



**INSURANCE
STUDIES
INSTITUTE**

www.InsuranceStudies.org

Compelling Issues ~ Finding Answers

Insurance Studies Institute (ISI) is a non-profit think-tank, headquartered in Keystone, Colorado. By facilitating and promoting innovative *research*, *collaboration* and *interaction*, ISI seeks to create knowledge, share information and enhance understanding of insurance paradigms affecting socio-economics in a free market economy.

Life Settlements ~ Reality Check

- Life settlements in the U.S. have increased from \$1.1 billion in 2000 to an estimated \$15 billion in 2007 = 45% annual growth
- Compares to \$20+ trillion of in-force life insurance = .075% increasing to .7% by 2016.
- Life settlement industry aggregate after tax PV in 2007 is estimated at > \$8.2 billion ... increasing to over \$80 billion in 2016
- 2007 PV of tax revenues is estimated at over \$2.8 billion which projects to over \$30 billion in 2016
- Estimated after tax PV to investors in 2007 > \$1.38 billion @ 13% IRR, increasing to over \$12 billion annually in 2016.

A Time of Change

The current capital market turmoil, including AIG and Washington Mutual, certainly requires reflection.

Stability of investments has to concern anyone facing LDI or known liquidity requirements.

Question: “How do life settlements weigh in this time of change?”

Where do life settlements fit?

Existing Insurance-linked securities include:

- **Catastrophe bonds**
- **Industry loss warranties**
- **Catastrophe futures contracts**
- **Derivatives**
- **Mortality risk transactions**

Fitch estimates \$7.7 billion of Regulation XXX and AXXX bonds issued from 2005-2007 ... this is a time of continuing innovation and change for the ILS.

Life settlements are part of the ILS family.

Survey

Pension / Endowment Research Survey

1. What *issues regarding Life Settlements would you like further researched and resolved, in order for you to consider including Life Settlements in your investment portfolios? * Relevant issues might include:**

- Legal concerns
- Social/moral concerns
- Structuring questions –
- Use notes?
- Ownership? Participation?
- How to balance Life Settlement investments with performance requirements, etc...

2. Would you be willing to contribute to ISI research related to structuring Life Settlement-based investments appropriate for pensions and endowments? YES / NO

•If YES to # 2, please provide contact information below:

Company name: _____

Contact name: _____

Phone number: _____

Email address: _____



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Has Investing in Life Settlements Come of Age?

Moderator:

Paul Siegert

President and CEO, Insurance Studies Institute

Panelists:

Jon Sabes

President and CEO, Insurance Strategies Fund, LLC
CEO, GWG Life Settlements, LLC

Bradley Geer

Managing Director, Houlihan Lokey Howard & Zukin

Antony Mott

Managing Director, ICAP Capital Markets



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Has Investing in Life Settlements Come of Age?

Salient Presentation Points:

- *Transparency with full documentation*
- *Conservative underwriting*
- *Critical portfolio size for volatility control*
- *Work with an experienced industry partner*