



ASR Alternative Investments

With over 100 years of collective successful management, marketing and investment experience, ASR was founded on the principles of integrity, character and a passion for excellence. With over a billion dollars of life settlement death benefit facilitated, ASR specializes in the structuring, servicing and management of robust customized life settlement portfolios. The entire ASR team has an unyielding commitment to customer service and an unprecedented support system for our clients. Our structure allows us to align our interests with our strategic partners while maintaining transparency, risk management, rigorous underwriting and process control.

Our continued focus is to bring a secure and innovative alternative asset-class to market. Our Life Settlement product has provided thousands of clients and counting, an excellent alternative to the volatility of today's market. This asset-class is highly uncorrelated to the turbulent stock, bond, real estate market and even geo political events. As a leading sales and marketing organization in the alternative wealth strategies arena, we have worked diligently over the years to develop a solid relationship with our providers. These relationships have cultivated unprecedented growth without compromising the integrity of the product.

What is a Life Settlement?

A life settlement is a transaction where, the owner (who may or may not be the insured) of a life insurance policy is paid a discounted value in cash in exchange for transferring ownership and all beneficiary rights of the policy to a new owner/investor. That new owner/investor assumes the future premium payments. A life settlement policy typically covers insurance policies of insured's over the age of 65.

Rate of Return

The primary factors affecting the rate of return in a life settlement transaction are the discount at which the policy is purchased, the premium payments necessary to keep the policy in force, and the time until maturity. Since the maturity of a life insurance policy depends upon the passing of the insured, this is the factor with the most uncertainty in a life settlement transaction. The sooner the policy matures, the higher the purchasers' annualized rate of return. Conversely, the later the policy matures, the lower the purchasers'

annualized rate of return, both because of the time value of money and the need to pay premiums to keep the policy in force. While there is certainly the potential for a higher or lower rate of return, historically investors can expect to receive double digit returns by investing in several life settlement policies.

True Diversification

We often hear the constant maxim of "diversification" from financial professionals and the business press. Most investors, however, (as well as their advisors) consider diversification within their portfolio to be a variety of holdings in different traditional financial instruments whose returns and risks are still in some way tied to the financial markets and the overall health of the domestic or global economy. Whether invested in stocks, bonds, variable annuities, or real estate, most investors have taken huge hits to their portfolios at some time or another – even if they thought they were adequately diversified. Many investors have found that, in one way or another, all their investments were linked to the condition of the economy through interest rates, the stock market, or even through the health and viability of well known Wall Street investment banks.

Life settlement investments provide portfolio diversification through an emerging asset class uniquely poised to remain uncorrelated to the economic instability often found in traditional capital markets. Family and Institutional investors, pension plans, endowment funds, individual accredited investors, insurance companies and banks have long recognized the value of this alternative investment class called senior life settlements.

What are the Risks?

Of course, just as with any investment, life settlements have their own set of risks. Life settlements are considered an illiquid investment. They are a growth instrument, not an income producing investment and should only be purchased with funds with which you do not need access. Policies may be purchased with life expectancy estimates from 24 months and up to 120 months. Since the life expectancy for the insured cannot be determined with certainty, life settlements do not have a known holding period or date of maturity. Purchasing life insurance policies that are all issued by investment rated, legal reserve life insurance companies, mitigates the risk of an investor never being paid the death benefit when the insured dies. While these and other risks do exist, these risks are not directly tied to market or economic conditions

making life settlements a great way to truly diversify your investment portfolio.

The Market Outlook

The latest Conning Inc. research, "Life Settlements, Secondary Annuities, and Structured Settlements: Rate Increases Squeeze Returns", suggest plenty more opportunities still exist in the life settlements market. The alternative asset class continued to attract investors into the market in 2015 and heading into 2016. Why? The prolonged low interest rate environment is forcing investors to embark away from traditional assets as they seek above average rate of return. We have outlined a few key findings from the 2016 edition.

The latest report found that \$29.3 billion in life settlements remained in force, a steady decline from \$36 billion in 2010. However, Conning has noted that, "as the insured individuals seek to monetize their unwanted life insurance policies the, consumer demand is likely to remain strong."¹

Based on analysis of the life settlements market:

- Over the period of 2016 through 2025, we forecast the annual gross market potential for life settlements will average approximately \$185 billion.
- We forecast that an annual volume of new life settlements will average approximately 1.8 billion per year.
- The total face value of in force U.S. life settlements at year-end 2015, available for resale in the tertiary market, was just over \$29 billion.

Although life settlements remain the smallest market, amount the alternative asset space investors have shown and increase interest and this is likely to translate to steady growth. The Towers Watson Global Alternatives Survey found that global alternatives AUM reached USD \$6.2 trillion at the end of 2015, Real Estate having the largest portion of AUM at USD1.2 trillion.² In comparison, life settlements were the smallest at USD\$29 billion for 2015 as per Conning's estimates.

Although, the market has not peaked again since its pre-crisis period the environment remains positive. However, investors are not committing to higher

levels of capital in the secondary market. Scott Hawkins, a Director, Insurance Research at Conning said, "New settlements will not be sufficient to offset the decrease of in force life settlements as the large block of older policies files death claims and the amount of in force life settlements will decrease, reducing the supply of policies available in the tertiary market."³

Interestingly, some market participants estimate the tertiary life settlements market at around USD\$100 billion or three times the Conning estimate of the secondary market.⁴

"Scott Hawkins, director of insurance research at Conning, said he couldn't find "any clear indication" that the life settlement market has negatively affected lapse rates or death benefit payouts of life insurers. Life settlements have not cut into profits of the life insurance companies whose policies are targeted by secondary market investors. That's the conclusion reached by Conning Inc. in its latest report on the life settlement market."⁵

¹ Conning Inc, 2016, 'Life Settlements, Secondary Annuities, and Structured Settlements: Rate Increases Squeeze Returns', pp. 11.

² Willis Towers Watson, 2016, 'The Global Alternatives Survey 2016', Accessed 21 February 2017.

³ Conning Inc, 20th October 2016, 'Conning—Life Settlements Industry Margins Pressured by Cost of Insurance Rate Increases', Accessed 21st February 2017.

⁴ Donna Horowitz, 23 November 2016, 'Tertiary market is about \$100B, three times higher than Conning's estimate', The Deal Life Settlements, Accessed 21st February 2017.

⁵ Donna Horowitz, 20 October 2016, 'Life Settlements aren't impacting life insurers' profits, Conning analyst says', The Deal Life Settlements, Accessed 21st February 2017.