



Cambridge Guarantee Group

An introduction to Cambridge Guarantee and  
the life settlement market

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# What is a Life Settlement?

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

# The fairer option

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 annually<sup>1</sup> (over 65s only)
  - Of the above, approximately \$57 billion (250,000 policies) annually qualify for life settlements<sup>1</sup>
- ▶ 1991 to 2010 period:
  - Almost \$24 trillion lapsed vs. \$29.7 trillion new policies<sup>2</sup>
  - 88% of universal life policies failed to end with death claims<sup>2</sup>
- ▶ 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

<sup>1</sup> <http://www.lisa.org/life-policy-owners/consumer-blog/blog/2015/02/25/lapsed-life-insurance-policies-an-astounding-number>.

<sup>2</sup> 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

# To find out more

Please contact us:



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