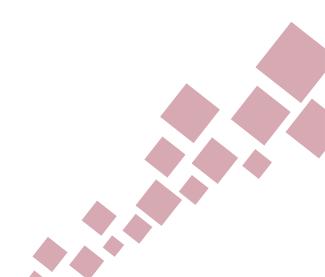




Cambridge Guarantee Group

An introduction to Cambridge Guarantee and the life settlement market

April 2016





A life settlement (or traded life policy) is simply a *US life insurance* policy that is sold by its owner to a global investor base for more than the surrender value but less than the death benefit value.

Sellers are generally in excess of 70 years old with no catastrophic life impairments.

The Policy Owner (Seller)

- No longer needs, wants or can afford the policy
 - Lapse, surrender or sell

- ✓ Lapse policy by stopping paying premiums
- ✓ Surrender policy to insurance company for the cash value
- ✓ Sell the policy to a third party at market value
- Approximately 88% of all whole life insurance policies lapse prior to maturity



Giving insureds a fairer deal

Life settlements can provide sellers with significantly more value than surrendering a policy.

Example cases:

72 year old female: \$3,000,000 policy

Lapse	Surrender	Sell
\$0	\$22,000	\$840,000

82 year old male: \$1,000,000 policy

Lapse	Surrender	Sell
\$0	\$0	\$120,000

Why invest in life settlements?

Part of a balanced portfolio

- ▶ Life insurance, similar to a bond it will always mature
- Investment grade rated life policy issuers
- Careful selection and analysis can produce double digit returns
- Low volatility and very low correlation to equity, commodity, currency markets
- Highly regulated market
- Provides a fairer option to consumers, therefore ethical

Who invests?

- Insurance companies
- Banks

Pension funds

- Hedge funds
- Family offices
- Local and state governments

Examples include:

- AmTrust
- Berkshire Hathaway
- Ontario Teachers Pension Fund
- California Public Employees' Retirement System
- PME (Pension fund for Metal & Electrotechnical Engineering Netherlands)
- New Zealand Superannuation Fund
- University of Michigan
- Apollo Global Management
- Blackstone Group

Market Statistics

- Current lapses and surrenders in excess of \$112 billion annually¹ (over 65s only)
 - Of the above, approximately \$57 billion (250,000 policies) annually qualify for life settlements¹
- 1991 to 2010 period:

- Almost \$24 trillion lapsed vs. \$29.7 trillion new policies²
- 88% of universal life policies failed to end with death claims²
- Life settlement market:
 - Currently estimated in the region of \$40 billion (secondary and tertiary markets)
 - Increasing investor interest + agent/insured education + consumer choice legislation = expected rapid growth in the market

 $^{^1\,}http://www.lisa.org/life-policy-owners/consumer-blog/blog/2015/02/25/lapsed-life-insurance-policies-an-astounding-number.$

² Lapse-Based Insurance by Daniel Gottlieb and Kent Smetters, The Wharton School, The University of Pennsylvania, April 15, 2014

Market Growth

- Rapidly increasing interest and investment from institutions across the globe
- One of the fastest growing alternative asset markets
- Growth supported by numerous factors including:
 - Low correlation to volatile financial markets
 - Superior risk adjusted returns
 - Increased transparency

- US legislative moves to enhance consumer choice and long term care
- Significant educational programmes being launched for agents and insureds
- 'Baby Boomers' reaching old age

Cambridge Guarantee Group

A globally recognised leader in the US life settlement market

- Cambridge Guarantee Ltd incorporated in January 2007
- Strong and experienced management, actuarial and medical teams
- In excess of \$6m spent on extensive research and development
- Services and software currently provided for approx. \$20b in life policies
- Detailed longevity analysis study carried out in conjunction with a leading European bank and a major rating agency
- Processes and software developed and built in-house
- Publisher of a range of industry related white papers
- Recognised as a 'go to' authority in the sector
- Global blue-chip partners
- ISO9001:2008 certified

Voting Member of the Life Insurance Settlement Association

4.24.41

To find out more

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