SILK ROAD
life settlements
A Low Risk, Uncorrelated Investment Solution

What is a Life Settlement?

A Life Settlement is a life insurance policy purchased from an insured person, who chooses to receive payment at an open market price rather than leave the proceeds of a policy to his/her estate at maturity. In the USA it is now quite common for an insured person to sell a life policy. Many different valid personal reasons are cited for the decision to sell a policy. The purchaser then owns the policy and the insured person no longer pays premiums. At maturity the purchaser receives the full face value of the policy. The face value is known at the outset, but what is not known is the actual maturity date. The expected period to maturity is estimated by at least two independent professional companies that specialise in this work.

A simplified example

A 78 year old man sells a $1,000,000 universal life policy through a broker for $150,000. If he had turned the policy back to the insurance company, he would have received the cash surrender value of $17,000. The $150,000 is his to do with as he wishes. A Life Settlement company then buys the policy via the broker. A life expectancy period / date is established and a premium amount is calculated for that period. Processing and maintenance costs are also calculated. Finally a Life Settlement package is available for purchase, which will provide a fixed return for an investor.

Low Risk

Life Settlements are US life insurance policies from the top insurance companies, usually rated A+ or better. Policy holders are treated as priority creditors should insolvency ever arise. Individual US states also provide a level of guarantee per policy. It is difficult to find a more robust investment asset. No death beneficiary in the history of the US life insurance market has ever been denied or shorted on a legitimate death claim payout. The life insurance industry is highly regulated - so much so that all life insurance companies doing business in the US must keep cash reserves. Most US life insurance companies have a risk based capital standard ratio well above the regulatory minimum of 100%.

Overview

In the USA there is a thriving secondary market for life insurance policies. Currently, Life Settlements valued at approximately USD 15 billion are processed each year. The expectation is that this volume will increase very significantly year on year.

This is an independent asset class that is unaffected by financial / investment market movements.

Life Settlements provide a low risk, uncorrelated investment solution with excellent returns. Returns for a given expectancy period are fixed whether a policy matures a little early or a little late.

Rationale for a portfolio of Life Settlements

An investment can be a fraction of a policy, a whole policy or a portfolio of policies / fractions of policies. Returns are not quoted on a per annum basis. Returns are fixed and tied to maturity or expectancy periods. Investors can anticipate that a very high percentage of policies will mature within expectancy periods. Early maturities will provide the specified fixed returns in a shorter time. With a portfolio of policies, early maturities can offset other maturities should they run over due. With a portfolio of policies, cash flow and average overall returns can be visualised. A selection of different policies provides a spread of insurance companies and a variation of insured party age / risk type.

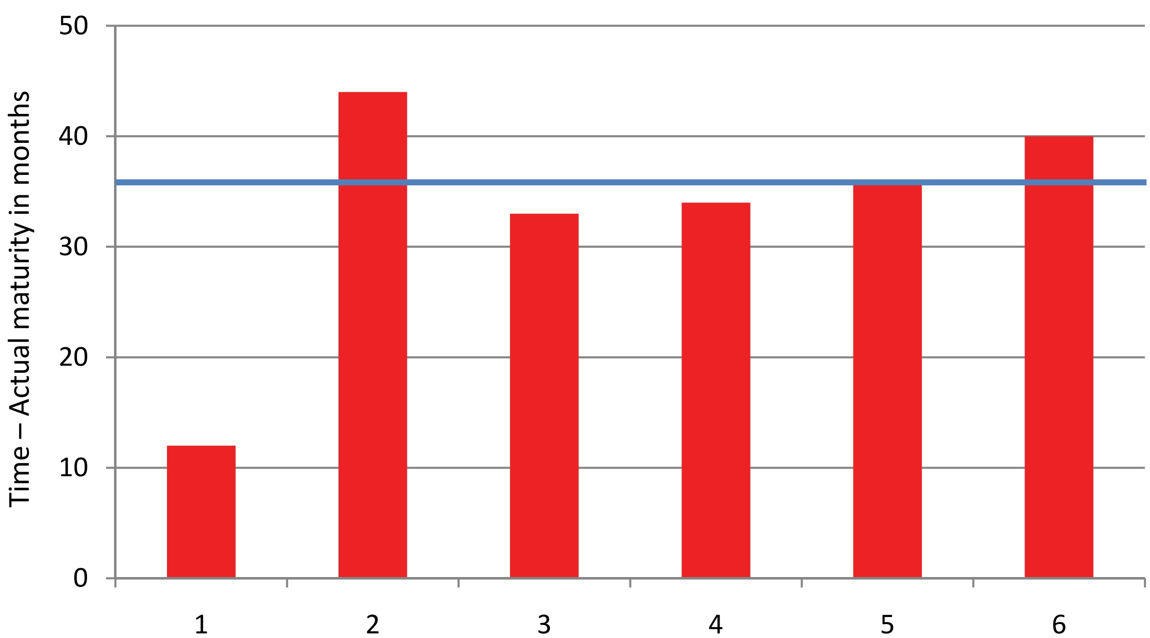

Illustration of 6 Life Settlement policies with the same start date.
Each with a 36 month life expectancy and each with a fixed return of 30.60%

Life Settlements – An Actual Portfolio