



Centurion Fund Managers

Life Settlements as the Ideal Investment

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Viable mainstream investments options are few and far between. The stock market has been in flux over the past several years by virtue of looming inflation, spiraling oil prices, and the constant threat of terrorism. Every government bureaucrat, newsletter author, financial expert, and private investor has a different take on the market's future. If they're truthful, all will agree that the market's direction is uncertain.

Another mainstream investment has taken a turn for the worse as well. Unsustainable appreciation in the housing sector has cast doubt among many investors who once viewed real estate as a safe harbor for their investment dollars.

Even seasoned investors with no place to turn are accepting big losses and taking cash positions with little to no profits. Regardless of their market prowess, no investor can time the next act of terror.

Money markets, annuities, and government treasuries offer safety, but the return is miniscule after inflation. Conversely, riskier investments with higher yields require impeccable market timing or downright luck to keep from losing profits and principal. Investors have to accept enormous risks to enjoy the double-digit returns of years gone by, right?

The Proposition

Recently, we asked a panel of individual investors to define the characteristics of the ideal investment. All agreed that the ideal investment would possess the following traits:

- Safety & security
- Diversification
- No ongoing management fees
- Mainstream
- Superior return potential
- Clear exit event
- Win/win investment

The Solution

Fortunately, an investment in a life settlement excels at each of these traits. While institutional investors like Warren Buffet's investment arm, Berkshire Hathaway and insurance giant AIG were early adopters of this new asset class, foreign banks, such as Credit Suisse First Boston, Deutsche Bank and West LB have also embraced this investment.

Savvy individual accredited investors have also purchased interests in these transactions in a derivative investment vehicle like a limited partnership or through

buying direct interests in policies. Other investors participate indirectly in the growth of the life settlement industry by purchasing stock in a particular publicly traded company that operates exclusively in the life settlement industry. All kinds of investors like life settlements because they are not subject to stock market fluctuations or adverse economic conditions.

Every year, billions of dollars of life insurance death benefits are not paid out because the policy owner let the policy lapse. When a policy lapses, the policy owner loses all the money they've paid in for premiums and their beneficiaries get nothing from the policy. In the past, the only other alternative for the insured was to take a very small cash surrender value, often amounting to pennies on the dollar compared to the policy's face value.

Life settlements offer new hope for policyholders who no longer need their policies. They also offer a great opportunity because the gains from life settlements are not correlated to the securities markets or economic events.

Swiss Re says the market for all insurance-linked securities, a field that also includes catastrophe bonds tied to coverage for damage from natural disasters, could be more than ten times greater by 2016. "Does \$350 billion make sense? It could," says Dan Ozizmir, a managing director at Swiss Re who oversees the company's insurance-linked securities business. "The raw material is there."

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