

STEPS TO A SUCCESSFUL LIFE SETTLEMENT TRANSACTION



1

AGREE

- ☐ Agree that a Life Settlement may be the right solution for you.
- ☐ Determine if the estimated offer range is acceptable to move forward with the Life Settlement Process.

2

REVIEW THE PROCESS

Review the following pages to better understand the Life Settlement process.

1. Life Settlement Timeline
2. Engagement Agreement
3. Fee For Service
4. Tips for Completing Application Paperwork

3

COMPLETE APPLICATION

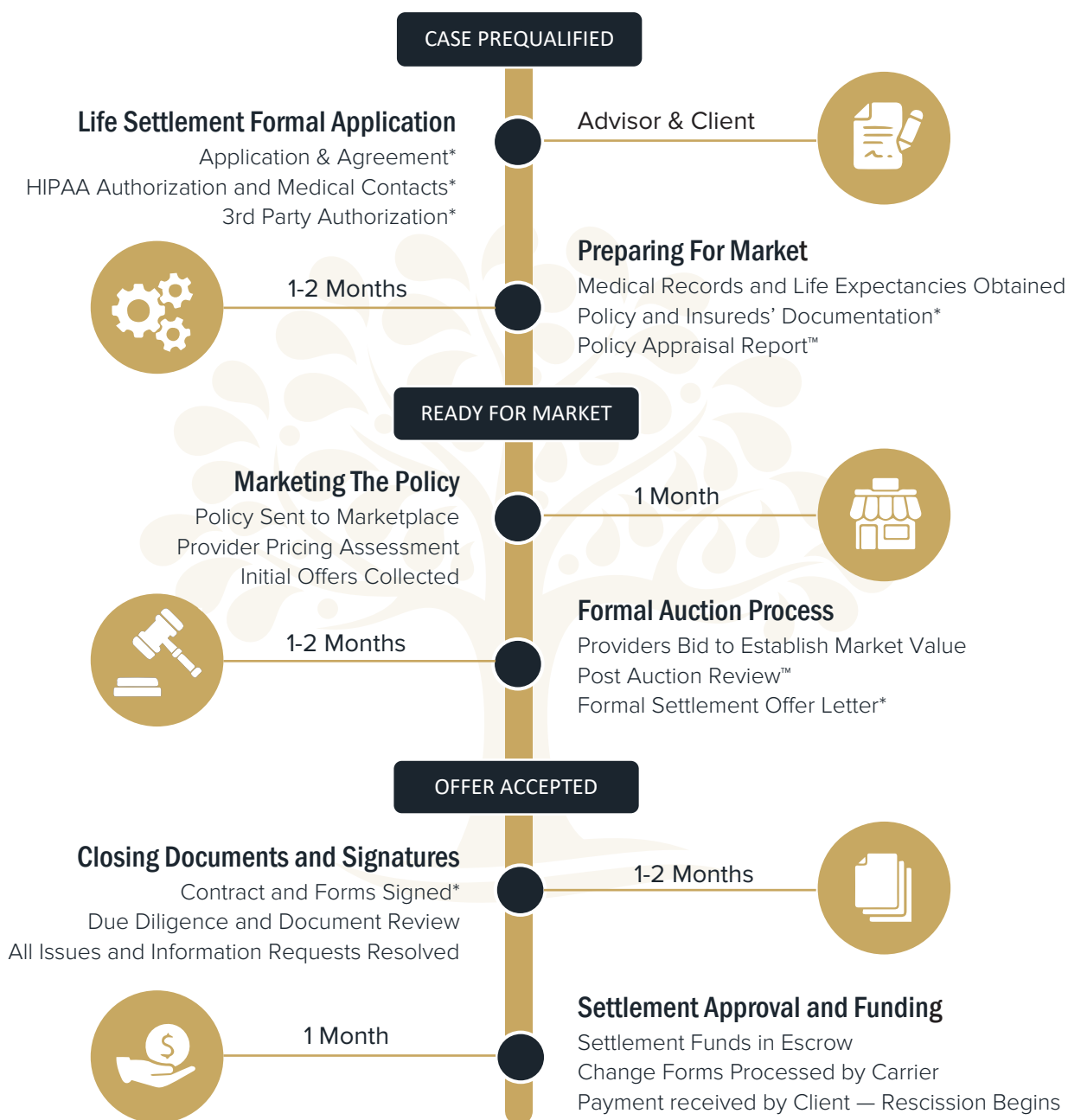
Complete the formal application paperwork.

- ☐ Application & Agreement
- ☐ Medical Contacts
- ☐ HIPAA Authorizations
- ☐ Third Party Authorizations



1. Life Settlement Timeline

This timeline shows the important steps that need to be taken during a very involved and complex Life Settlement process. Steps with a (*) are actions that you and your Advisor must complete together. Your prompt completion of these items will help conclude the Life Settlement transaction within the overall timeframe of 5-8 months.





2. Engagement Agreement

We look forward to delivering best efforts toward the sale of your life insurance policy. The following are important items to be aware of as part of our Engagement Agreement.



FULL DISCLOSURE AND DUTY TO REPRESENT THE SELLER

We supervise a Life Settlement transaction as a security and, as such, provide full transparency of all offers, life expectancy results, compensation, and fees. As your representative, our goal is to not only obtain high market value for your policy, but also to provide full disclosure of the facts so you can make an informed decision. By contrast, a direct provider/buyer has a duty to the investor, not the seller.



ONLY APPROVED INSTITUTIONAL BUYERS

The purchaser of your policy is restricted to institutional investors only. This requirement is intended to better protect your privacy and ensure a reliable and regulated transaction. We place the protection of your personal information as a top priority and safeguard your information on a need-to-know basis only.



COMPETITIVE AUCTION PROCESS TO OBTAIN HIGH MARKET VALUE

The sale will be carried out through a competitive bidding process among the industry's top providers rather than contracting with only one or two potential purchasers. This process is intended to help increase the value of your policy and provide you confidence that you are receiving high fair market value.



NO OBLIGATION TO SELL

Regardless of the Auction result, you are under no obligation to sell the Life Insurance Policy as a result of offers obtained by Valmark and its Representative.



AGREEMENT TO WORK EXCLUSIVELY TOGETHER

Because we market your policy to the majority of the industry's top providers, there is no need to apply to sell with another broker or provider. As your representative, we invest considerable time and money to market your policy in the best light possible. In return, we ask that you exclusively work with us in this transaction.

TERM: Beginning on the date you sign the "Life Settlement Application and Agreement" and continuing until one year after the final offer is obtained/acquired, Valmark retains the right to collect a sales commission if you sell your policy outside of Valmark within one year of the auction end date.



3. Fee For Service

With our competitive auction process and broad exposure to the Life Settlement marketplace, our team works hard on your behalf to obtain high fair-market value for your policy. Our fee structure is competitive with industry guidelines and is calculated on the **lesser** of three options (see below). The amount of the fee is based on a contingency arrangement and only charged if you close the transaction.



WHAT IS THE FEE FOR SERVICES?

Fees are calculated on the **lesser** of three options:

- 6% Of Death Benefit
- 30% Of The Gross Offer
- 1/3 Of The Value Created (Auction Offer Minus Cash Surrender Value)



WHAT IS PROVIDED FOR THE FEE?

As described in the Life Settlement Timeline, the 5-8 month process involves multiple steps to help you obtain high fair market value for your policy.

- ✓ Consultation on Options for your Policy
- ✓ Medical Underwriting Review
- ✓ Collect Medical Records
- ✓ Obtain Life Expectancy Reports
- ✓ Gather Policy Information
- ✓ Internal Policy Valuation to Estimate Fair Offers
- ✓ Maintain Relationships with Active Industry Buyers
- ✓ Competitive Auction Process
- ✓ Keep vs. Sell Analysis
- ✓ Dedicated Team of Experienced Professionals
- ✓ Expertise to Make the Process Straightforward and Reliable
- ✓ No Expenses Billed if you Decide Not to Sell



EXAMPLE OF FEE CALCULATION

VALUE CREATED FOR CLIENT		FEE FOR SERVICE CALCULATION	
Death Benefit:	\$2,000,000	6% Of Death Benefit	\$120,000
Cash Surrender Value:	\$200,000	30% Of Auction Offer	\$150,000
Initial Offers:	\$250,000 – \$300,000	1/3 Of Value Created	\$100,000
Competitive Auction Offer:	\$500,000		$(\$500,000 - \$200,000) \times 1/3$
Fee For Service (see right):	\$100,000		
Net Proceeds to Client:	\$400,000		

The auction process is intended to yield higher net proceeds to the client, even after the fee for service is considered. We do not collect any other fees from the seller or buyer related to the life settlement transaction.



4. Tips For Completing Application Paperwork



COMPLETING THE APPLICATION & AGREEMENT

To market and sell your policy effectively, we need to gather some information about the parties involved with the policy. Please complete all pages and ensure that all parties sign.

- **Returning the Application:** The application can be “wet” signed and scanned. It can then be mailed or emailed back. An electronic signature can also be arranged.



COMPLETING THE MEDICAL CONTACT SHEET

In a post “HIPAA” world, obtaining medical records can be a lengthy process that averages 3-5 weeks and, in some cases, can be longer.

- **Types of Doctors to Include:** The value you receive for your policy often benefits from detailed records that cover years of care. Please include all doctors you have seen for serious conditions. Please do not include dentists, eye doctors, chiropractors, cosmetic surgeons, and holistic practitioners, unless they are treating you for a serious condition.



COMPLETING ALL HIPAA AUTHORIZATIONS

- **Valmark Authorization:** Complete the Valmark HIPAA Authorization and be sure to sign legibly. A “wet” signature is required, but it can be scanned, or a picture can be taken if it is clear and legible.
- **Third Party Authorizations:** Some medical facilities require their own authorization to release records. We have compiled a list of these facilities (available through your Valmark Advisor) that have a proprietary form. If you have any records at any of these facilities, please download, complete, and sign their authorizations accordingly.



CLOSING A LIFE SETTLEMENT EXPEDITIOUSLY

- **Accuracy:** Completing all sections of the Application & Agreement accurately will give Valmark the opportunity to proactively request additional information if needed. Typically, delays are caused from inaccurate or incomplete information provided on the Application & Agreement that is discovered during closing.
- **Follow-Up Information:** It is not uncommon for additional information to be required after reviewing the completed paperwork. Providing the information requested in a timely manner can dramatically decrease the time it takes to complete a Life Settlement.
- **Insured’s Involvement:** If time is of the essence and you are willing to help, please notify us and we will provide instructions on how to obtain your own medical records faster.



Next Steps: Getting Started

Getting started with the Life Settlement process is easy. In accordance with the Life Settlement Timeline, there are three simple steps to getting your policy ready for auction.

1

COMPLETE THE INITIAL PAPERWORK WITH YOUR ADVISOR

- Complete the Life Settlement Application & Agreement
- Sign the Valmark and Third Party HIPAA Authorizations
- Provide Medical Contact Information
- Provide additional information as needed

2

WE GATHER THE NECESSARY DOCUMENTS (1–2 Months)

- Order Medical Records from all Doctors
- Obtain Life Expectancy Reports
- Gather Policy Information

3

WE PREPARE YOUR POLICY FOR AUCTION (1–2 Months)

- Measure your Policy's Market Value (Policy Appraisal Report)
- Market your Policy to Institutional Buyers
- Prepare the Competitive Auction Process





Life Settlement Disclosure

- **Valmark Securities, Inc. (Valmark):** Valmark and its registered representatives act as brokers on the transaction and will receive a fee from the purchaser. Valmark supervises all life settlements like a security transaction.
- **Life Settlement Providers:** Valmark markets policies only to Life Settlement Providers. Life Settlement Providers are generally responsible for maintaining the policy after sale and receive their funding from institutional buyers. Valmark reviews Life Settlement Providers periodically to affirm that their funding sources are institutional buyers, carry errors and omissions insurance, and are licensed in the state of sale.
- **Institutional Buyers:** Institutional buyers include qualified institutions, accredited investors, hedge funds, pension funds, and other qualifying investors. Investors bundle policies to ease any concerns with strangers having access to view millions of death benefit on an individual.
- In a life settlement agreement, the current life insurance policy owner transfers the ownership and beneficiary designations to a third party, who receives the death proceeds at the passing of the insured. As a result, this buyer has a financial interest in the seller's death.
- A policy owner should consider the continued need for coverage, and, if the policy owner plans to replace the existing policy with another policy, the policy owner should consider the availability, adequacy, and cost of comparable coverage.
- Policy owners considering the need for cash should consider other less costly alternatives to a life settlement.
- When an individual decides to sell their policy, they must provide complete access to their medical history, and other personal information, that may affect their life expectancy. This information is requested during the initial application for a life settlement.
- After the completion of the sale, there may be an ongoing obligation to disclose similar and additional information to the buyer or servicing agent at a later date.
- A life settlement may affect the insured's ability to obtain insurance in the future and the seller's eligibility for certain public assistance programs, such as Medicaid, and there may be tax consequences.
- Individuals should discuss the taxation of the proceeds received from a life settlement with their tax advisor.
- A life settlement transaction may require an extended period of time to complete. Due to complexity of the transaction, fees and costs incurred with the life settlement transaction may be substantially higher than other securities.
- Once the policy is transferred, the policy owner has no control over subsequent transfers.
- Each client's experience varies, and there is no guarantee that a life settlement will generate an offer greater than the current cash surrender value. In such cases, the client can always surrender their policy to the carrier if the coverage is no longer needed.
- Securities offered through Valmark Securities, Inc. Member FINRA/SIPC. Investment advisory services offered through Valmark Advisers, Inc., a SEC Registered Investment Advisor. 130 Springside Drive, Akron, Ohio 44333. (800) 765-5201.
- Advisory Services offered through FDP Wealth Management, LLC, a state Registered Investment Advisor and Valmark Advisers, Inc. a SEC Registered Investment Advisor. Securities offered through Valmark Securities, Inc., Member FINRA/SIPC. 130 Springside Drive, Suite 300, Akron, Ohio 44333-2431 1-800-765-5201 Prosperity Partners and FDP Wealth Management, LLC are separate entities from Valmark Securities, Inc. and Valmark Advisers, Inc.

