

LIFE SETTLEMENT FAQ



Life settlement cases are complex transactions with a variety of steps and requirements, but we are here to help. Below are the most common questions about completing a life settlement.

1. What does the Life Settlement process entail?

Our process involves a variety of different steps such as evaluating your policy, gathering information, and facilitating a live auction to ensure that your policy is sold for the highest possible value.

2. How long does the process take?

Most life settlement cases are completed in a 4 to 6 month time frame. However, some cases can take 9 months while others are completed in as little as 3 months. The process depends on your communication and engagement as the policyowner with our team, as well as the complexity of the case.

3. Am I required to sell my policy if I go through the process?

No, you are able to withdraw from the process at any time. After the auction is completed and you receive the final high offer, you can determine if you would like to accept the offer or not.

4. What health information is obtained and what will it be used for?

We order your medical information directly from your doctors through a HIPAA authorization for your privacy. There is no medical exam required. We use this information to obtain third party life expectancy reports. This allows us to determine the fair market value of your policy.

5. Who will buy my policy?

We only work with institutional and accredited investors. These purchasers execute the transaction through a broker using an escrow account. They hold your policy in a double-blind trust with several hundred or even thousands of other policies. We do not sell policies to individuals or unverified funding sources.

6. Is my personal information safe and secure?

Valmark places the protection of personal information as a top priority. During the transaction, our privacy policy and confidential process will ensure that no information leaves any of the authorized parties working the case. Both Valmark and our approved accredited purchasers follow strict HIPAA guidelines to safeguard your personal information. After the transaction, your policy will be managed in a double-blind corporate trust where your identity and personal information will continue to be secure according to HIPAA guidelines.

7. Will I be responsible for any premium payments after the life settlement is complete?

Once the policy is sold, you will no longer be responsible for any future premiums on the policy. The purchaser of the policy becomes the owner and will maintain the policy.

8. After the sale of my policy, will I be required to do anything regarding the policy?

You will no longer be required to maintain the policy; however, the purchaser will need you to be involved to provide updated information. The new owner will occasionally reach out to verify that the insured is living. You can designate a family member or friend to be the main contact. Some providers will request an updated HIPAA to be signed every couple of years.

9. Are there any fees involved with a life settlement?

There are no fees for us to market and solicit the sale of your policy. If you decide to accept the high offer, there is a brokerage fee that is FINRA approved and regulated that will be deducted from the high gross offer. All fees, expenses and compensation are disclosed during the closing process.

10. Will there be any tax if I sell my policy?

There may be taxes owed depending on the cost basis of the policy and total proceeds of the life settlement. If the sale proceeds are higher than the total premiums paid, the difference will be taxed. The difference is typically taxed as capital gains, but in some cases, there may be ordinary income tax. We recommend that you consult a tax professional for specific tax calculations.

LIFE SETTLEMENT DISCLOSURE



- 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.
- When an individual decides to sell their policy, he or she must provide complete access to his or her medical history, and other personal information, that may affect his or her 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 at a later date.
- Individuals should discuss the taxation of the proceeds received with their tax advisor.
- Valmark Securities supervises all life settlements like a security transaction.
- 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.
- Valmark and its registered representatives act as brokers on the transaction and may receive a fee from the purchaser.
- 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.
- If you are an investor or a buyer of a life insurance policy then you should be aware that:
 - Investment in a life settlement is highly speculative.
 - Although a substantial profit may be realized, a substantial loss is also possible.
 - The death benefit may never be paid.
 - Additional funds may need to be invested to pay premiums if the insured lives substantially longer than expected.

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