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As a leading advocate for industry education, Life Settlement Solutions, Inc. founded Life Settlement Awareness Month to provide valuable training on life settlements for financial professionals and the opportunity to earn CE course credit. This annual event offers top-of-the-line marketing support, training and industry expertise to improve producer sales activities.

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Life Settlements And Investors: The 2008 Outlook

The life settlement industry maintained steady growth during 2007, and it is expected to continue to expand as more investors become aware of the asset class and begin to enter the marketplace.

Life settlements can provide a rare yet beneficial opportunity to institutional investors looking for new investment tools. While these transactions have already been used by a number of financial professionals to help senior clients and expand business practices, more investors are beginning to enter the life settlement industry. This has helped fuel the drive for better education and information about the secondary market, as well as increased the attention being placed on the marketplace from those involved in the financial realm.

For financial professionals looking forward to 2008, it is important to understand the trends of the life settlement market, including what to expect in terms of investor interest and predicted growth.

Life Settlements—A Growing Market

Throughout 2007, the life settlement industry saw a rise in growth as more financial professionals began to enter the life settlement market and include life settlements into their life insurance practices. In fact, according to a May 2006 Bernstein Research report entitled "Life Insurance—Life Settlement Update—What a Difference a Year Can Make," the market has already surpassed its predicted growth and is expected to expand to an estimated \$160 billion in industry potential during the coming years.

Additionally, life settlements have quickly become one of the fastest growing segments of the life insurance industry, with \$5 billion transacted in 2004 to \$10 billion transacted in 2005, and the trend expected to continue.

The growth associated with life settlements is attributed in part to an aging population that owns significant life insurance assets, as well as relatively low market penetration. According to the Bernstein Research referenced above, an estimated 47 percent of people aged 65 and older currently hold life insurance policies that contain a collective \$416 billion in face value.

In addition, the market has attracted the attention of new players such as CPAs, broker/dealers, agents, insurance agencies, and estate and financial planners. This rise in interest, coupled with the demographics of the insurance market and the aging of the baby boomer population, will increase the size of the industry in 2008 and beyond and will offer investors even more investment benefits.

Why Life Settlements?

The life settlement market is expected to increase in importance during the new year, partially due to the substantial opportunities it will continue to provide for those looking to invest. Life settlements are a non-correlated asset class that generates returns independent from stock market forces. This has made getting involved in the life settlement market a major attraction for institutional investors, including pension

plans, private equity funds, hedge funds, banks and major financial institutions.

Although risks do exist for those looking to invest, the rewards associated with getting involved in life settlements will push for an increase in investors coming to the marketplace. Financial professionals can expect to see more investors driven to the market due to a number of potential benefits, such as the fact that life settlements can be an attractive investment with relative low asset volatility and uncorrelated market returns.

In addition to the benefits the transactions provide, more investors are expected to become involved in life settlements due to the anticipated securitization of the asset class, which is expected to occur in 2008. Securitization is likely to bring a greater amount of institutional capital to the secondary market, resulting in market efficiency and liquidity.

Types of Investment Opportunities

The growth of the life settlement market

over the past year has helped institutional investors with large capital meet their investment needs. This has resulted in a number of policies coming to the market that will continue to offer those interested with more investment options. These policies and portfolio of policies will further the attention placed on life settlements, and include:

1. Standard policies. Policies that represent the "mainstream" marketplace, range from \$250,000 to \$2 million and typically involve males aged 72 and older and females 75 and older.

2. Jumbo policies. Policies that exceed \$20 million in face value and benefit institutional investors with large amounts of money to invest.

Into the New Year

With the expected growth of the marketplace and the increase of institutional stakeholders investing in life settlements, the secondary market has positioned itself for not only more expansion, but also in-

dustry attention and progression. As life settlements continue to reach new heights in 2008, financial professionals can expect a push for more and better educational sources and more of a focus on regulatory and securitization requirements.

For those looking to get involved, or to just learn more, there are a number of quality, industry-related educational sources. Websites focused on the secondary market, such as the National Conference of Insurance Legislators (www.ncoil.org), the Life Insurance Settlement Association (www.lisaassociation.org), and the National Association of Insurance Commissioners (www.naic.org), are good places to start because they provide up-to-date information on the industry.

Financial professionals can also learn more by getting involved in industry events, such as state-certified continuing education courses and Life Settlement Awareness Month webinars, and by reading relevant articles, which are regularly featured in numerous trade publications. ☛