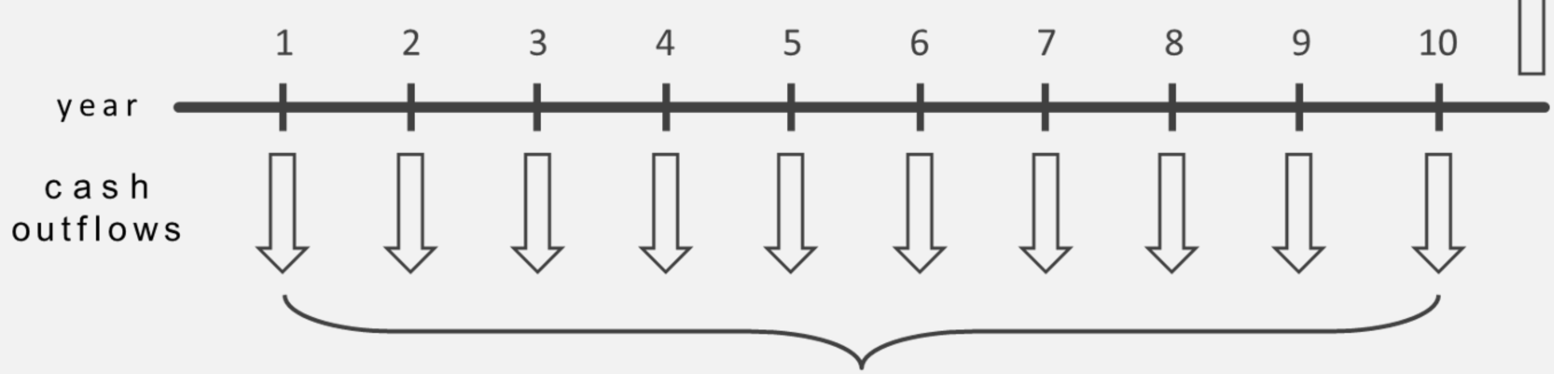
How life settlement pricing is determined

Net present value (NPV) example

Valuation inputs & assumptions

Policy's death benefit	$1,000,000
Annual premiums	$25,000 *
Insured's life expectancy	10 years
Buyer's discount rate (IRR)	12%

		Buyer's cash outflows		Buyer's cash inflow
NPV	=	PV (premiums)	+	PV (death benefit)
	=	– $142k	+	$322k
	=	$180k gross offer		



Projected premiums during life expectancy

* Premiums are assumed to be level (without increases or optimization) for simplicity's sake.