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How Asset Managers Can Confidently Launch a Life Settlement Portfolio Fund

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Bringing new investment products to market has become increasingly complex. Demand for reliable, income-oriented strategies remains strong, but competition is intense, due diligence has grown more rigorous, and many alternative allocations have matured to the point of crowding. Private credit, once a clear differentiator, is a prime example. After years of rapid expansion and widespread adoption among family offices, RIAs, and wealth managers, pricing power has thinned, terms have softened, and investors are asking where else they can find value.

This environment pushes asset managers to search for return streams that stand apart and hold up under scrutiny. One option drawing more attention is the growing, alternative fixed-income like asset class of owning life insurance policies known as life settlements. Built correctly, a diversified portfolio of life insurance policies can deliver largely uncorrelated, predictable, actuarially based cash flows and help managers bring something distinctive to investors without competing head-to-head with credit or equity plays.

A More Demanding Launch Climate

Starting a new fund isn't as straightforward as it once was. Allocators dig even deeper into risk composition, cash flow reliability, and operational strength before approving mandates. Many popular strategies also require building costly sourcing pipelines or competing for assets in crowded channels. To justify fees and attract meaningful capital, managers must deliver returns that aren't just strong but also repeatable and independent of traditional market forces.

A life settlement fund is an attractive option because it behaves differently from mainstream fixed income or equity strategies. Performance is tied primarily to mortality outcomes rather than borrower repayment, interest rates, or macroeconomic growth. Still, the category is not plug-and-play. Managers need specialized execution to succeed.

Distinct Mechanics, Distinct Benefits

A life settlement is the purchase of an existing life insurance policy from its original owner. The buyer pays premiums and receives the death benefit when the insured passes away. Expected returns rely on life expectancy modeling rather than market timing or credit spreads.

Historically, net returns have been competitive with private credit while showing low correlation to interest rate moves or equity markets. That combination of income and diversification is one reason institutional demand is rising.

Where Managers Need to Focus

While the return profile is attractive, this is a market where expertise matters. Two execution points often determine whether a fund performs as modeled:

- **Policy acquisition and deployment.** Scaling a portfolio requires consistent access to properly underwritten policies. Some first-time entrants have struggled to get access to a steady flow of high-quality paper and either struggle to deploy capital in a timely manner or overpay for policies, creating capital drag and lower-quality portfolios that disappoint investors.
- **Life expectancy data and assumptions.** Portfolio cash flows hinge on how actual maturities compare to forecasts. Weak or untested data can lead to missed targets and IRR slippage.

Experienced life settlement platforms address these issues with sourcing relationships built over decades, proven underwriting standards, and large proprietary mortality data sets. They also handle ongoing policy management, premium optimization, and compliance that are critical but resource-heavy functions for newcomers.

By aligning with an established originator and servicer, asset managers can focus on fund design, distribution, and investor relations instead of building operational infrastructure from scratch.

Structures That Fit Different Mandates

The market's maturity has also brought more options for tailoring portfolios to investor goals. With the right partners, managers can structure:

- Fully hedged portfolios, which are credit instruments designed for stability and minimal longevity risk.
- Partially hedged approaches that balance covering premium obligations and minimizing longevity risk with no regular coupon payments and higher return potential.
- Traditional unhedged pools aiming for greater yield while accepting longevity variability.
- Leveraged designs for sophisticated allocators seeking amplified exposure.

This range lets managers adapt to different audiences, from institutions seeking steady cash flow, to those looking for enhanced returns.

Expanding Capabilities Without Expanding Overhead

Another appeal is operational efficiency. Established life settlement specialists already provide sourcing channels, compliance frameworks, policy servicing, and reporting infrastructure. Managers can enter the market without building and maintaining an in-house origination network or actuarial team.

This structure frees resources to focus on what matters most to allocators: strategy fit, portfolio construction, and clear investor communication. For firms diversifying beyond private credit or adding new income strategies, life settlements can be integrated without stretching internal resources.

Supply and Demand Remain Attractive

Life settlements are no longer experimental. The asset class benefits from a more than 25-year track record, strong and consistent regulatory framework, and broader institutional participation. The total addressable market is massive given the millions of policies that are lapsed or surrendered each year, of which less than 5% are brought to the life settlement market for evaluation. The investable supply of policies is far larger than current deployment levels as Conning research estimates the

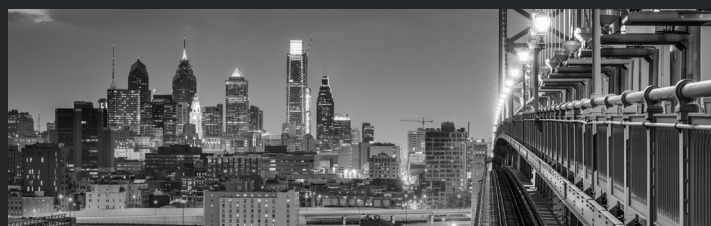
potential eligible supply at over \$170 billion.

This gap offers an opportunity for managers willing to work with proven platforms. Entering now can mean establishing a differentiated offering while the field is still relatively uncrowded.

Conclusion

Launching a fund today requires clarity, discipline, and something that stands apart. Life settlement investing meets that bar when built with the right partners: reliable, market-independent, largely uncorrelated returns; adaptable structures; and mature infrastructure to support managers' operational needs.

For asset managers looking to bring something fresh yet tested to their clients, this asset class can be a practical next step. This opportunity is not necessarily a replacement for private credit, but a complement that expands the toolkit and answers investor appetite for durable, differentiated income.



The LifeCap Advantage

LifeCap specializes in providing institutional investors and family offices unparalleled access to longevity-oriented investments through our strategic relationships with leading companies in the secondary market for life insurance.

The LifeCap team has spent more than 20 years working alongside institutions, advisors, and individual investors alike to educate investors about alternative assets, with a focus on longevity-oriented investments.

To learn more about life settlements and how LifeCap can enable you to leverage the potential of the longevity-oriented asset class, schedule a call with us at lifecap.com.

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