Freeman & Co. LLC

"Independent Financial Services Advice"

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Retirement Funding: New Solutions for a Growing Problem

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Report Highlights:

Advice on staying on the cutting edge of the retirement marketplace

An overview of the rapidly growing life settlement market

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In this report we address:

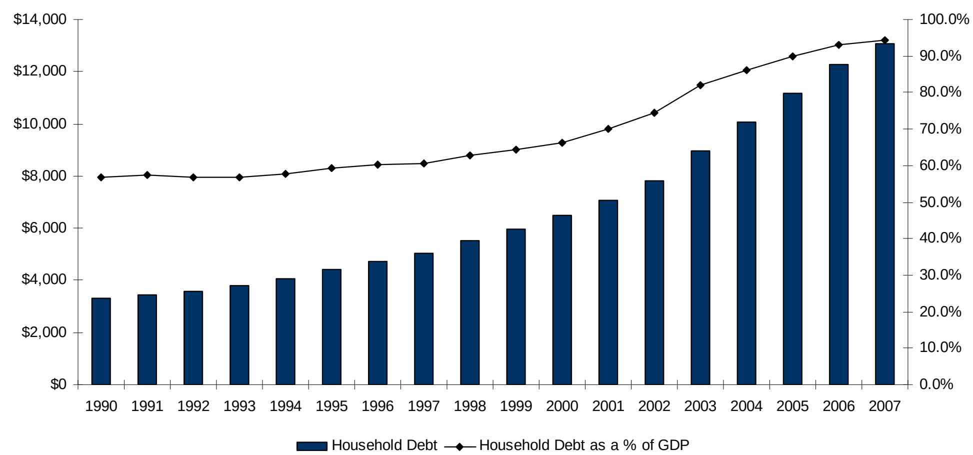
- The growing complexity of retirement and the variety of factors that are changing the dynamics of the retirement marketplace, including increasing life expectancies, lower savings rates, rising healthcare costs and greater personal leverage.

- Ways that financial services companies should approach the next generation of retirees to avoid being left behind by more innovative competitors. The new dynamics of the retirement market require new solutions. We talk about emerging products and services on the forefront of this trend.

- The rapidly growing life settlement industry: these revolutionary products allow retirees to tap into previously inaccessible value in life insurance policies, but have also been a focus of controversy. We explore how they work and where this quickly evolving industry is headed.

- The Life Settlement value chain and explain why the current model of "straddling the chain" cannot last forever as this emerging, non-correlated asset class continues to grow.

Growth of Household Debt as a % of GDP (1990 - 2007)
($ billions)



Source: Federal Reserve Board

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INTRODUCTION & SUMMARY

Retirees are facing some significant challenges and the recent market turmoil has exacerbated the problem.

The first half of 2008 has given investors several watershed events to deal with in terms of financial market activity. We've hit new lows on the dollar against the Euro and new highs on a barrel of crude oil. As the bond market ground to a near halt in terms of conduit activity and debt issuance, the stock market continued to cautiously cheer the central bank's efforts to "stabilize" the system with its continued easing of monetary policy. The displacement between values in the debt and equity markets continued to widen as the "fear of inflation" stood behind the "fear of financial market collapse" in the line to the discount window.

Furthermore, while individuals agonized over their dwindling nest eggs in these volatile times, the Fed persisted in lowering rates despite growing inflationary pressure. To start with, the tea leaves that are usually left on the table after each CPI report are analyzed using the "core rate" which excludes the prices of both food and energy. Next the price of housing is computed on a rent based index, never mind the fact that home prices doubled, or in some places tripled, during the last five years prior to this recent debacle. The resulting interpretations of the CPI core rate numbers have shown almost no inflation during the last expansionary cycle, which in turn, allowed the Fed to ease and ease again right up to the edge of the cliff that we now call the sub-prime credit disaster.

This is an enormous opportunity for the financial services industry however, because the next generation of retirees will want a whole new set of customized financial products.

So where does all of this leave the consumer in the complex world of navigating various ways to allocate those hard earned retirement dollars? Unlike the federal government, retirees can not continually issue new debt when their individual balance sheets become burdened. Additionally, no matter what the bearded man in Washington, D.C. says regarding inflation, one thing is certain, individuals do not have the same luxury as the Federal government when it comes to dealing with inflation. Starbucks costs more, gas costs more, and until mid-2007 so did the purchase of a new home or condo across the country. These factors combined with a massively depreciated dollar make it really difficult for most people to simply kick back and enjoy their golden years when the time comes.

Hold on though, because help is on the way

Several transforming economic paradigms have resulted from the baby boomer generation moving through life, from the rise of investing in mutual funds, to the purchase of second homes and luxury goods, to saving for college educations. Now that this "force of nature" is starting to shift gears from the accumulation phase of acquiring assets to the payout phase of managing retirement income and longevity issues, the financial services industry has a real chance to create innovative new products to meet changing demand.

Up until recently, individuals had only Henry Ford era choices regarding the payout phase of their retirement funds. The mantra of "any color of Model-T as long as it's black" certainly applied to mutual funds and insurance companies when they distributed their asset allocation models, fund choices, and annuity strategies to consumers. While this strategy may have been effective during the asset accumulation phase, this model will need to change when it is time for people to analyze payouts and figure out how to efficiently deal with their own money.

As we will point out, the population is ultimately living longer, thus the interplay between one's health and wealth becomes increasingly more important. More simply stated, a mutual fund is a great way for multiple consumers to save money, but the spending patterns of those same individuals is highly specialized. Even if two retirees have each saved $2 million for their retirements how can they be expected to spend at the same rate? Complex issues such as health and medical needs, along with income requirements need to be considered in order to properly serve these clients. A "one size fits all solution" will not work for individuals and their specific payout needs.

The current opportunity for the financial services industry is enormous. Over the next several years, new products will be created which will revolutionize the way consumers handle payout decisions. Ultimately these new and customized products will help consumers and also drive growth in financial services sector.

The Financial State of an Aging Population

In recent years there has been a great deal of advice offered to those in the financial services sector on the subject of helping the baby boom generation prepare for retirement. However, much less has been said about serving those customers once they actually retire. While a few forward thinking companies have been quietly coming up with new solutions, most of the industry risks losing out once the leading edge of the baby boomers hit retirement in just a couple of years. We are at the cusp of focusing all resources on accumulating assets for retirees. Now the battleship must turn towards handling payouts.

This brings up two questions:

1. ***How and why have the needs of retirees changed?***
2. ***What can the financial services industry do about it?***

To answer the first question, we examine the ways in which the retirement needs of baby boomer are different from those of their parents' generation, due to things like longer life expectancies, lower savings rates, higher healthcare costs, and so on. The second question brings up the issue of the products and services that the next generation of retirees will need to overcome these difficulties. While we see the beginnings of innovation at the edges of the market, we believe that this trend towards customized new products is just getting underway and will ultimately revolutionize the way that we look at funding retirement.

An Increasingly Complex Retirement Picture

It used to be that when one reached the age of retirement, he simply walked out of the office or factory on his last day and began collecting a pension check every month for life. That person may have also put aside some money in stocks, bonds or CDs at their local bank that would pay a rate of interest or dividends that supplemented that monthly pension check, but retirement was usually a straightforward proposition.

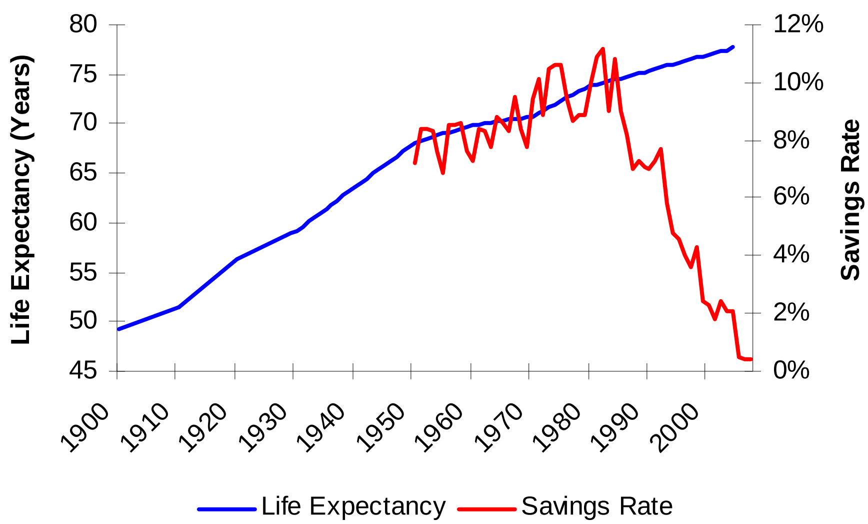
A number of factors are making retirement an ever more complicated proposition. These include demographic and cultural influences, as well as market forces

The first major crack in that paradigm happened with the move away from defined benefit pension plans and towards defined contribution plans such as 401(k)s. This shifted the risk from the employers to the employees, and also meant that employees had to begin taking responsibility for planning their own retirement. In recent years this trend has accelerated and brought with it a number of new approaches to retirement savings, including the increasingly popular target date funds, and a wide variety of life insurance products that enjoyed many of the same tax benefits as tax deferred retirement plans.

Furthermore, demographic and cultural changes have also conspired to make retirement a more complex problem. First of all, life expectancies have continued to rise over time. In the 1950s when many of the baby boomers were born, the average American was expected to live just a couple of years past age 65. Today that number is close to 78 years of age. Although no one will claim that rising life expectancies are a bad thing, they certainly make it more difficult to figure out how to pay for all those extra years, particularly when more and more people are headed into their 90s and beyond.

As a corollary to the issue of increasing life expectancies, people who live longer also require more, and more expensive, medical care. While much of this cost is carried by the taxpayers through programs like Medicare, a significant portion remains the responsibility of retirees. In addition, healthcare costs have been rising at a rate significantly greater than that of consumer prices in general. In particular Social Security, which nearly two thirds of Americans over age 65 rely on for the majority of their income[1] is adjusted annually with CPI-W. This means that an ever increasing share of retirees' income is taken up by healthcare costs, leaving less for everything else and making them effectively poorer.

Figure 1: Life Expectancy and Savings Rate



Source: CDC, US Census Bureau, Bureau of Economic Analysis

How has the baby boom generation reacted to this disconcerting trend? The answer is that they have generally ignored it. As shown in Figure 1 above, ***savings rates have fallen almost continuously over the last 25 years, despite growing life expectancies and increased need for cash in retirement.***

[1]Source: Social Security Administration

What all of this means for retirees is that some folks are going to have to get creative. The baby boomers are coming into their golden years strapped for cash and used to living a more opulent lifestyle. While their parents' generation was content to live in homes without mortgages and collect monthly pension checks, perhaps supplemented by dividends, fixed annuities and clipping bond coupons, the new generation of retirees won't have that option. Instead they will be shopping around for ways to tap into their principal, whether that be home equity, investment portfolios or even life insurance policies. And if there's one thing that American consumers have proven, it's that they know how to shop!

The Need for Innovation

What will the financial industry be able to offer new retirees?

The baby boom generation will expect products customized to their changing retirement needs. The providers who act now will be well positioned to capture that demand.

The baby boomers aren't the only ones behind the eight ball, the financial services industry needs to get cracking as well. Vast resources have been devoted over the years to developing new and innovative ways to invest, but very little attention has been placed on helping retirees with their payout options. Much of today's financial services industry is underprepared to handle the approaching wave of retirements and the resulting demand for customized solutions.

We are encouraged however, by a few players who are beginning to get it. Among the positive early signs that we're seeing are products such as the new mutual funds offered by firms like Vanguard and Fidelity that are managed to achieve a certain payout over time, as opposed to the traditional objectives of either capital appreciation or simply maximizing yield.

Another corner of the market that has seen significant innovation is firms that deal with mortality risk. Among these are a few reverse mortgage providers who are currently fighting the headwinds of rough mortgage and securitization markets to develop new and innovative ways for retirees to tap into their home equity. We see these products becoming much more mainstream in the years ahead as baby-boomers have increasingly come to think of their homes as a source of cash instead of just a place to live. While reverse mortgages are currently something of an inefficient market where some lenders are still able to capture outsized fees, we see this changing going forward as increased demand brings new competition to the marketplace.

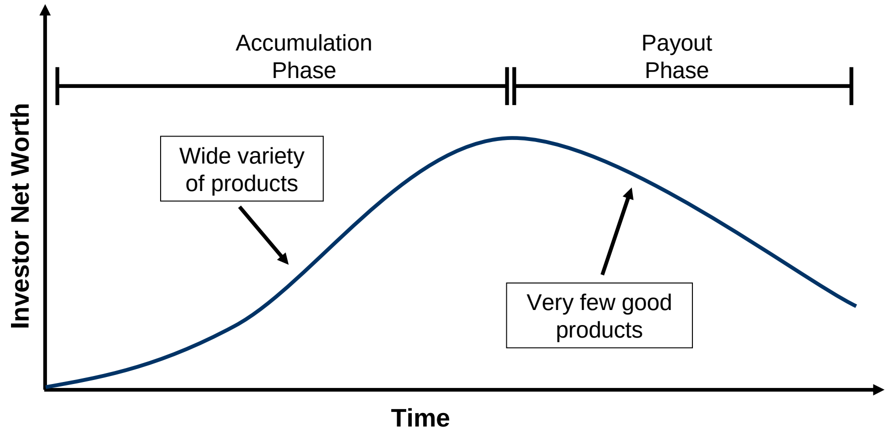
One further financial innovation that we see having a huge impact on the future of the retirement market is the emerging ability for retirees to be able to sell life insurance policies in the secondary market. The life settlement market remains in its early stages at the moment, but we feel that financial institutions will begin to embrace this rapidly growing asset class. The next section of this report gives an overview of the market and discusses the trends that we are observing.

Recent Developments in Retirement Products

There have recently been several new approaches in the mutual fund community for dealing with the issues raised by retirement. The first of these was target date funds, which are a product that has grown rapidly in popularity over the last few years. The premise behind these funds is that there are many retail investors who either lack financial sophistication or do not wish to put in the effort of managing an asset allocation. Fund companies have therefore put together products where, in addition to their traditional role of choosing individual investments, they select an appropriate asset allocation based on the client's expected retirement date. These products are then structured as a series of mutual funds, each with a different target retirement date, and each holding a different asset allocation, which is adjusted towards more conservative investments as the target date draws nearer. In this way, an investor can simply select a single mutual fund for his or her retirement investing needs, and hold that fund until retirement without having to make any further changes.

As we have discussed however, the problem comes when that investor finally does retire and is left with a sum of money, but with no guidance on what to do with it over time. Our hypothetical retiree has to worry not only about finding somewhere to invest the money, but also about balancing a comfortable retirement with the risk of running out of money in one's extreme old age. While sophisticated financial planners are able to use Monte Carlo simulations and a host of other advanced mathematical tools to address the statistics behind this question, the average investor is faced with a problem with no obvious solution. ***We know it seems crazy, but the financial services community has largely ignored the needs of investors at the peak of their lifetime net worth!***

Figure 2: The Lifecycle of a Retirement Investor



Source: Freeman & Co.

To address this pressing problem, a few innovative fund providers have recently begun to apply the principals used in asset allocation products for the accumulation phase to create products for people in the payout phase of their investing lifetimes.

Manage and payout funds may be the next big product

For example Vanguard is launching a series of three "Managed Payout Funds" that target distributions of 3%, 5% and 7% respectively. The idea behind these funds is that Vanguard will choose asset allocations using the company's existing products then package those products into funds that pay out a fixed percentage yield over time. The funds will all seek to preserve and grow invested capital, but the chances of success obviously increase if one is willing to accept a lower payout rate. The target audience for these products is similar to that of the target date funds above: those without the sophistication or willingness to manage their own asset allocations. Thus, a retiree could put his or her entire savings into such a fund and have a well diversified asset allocation managed by Vanguard across a number of the firm's products. However, it remains to be seen whether Vanguard will be successful at maintaining a 7% payout while still preserving principal given the number of studies that advocate a 4-5% payout rate (adjusted for inflation) as the only reasonably sure way to avoid running out of cash in old age.

Fidelity has taken the concept a step further and applied the target date system directly to retirement funds. The company's series "Income Replacement Funds" are given a specific horizon dates ranging from 2016 to 2042. Over time the funds expect to distribute income and principal in such a way that assets are completely depleted as near to the horizon date as possible. As with Vanguard, these products are designed by building a portfolio of other Fidelity mutual funds around an asset allocation strategy that is appropriate for an investor with a given time horizon. The main difference between these funds and a normal target date fund is that the process works in reverse: instead of accumulating assets for the ultimate goal of retirement on a certain date, the funds pay out returns until the projected date of the investor's death.

Product Focus: 401(k) Plans

Declining defined benefit plans removes retiree safety net

While the proportion of households with pension coverage has remained stable since 1980, the composition of the plans has changed dramatically. Defined benefit pension plans ("traditional" pension plans where professionals manage the money) have declined from 62% of active-worker participants in 1979 to 10% in 2005, while defined contribution plans (401(k)-type plans where participants invest their own accounts) have grown from 16% to 63% during the same period[1].

Participation in defined contribution plans is usually voluntary, if employees do not enroll in a plan, they accrue no benefits. The shift to defined contribution plans has resulted in lower savings rates in 401(k) plans as employees do not enroll or are not rolling over accounts when they switch jobs and instead are withdrawing the money.

The rise of defined contribution plans with low overall balances will increase the risk to the individual and moves American retirees to a 2 legged stool of social security and private savings from the historical 3 legged stool of social security, defined benefit plans and private savings. Meanwhile, social security, accounting for approximately 40% of post-retirement income for the average household, is under pressure from increasing Medicare costs, the increase in social security's full retirement age from 65-67 and as a greater share of benefits are taxable via the personal income tax[2].

In light of these issues surrounding the rise of defined contribution plans, recent Congressional legislation, the Pension Protection Act of 2006 (PPA), presents beneficial new developments for 401(k) plan participants.

Automatic enrollment will increase 401(k) plan AUM growth

Automatic enrollment in 401(k) plans which sign up employees by default and at a default savings rate are now granted "safe harbor" against often complex and expensive regulation. The default investment options in automatic enrollment are in age-appropriate "lifecycle funds" allowing their pensions to be invested and not sit in cash.

The argument in favor of automatic enrollment has been championed by Dr. Richard Thaler at University of Chicago in his studies of Behavioral Finance. Under automatic enrollment, if the employee is enrolled in the plan they would have to elect out, rather than the reverse. Currently, roughly 30% of workers who are offered and eligible for a 401(k) plan don't enroll, due to reasons of financial literacy and basic inertia. Therefore, it is reasoned, if those employees are automatically enrolled, they would be less likely to opt-out due to the same factors. As a result, savings and enrollment rates will be higher, thus increasing the strength of the 3-legged retirement stool[1].

[1]Source: Employment Benefit Research Institute
[2]Source: Boston College Center for Retirement Research

Product Focus: Reverse Mortgages

Reverse mortgage products give pending retirees another important way to access much needed equity capital. While many market participants see extreme pressure on near term growth and stability in the U.S. housing market, firms like Oliver Wyman see a real opportunity for senior-targeted home equity products as generators of growth for financial services providers.[2]

One of the most popular products, to date, involves originations of reverse mortgages sponsored by the Federal Housing Administration (FHA). The market for these loans has quickly grown from less than 10,000 in 2000 to more than 100,000 in 2007.[3] While the market for single type reverse mortgage products has grown domestically, the U.S. is well behind other parts of the world like the UK and Australia. Figure 3 below summarizes certain characteristics and availability of certain equity release products across these markets.

Figure 3: Reverse Mortgage Product Offerings

The United States trails behind the UK and Australia in terms of product offerings

	Availability of Product			
Features	**US**	**UK**	**Australia**	**Description**
Rolled-up interest	High	High	High	- Most common form of reverse mortgage - Interest Accrues on principal (fixed or variable) does not need to be paid until termination
Interest-only mortgage	None	Medium	None	- Borrower pays monthly interest - At termination, home is sold to repay principal
Annuity scheme	Low	Medium	None	- Disbursements to borrower in annuity format
Shared appreciation	None	Low	Low	- At termination, orginal borrowed sum is repaid together with an agreed portion of the increased value of the home
Home reversion scheme	None	Low	Low	- Owner sells all, or part, of home in exchange for lump sum payment and right to remain in the home until they decide to move or pass away
Fixed-rate products	Low	High	Medium/High	- Products with a fixed interest rate - Protects borrower from rising rate environment

Sources: FSA Factsheet - UK Equity Release Market; FSA - Equity Release Schemes in the UK; Datamonitor ; Equity Release Schemes in Australia; Oliver Wyman

Despite price fluctuations in the U.S. housing market, declining existing home sales and the recent drop off in new construction, it appears that reverse mortgage products are gaining ground and new product features will continue to drive growth for financial services companies by offering tailored solutions to meet the needs of their customers.

[2]Source: Oliver, Wyman research, copyright 2007.
[3]Ibid. All years are based on Department of Housing and Urban Development (HUD) fiscal year reporting.

A NEW ASSET CLASS – THIS IS YOUR LIFE!

One of the products that will help consumers navigate through the wide array of choices in dealing with retirement payout issues is the ability to monetize the value of one's life insurance utilizing the emerging market for life settlements. Since 1999 consumers have found an ever increasing opportunity to sell existing life insurance policies into the secondary market. The process of selling a life insurance policy to the secondary market for an amount greater than the cash surrender value and less than the death benefit is known as a life settlement.

Tremendous Growth Potential

The market for life settlements is potentially massive. One study projects that it could grow to as much as $140 billion by 2016.

According to Conning's 2007 research report, the estimated volume of transferred value of face amounts in life settlements was $6.1 billion in 2006[2]. The same report also predicts that between 2007 and 2016 that a conservative estimate of the potential size of the US market could range between $90 billion and $140 billion in policy face amount per year[3].

The growth in the life settlement market will ultimately give consumers a new asset to help bolster their retirement earnings, while at the same time helping to create a new asset class for investors that is not correlated to equities or bonds. Two common issues that arise when explaining the dynamics of the life settlement market are structural issues, since insurance companies cannot change the pricing of their policies once they are in force, and the fact that insurance companies can only pay cash surrender values for policies. These factors have helped to create a vibrant and growing secondary market for life settlements. Other research reports have explained the history, product features, regulatory and legal issues involved in life settlements. This report will focus on how the marketplace must transform in order to efficiently create a new asset class for both policy holders and investors.

Longevity risk or life extension risk is not only an issue for consumers, it is a growing problem for insurance companies, pension funds, and government benefit providers like the social security system. While the life settlement market is growing rapidly, many changes will need to occur within the marketplace in order to reach annual volumes of $90-$140 billion in policy face amounts.

[2]Source: Conning Research and Consulting, Inc. 2007 Report, Life Settlement Market – "Increasing Capital and Investor Demand".
[3]Ibid, p.10

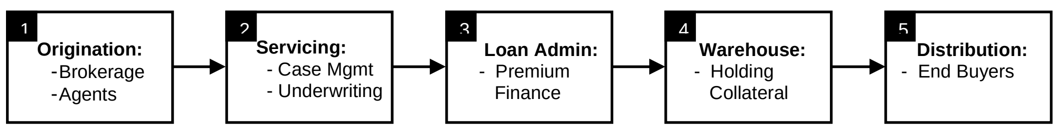
Figure 2: Estimated Life Settlement Volume ($ in billions)

Reporting Source:	2002	2003	2004	2005	2006
Life Partners Holdings, Inc.	$1.09	$1.05	$2.17	$2.19	$5.05
A.M. Best	$1.40	$2.50	$5.00	$12.50	$12.34
Conning	$2.00	$2.63	$3.25	$5.50	$6.12
LISA			$5.60	$7.80	$12.50
Annual Average	**$1.50**	**$2.06**	**$3.75**	**$7.18**	**$9.00**

Sources: A.M. Best, Conning Research and Consulting, Inc., Life Partners Holdings, Inc., LISA

The growth in the amount of investor owned net death benefits will be able to grow at an even faster pace once the individual pieces of the life settlement value chain become dis-intermediated.

Figure 3: Life Settlement Value Chain in the Present Form



Source: Freeman & Co.

Currently, there is a fair amount of friction between insurance brokers, life settlement providers, and investment banks who are all attempting to control multiple segments of the life settlements value chain. As settlement volumes grow, so do number of new entrants into this rapidly expanding market place. However, if there is one thing that history has shown in terms of building conduits and distributing securitized products to investors, it is ***you can't straddle the value chain and hope to run a long term business***.

To see the clearest example of the problems that arise in straddling the value chain one only needs to look to the numerous divestitures of mortgage origination companies by nearly every major Wall Street bank over the last six months. There are several reasons why vertically integrating the entire life settlement business model actually depresses growth in the market place. Being a "one-stop" shop for aggregating, financing, packaging, and selling longevity and mortality risk causes a bottle neck in both the pricing of products and ultimate sales volumes. Below is a partial list of roadblocks that hinder growth in the space:

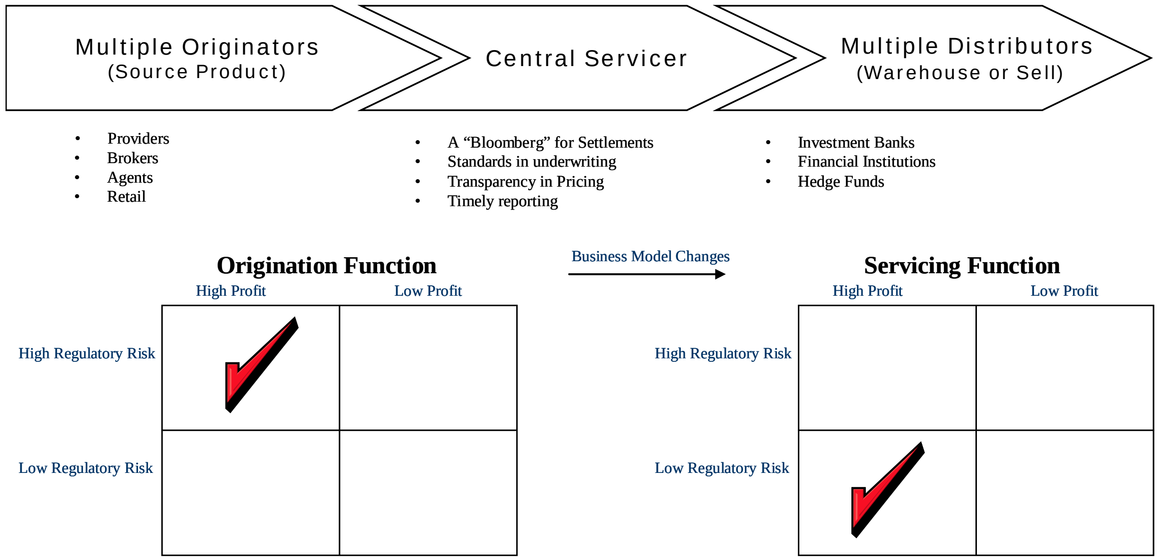
- Limited universe of buyers for the end product
- Capital constraints on various lending programs
- Regulatory environment in flux
- Competition throughout the entire business model

Of course, it is logical that financial institutions that can provide capital, structuring expertise, mortality and longevity hedging, and distribution capability should look to explore origination and servicing platforms. However, we believe that this paradigm is not efficient in the long run.

High margins on originations will contract as more entrants enter the market place, and as consumers realize that they themselves represent a valuable asset. Additionally, servicing capability will grow to meet the increase in product volumes as well as to adhere to a rapidly changing regulatory environment. Finally, the functions of originating, servicing, and distributing products will begin to separate from one and other as secondary market activity increases.

There is no crystal ball here; this scenario is exactly what has occurred in every other significant securitized market. The end result will be increased volume, better underwriting standards, more transparent pricing, and higher volumes for all players in the market place not least of which is the consumer.

Figure 4: Life Settlement Value Chain in the Future



Source: Freeman & Co.

Conclusions

Life Settlements have fundamentally changed the insurance marketplace.

Consumers are beginning to understand that their lives have actually built up a significant cash value. The life settlement market has transformed the way individuals view insurance. In the past, an insured might look to protect his assets or his family by purchasing mortality protection as part of a larger financial plan. Now, however, consumers are becoming aware that much like a reverse mortgage their life has built in equity value. As consumers head toward the payout phase in their retirements, they will begin to take advantage of multiple financial products that will help them manage their own longevity issues.

Regulatory Response

Consumers are reaping clear benefits from the secondary market in life insurance policies.

Both the American Council of Life Insurers (ACLI) and The National Association of Insurance Commissioners (NAIC) are actively trying to react to the tremendous growth occurring in the life settlement market by proposing new model acts or introducing legislation. Certainly there have been instances of abuse that have risen in the space which require regulatory oversight. However, when it comes to the emerging life settlement market it is important to separate the wheat from the chaff by investigating the tangible benefits for the consumer.

"When it comes to the emerging life settlement market it is important to separate the wheat from the chaff by investigating the tangible benefits for the consumer."

In 2006, the ACLI stated that Americans purchased $3 trillion of new life insurance coverage, and by the end of 2006 total life insurance coverage in the United States has reached $19.1 trillion[4]. Assuming the low-end estimate of life settlements listed in Conning's research at $90 billion in face amount per annum sometime before 2016, the settlement market would represent just 47 basis points of the total value of in force policies that existed in 2006.

At the same time, total revenues for the top 20 U.S. Life and Health companies in 2006 reached over $290 billion[5]. We believe that the insurance industry is large enough to handle any changes in lapse based pricing caused by growth in the life settlement industry. Additionally, the overall market for life insurance will continue to grow as solutions for extension and longevity issues are created in the future.

Figure 5: Top 20 U.S. Life/Health Insurance Groups by Revenue, 2006
($ millions)

Rank	Group	Revenues	Assets
1	MetLife	$53,275	$527,715
2	Prudential Financial	32,488	454,266
3	New York Life Insurance	28,365	165,665
4	TIAA-CREF	26,757	412,980
5	Mass Mutual Life	24,863	154,071
6	Northwestern Mutual	20,726	145,102
7	AFLAC	14,616	59,805
8	Genworth Financial	11,029	110,871
9	Unum Group	10,719	52,823
10	Principal Financial	9,870	143,658
11	Guardian Life of America	9,694	39,488
12	Lincoln National	9,063	178,494
13	Assurant	8,071	25,165
14	Thrivent Financial for Lutherans	6,165	56,534
15	Pacific Life	5,202	99,347
16	Western & Southern	4,838	30,320
17	Mutual of Omaha	4,498	17,128
18	Conseco	4,467	32,717
19	Torchmark	3,421	14,980
20	American National Insurance	3,114	17,932

Source: Fortune

[4]Source: American Council of Life Insurers.

[5]Source: Fortune. Revenues include premium and annuity income, investment income and capital gains or losses but excludes deposits.

Among certain industry groups, some life settlement transactions are now being referred to as "STOLI policies", or Stranger Owned Life Insurance. While it is appropriate to scrutinize financial transactions involving life insurance, regulations should not be adopted that ultimately squeeze out legitimate value propositions for the consumer. When other asset backed securities are originated, packaged, and sold to investors they are referred to as CMO's (Collateralized Mortgage Obligations), ABS (Asset-Backed Securities), or RMBS (Residential Mortgage Backed Securities).

The financial products described above are not, for example called SOMO's or Stranger Owned Mortgage Obligations, and the media does not report on investors or well-heeled financiers who profit from excessive consumer indebtedness. In summary, if a secondary market participant owns an interest in the cash flows on an individual's mortgage or credit card there is no media stigma whatsoever, and there should no stigmas involved when transacting in insurance products or other financial assets owned by consumers.

To date, several insurance carriers have embraced the secondary market for life insurance despite certain regulatory situations and potential negative impacts to lapse based pricing assumptions. The rapid advances in health and medicine have made a material impact on life expectancies, and insurance companies are more than capable of adapting to the needs of consumers. Of course, some market participants must get dragged kicking and screaming into the future. To that end, a few insurance carriers have tried to swim against the tide of the growing life settlement industry. Our belief is that the dynamic described above will change as consumers continue to demand a market based price for their policies.

In the future, both insurance companies and financial institutions will continue to help individuals in meeting their retirement objectives by educating their customers, developing product innovations, and advancing the concept that a life insurance policy is valuable to the secondary market place. Ultimately, consumers, insurance companies, and financial institutions will all benefit from the emerging asset class of life settlements.

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