Exploring Alternatives—The Life Settlement Asset Class

By *Anonymous*
Created *20/02/2009 - 13:17*

Life insurance policies have emerged as credible investments that have drawn the interest of institutional investors across the globe. Today, some of the world's most sophisticated investors are including life insurance assets in their investment portfolios, either via direct purchase or through innovative synthetic products designed and sold by financial institutions around the globe.

WHY LIFE SETTLEMENTS?

Assets offering attractive risk adjusted returns that have little or no correlation to other assets have a place in most diversified investment portfolios. A performing life settlement portfolio generally meets those criteria along with other sought after asset class characteristics:

• Uncorrelated Returns: Cash flows from life settlements are based on mortality. Mortality is not impacted by what happens in the global or domestic economy or by geopolitical events. Cash flows from life settlements are a function of individual mortality and, as such, are completely independent of returns on other asset classes. Mortality is not correlated to movements in equity, debt or commodities markets.

• Attractive Absolute and Risk-Adjusted Returns: Individual policy gross returns generally project to be 9%-15% depending on the life expectancy vendor(s) used.

• Rapidly Growing Market: The U.S. secondary life insurance market has experienced explosive growth over the past six years and is expected to continue this pattern for the foreseeable future. This sustainable growth is supported by an aging population that have been large consumers of insurance products and who are turning to the market for solutions to meet their changing financial needs.

• Increasing Liquidity and Sophistication of the Market: Increasing liquidity in the market is evidenced by the emergence of electronic trading platforms for both initial settlements and tertiary trades. Securitization of assets has occurred and when the markets resume an acceptable level of turnover, portfolios will be structured to capture any liquidity for alternative assets. Most transactions are 'private label' and not rated but they have provided smaller institutions with the ability to gain exposure to the sector. The rise of synthetic life settlement products, including both virtual portfolios and mortality indices, highlights both the growing acceptance of the asset class and the continued need for physical asset trading.

The need for assets like life settlements and the attractiveness of the stability they may provide is highlighted by the current turbulence in the global capital markets. While virtually all kinds of securities are being negatively impacted, the performance of life settlements has been largely unaffected by the global credit crisis.

WHY MAPLE LIFE FINANCIAL?

At Maple Life Financial, we help institutional investors across the globe achieve their objectives in the mortality-based products market. Every transaction undergoes strict due diligence, anti-fraud, privacy, and data security measures to minimize risk and ensure investment criteria are met. Our best practices and real-world advice have become the industry's benchmark. Let our team of experts help you.

Mark Todd is Vice President of Capital Markets for Maple Life Financial, a mortality-based products provider and servicer based in Bethesda, MD. You may reach Mark at 240-477-1417 or mtodd@maplelf.com [1].
www.MapleLifeFinancial.com [2]

- [Articles and Features]

Source URL:
http://www.hedgeweek.com/2009/02/20/exploring-alternatives%E2%80%94-life-settlement-asset-class

Links:
[1] mailto:mtodd@maplelf.com
[2] http://www.MapleLifeFinancial.com