

# Life Settlement Checklist

**Life Settlement:** Defined as the sale of an existing life insurance policy on the secondary market to a third party for a lump sum cash settlement.

- I. Potential Life Settlement Situations
  - A. Insured with life expectancy of 14 years or less (male, age 70 or older; female, age 75 or older)
  - B. Policy face amount of \$500,000 or more
  - C. A low cash value to death benefit ratio, usually less than 20%
  - D. Level annual premium to sustain the policy to maturity at current projections is in the range of 5% or less of the policy face amount, depending upon the insured's age and current health.
  - E. Policy is no longer needed
    1. term insurance
    2. excess estate planning life insurance
    3. unneeded business life insurance
    4. unneeded personal life insurance
  - F. Alternative for underfunded policies
    1. The premium required to sustain the policy is unaffordable.
    2. The policy is in danger of lapsing.
  - G. Alternative to a Section 1035 exchange, or replacement of single life insurance with joint life insurance
    - Life settlement can be a valuable alternative if the settlement value exceeds the cash value being exchanged or realized on surrender.

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II. Important Life Settlement Transaction Considerations – Four Essential Requirements – The Professional Life Settlement Solution™

- A. This financial transaction should be treated as a securities transaction. **This treatment may aid in more thorough due diligence, best offer requirements, and proper liability protection.**
- B. The policy purchaser, and any future purchasers, should be restricted to institutional purchasers. **This requirement may assist to better protect the anonymity of the insured.**
- C. The sale should be carried out through a competitive bidding process among multiple providers rather than contacting only one or two potential purchasers. **This process may help to increase the value of the sale and provide a high degree of assurance that the policy owner is receiving a fair market value settlement for the sale of their policy.**
- D. Insist upon full written commission disclosures. We set our all-inclusive compensation at the **lesser** of the following three calculations:

<b>For a Policy with a Death Benefit Less Than \$2,000,000</b>	<b>For a Policy with a Death Benefit of \$2,000,000 or More</b>
6.0% of the death benefit	4.5% of the death benefit
30.0% of the gross offer	22.5% of the gross offer
One-third of the value created*	25.0% of the value created*
* The sale price in excess of the cash surrender value	

**This compensation may be substantially less than the full compensation that could be taken. A reduction in compensation may result in a dollar for dollar increase in the sale proceeds realized by the policyowner.** (Included in the above calculations is a predetermined amount of compensation to be paid to our Broker Dealer, Valmark Securities, for their administrative services in this life settlement securities transaction.) This compensation will be fully disclosed, and will be payable only if the life settlement transaction closes.

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, the buyer has a financial interest in the seller's death. 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. A life settlement may affect 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 with their tax advisor. Valmark Securities, Inc. supervises all life settlements as a security transaction. Valmark Securities, Inc. and its registered representatives act as brokers on the transaction and may receive a fee from the purchaser.

THE EXAMPLES GIVEN ARE HYPOTHETICAL AND FOR ILLUSTRATIVE PURPOSES ONLY.  
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