

WHAT HAPPENS AFTER I SELL MY POLICY?



Here are some answers to frequently asked questions from clients about what happens to their policy once the sale is complete.

1. Who is buying my policy and how do they benefit?

Valmark works exclusively with institutional and accredited investors. They typically hold your policy in a double-blind trust with hundreds or even thousands of other policies. This helps assure the client that their information remains confidential. The investor participates in the performance of the portfolio which contains numerous policies. It operates like a bond portfolio where the investor is less concerned about each bond but rather the overall performance of the pool of assets.

2. 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.

4. What obligations do I have after sale?

During closing of the life settlement, there is a requirement to appoint one to three designated contacts to assist with any post sale follow-up. Generally, this is limited to a basic tracking call on a roughly quarterly basis (may vary slightly by buyer and life expectancy). The insured and policy owner are rarely contacted, though the buyer does reserve the right to reach out for a document correction or updated HIPAA medical release. This is generally facilitated through the acquiring party's servicing company.

5. How will my privacy be kept private and secure? Who will have access to my health records?

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 on 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 and personal information will continue to be secure according to HIPAA guidelines.

6. What do my heirs need to do when I pass away?

Your chosen designees may be contacted for basic assistance at the time the policy claim is filed (perhaps to verify the date and location of your passing, or to verify a death certificate request). There is generally no obligation for any of your other family members or heirs in general.

3. What tax forms should I expect to receive after selling the policy?

The acquiring party is required to send a 1099 to the policy sellers. You may also receive a separate 1099 from the carrier. Contact your CPA or tax advisor for any tax implications.

7. Who manages and services the policy?

Institutional and accredited investors generally enlist a servicing company to manage post-sale policy maintenance, such as making premium payments, filing policy claims, and following up with the insured's chosen designees where needed.

8. What else should I know?

The life settlement industry has become highly regulated to alleviate the fears of policyowners considering selling their policy. There have been very few complaints from customers after selling their policy. Valmark places the protection of your personal information as a top priority, and we work diligently to find you the highest market value for your policy while working with the most reputable buyers in the industry.

LIFE SETTLEMENT DISCLOSURE



- Because Valmark Securities is acting only as a broker of a transaction, we cannot guarantee the assurance of statements specified above.
- 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.