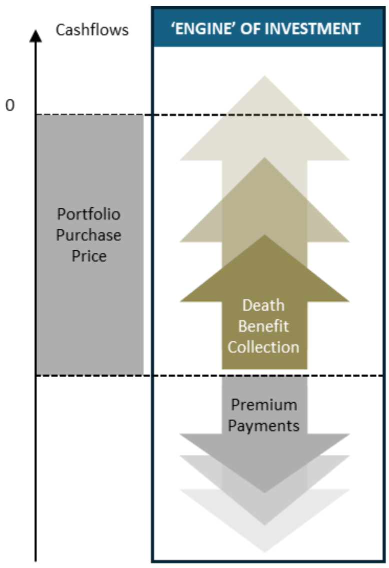
DPI is a key metric for investments in life settlements

Life settlements represent life insurance policies of US policyholders that are sold to investors. A life settlement investment generates two types of cash flows over time under a hold to maturity perspective:

- Cash-out: premium payments and other costs

- Cash-in: collected death benefits/ realizations

Cash, that can be returned to the investors, is therefore entirely determined by the balance of these two cash flows: ‘cash-in’ needs to exceed ‘cash-out’. The positive balance of cash-in versus cash-out can be used to repay the capital to the investors, that has been originally committed. And once the investors have been paid back the initial investment, a profit is received on top. This is the DPI as in the private markets.



You can’t eat IRR[1]

While the IRR of life settlement investments is an important metric, it does not tell the full story. What ultimately matters is whether expected value is converted into actual cash returned to investors. Thus, the DPI has significant strengths versus the IRR:

- Cashflows: DPI bypass valuations by referring to returned cash rather than projections

- Accountability: DPI forces accountability via its ‘cash-on-cash’ view

- Comparability: DPI enables more accurate benchmarking across different funds and strategies

The realization that DPI is an important measure beside the IRR of an investment, is not limited to life settlements but gains traction also in private markets[2,3]. Investments in private equity and private debt have been marketed in particular on the attractive IRR of the investments. However, investors allocate more and more to asset managers that return capital. DPI is increasingly the measure that is decisive for an allocation, and not any more the IRR.

Implications for reporting and benchmarking

While the IRR of life settlement investments is an important measure, it lacks the ‘tangibility’ of the DPI. DPI is easy to understand. DPI is purely about returned capital and spotlights the necessity of cash flowbacks. And DPI is difficult to ‘skew’ while the IRR can depend on assumptions and input factors.

For life settlement asset managers, this implies that reporting should include clear and consistent disclosure of cash-in and cash-out metrics that allow to understand the DPI of a fund. Without such transparency, investors are left with an incomplete picture and may effectively be exposed to a “black box”.

For investors, DPI provides a robust basis for performance assessment and enables meaningful comparisons across managers, independent of IRR figures.

Conclusion

The capital that is returned to investors, is one of the most important metrics when it comes to life settlement investments. The DPI is therefore an excellent measure to properly assess the performance of a life settlement fund, it is very suitable for the comparison of asset managers and it is one of the best measures to make investment decisions upon.

1 Marks 2006: You can’t eat IRR; Oaktree Capital Management L.P.

2 Falconer 2026: DPI—the three-letter metric that will drive fundraising in 2026; PEI Media

3 Garcia 2026: Private Equity’s Exit Drought Claims Its Latest Victim—The IRR Metric; The Wall Street Journal

AAP
Life Settlement Focus Report

May 2026
May 2026

AA—Partners Ltd.

Witikonerstrasse 36
CH-8032 Zurich
Switzerland
Tel. +41 76 414 42 29

AA-Partner is a boutique company specialized on life settlement consulting. The company is domiciled in Zurich, Switzerland and provides services as independent 3rd party for institutional clients.

Partnering for mutual success

www.aa-partners.ch