

Unlocking Value: Insights into Life Settlements Investment Trends

The European Life Settlement Association (ELSA), in conjunction with asset management firm Conning, published *Unlocking Value: Insights into Life Settlements Investment Trends* in January 2025, a report based on a survey of 156 institutional investors between August and December 2024.

The purpose of the survey was to identify current attitudes among those investors who are active in the life settlement market and those who tend to shy away from the asset class. Additionally, there were subgroups within these respondents that provided valuable insights into different perspectives on life settlements as an asset class.

The main distinctions were between asset managers (who invest on behalf of others) and investors (such as pension funds, insurers, endowments, etc.) who invest on their own behalf. These groups differed in their views on life settlements, including how they integrated them into their portfolios, their target returns, and their investment horizons.

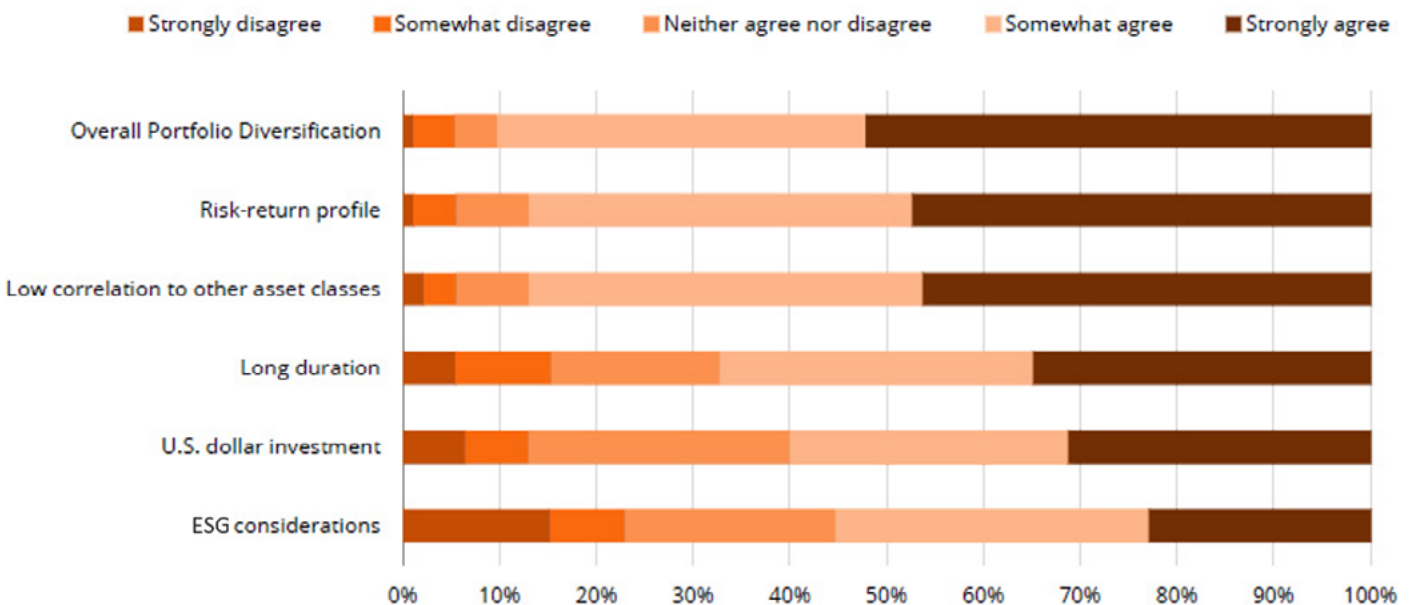
Why Invest in Life Settlements?

A handful of key takeaways emerged from the survey results.

Primary among these are the main reasons why capital allocators invest in the life settlement asset class. Survey respondents were asked why they invest in life settlements, and the top three reasons cited were overall portfolio diversification (52% strong agreement), risk-return profile (47%), and low correlation to other asset classes (46%). If one includes all levels of agreement, the results are even more conclusive, with a total of 90% or survey respondents citing diversification as a reason for investing in life settlements.

EXHIBIT 1 - WHY INVEST IN LIFE SETTLEMENTS?

Reasons why my firm invested in life settlements:



The ELSA / Conning 2024 Survey utilized survey technology provided by Conning

What's Needed to Invest?

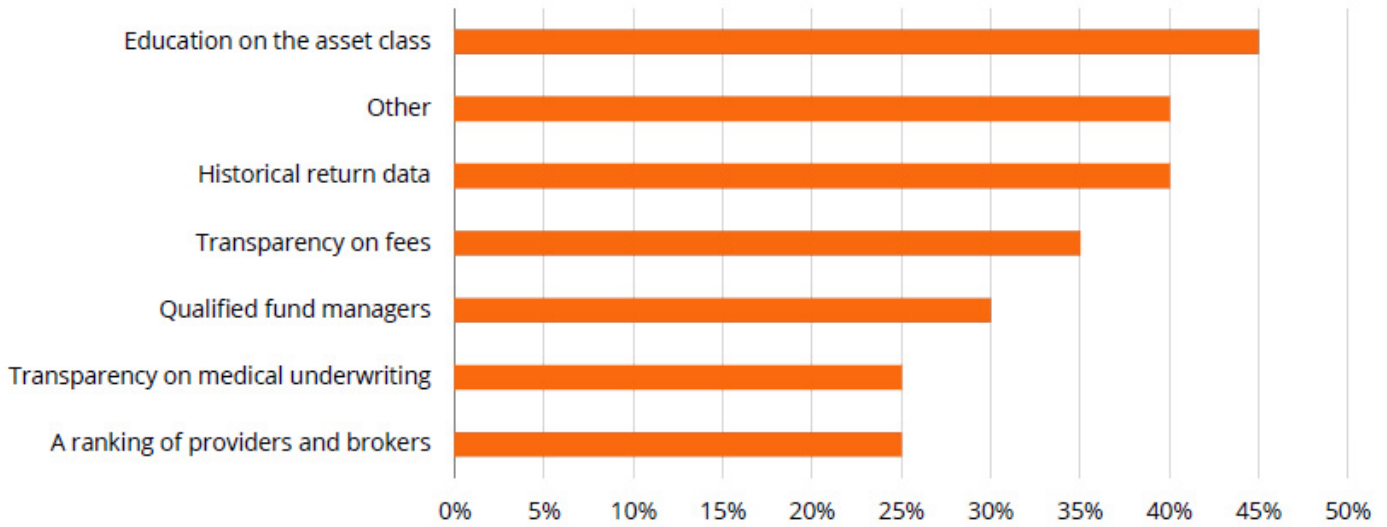
The report also identified areas where the life settlement industry could focus future efforts in order to support perception and understanding of the asset class.

Survey respondents that have not invested in life settlements were asked what they would need in order to invest. Respondents favoured education, fee transparency, and historical return data. As many of these were smaller organizations investing for themselves, they would seek more asset information. Although their holdings span various asset classes, life settlements may still be unfamiliar to them.

Within the "Other" response, a variety of answers were given, such as additional regulation, a desire for a larger market size, or having ethical concerns around the assets themselves.

EXHIBIT 2 - SURVEY OVERVIEW: WHAT'S NEEDED TO INVEST

*For your or your firm to invest in life settlements you need:
(select all that apply, for firms that considered but did not invest, or did not consider)*



The ELSA/Conning 2024 Survey utilized survey technology provided by Conning

The survey respondents were investors knowledgeable about life settlements, which introduced some bias into the results. However, the report suggests that institutional investors have a growing, positive attitude towards the life settlement asset class. Most survey participants report favorable experiences, with 53% rating their satisfaction as a 9 or 10 out of 10, indicating a strong confidence in the investment's potential. Key motivators for investment include portfolio diversification (83%), lack of correlation to broader markets (79%), and attractive risk-adjusted returns (76%).

Conning state that portfolio diversification through life settlements helps mitigate risks by spreading investments across various asset categories, thereby reducing exposure to market volatility. The lack of correlation to traditional financial markets means that life settlements can provide stability during economic downturns, making them a valuable addition to an investor's portfolio.

Furthermore, the report highlights that the attractive risk-adjusted returns associated with life settlements often surpass those of more conventional assets and offer a lucrative opportunity for investors seeking higher yields. However, challenges remain in increasing participation. Many prospective investors cite the need for greater education, historical return data, and transparency regarding fees as barriers to entry.

Education is crucial, as understanding the intricacies of life settlements can help investors make informed decisions. Historical return data provides a track record of performance, which is essential for evaluating the potential of the asset class. Transparency regarding fees ensures that investors are aware of the costs associated with their investments, promoting trust and confidence in the market.

The Conning report concludes that while the life settlements market offers significant benefits and has garnered strong investor satisfaction, addressing the educational and informational barriers will be key to unlocking its full potential. As the market evolves and matures, it is likely to become an increasingly important component of diversified investment portfolios, offering stability and high returns even in fluctuating economic conditions.