

Life settlements—an ethical and socially responsible investment

Life settlements is a longevity/ mortality related investment. 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. Business models that are based on the remaining life time of individuals or an estimate thereof, are nothing new. Take for instance the annuity business of life insurance companies:

- The buyer of an annuity contract pays a lump sum to an insurance company, 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 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.

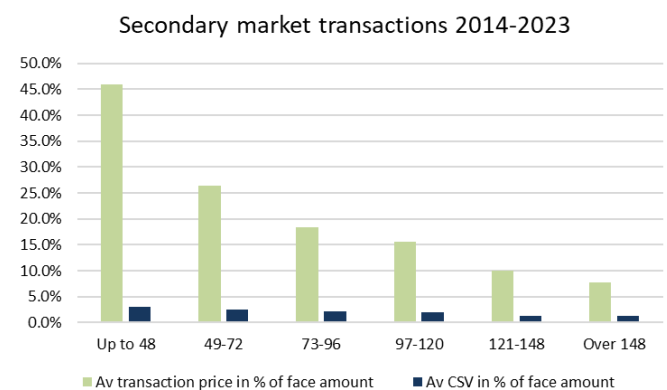
The life settlement market is beneficial for the original policy owners

As already mentioned, life settlements are a longevity/ mortality related investment as well. With life settlements an investor buys a policy from the original owner. But what are the reasons for a policy being offered to investors?

- Life insurance is made in certain life situations: marriage and a policy shall secure the living of the spouse in case of a death, house building and a policy shall secure the mortgage and so forth.

- However, the life situations change: divorce, the spouse passes away, the house is sold etc. Thus, the reason for the life insurance isn't there any more, but the insurance policy still runs and needs premium payments.

In this situation, the life settlement markets offer a valuable alternative for unneeded or unwanted policies. Still a policy owner can lapse or surrender a policy - so our market offers an additional choice to a policy owner. And a sale is by far the better solution than a surrender or a lapse, compare also the following chart. We collect life settlement transaction data and therefore can compare the options.



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

- 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.

Furthermore, 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.

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. The data providers send a sheet with the actual closings every month. 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 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	↑	↑

AA-Partner is a boutique company specialized on life settlement consulting. The company is domiciled in Zurich, Switzerland and provides consulting services as independent 3rd party for institutional clients. AA-Partner is a member of ELSA, the European Life Settlement Association.

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