STONE POINT FINANCIAL GROUP

CASE STUDY

LIFE SETTLEMENT ENABLES CONVERSION OF EXPIRING TERM POLICY INTO CASH + COVERAGE

THE SITUATION

Ten years ago, Phil Collins,[1] a 47-year-old corporate executive, purchased a $2 million, 10-year term policy for income replacement for his wife, Ann. Two years ago, Phil was diagnosed with stage IV cancer. He is now 57 and the term policy is expiring.

Phil and Ann consulted with their CPA saying they felt they needed a certain amount of life insurance going forward but did not need $2 million of coverage. The CPA referred the Collins' to us to review the policy.

Phil was surprised to learn that rather than lapsing the term policy which had no value, he could sell part of the policy via a life settlement and keep part of the coverage. We suggested he convert the term into two policies; one for $500,000 which he would keep and one for $1.5 million which he would sell. Phil's life expectancy was estimated between 120—171 months.

THE OUTCOME

Valmark's life settlement team worked with multiple providers and was able to negotiate a settlement offer through their bidding process which resulted in a total gross offer of **$350,000**[2] (before commissions and expenses).

SUMMARY

POLICY TYPE	Term to be converted to Universal Life
DEATH BENEFIT	$1,500,000
TOTAL TERM PREMIUMS PAID	$21,778
CONVERSION PREMIUM	$35,278
LIFE SETTLEMENT OFFER	**$350,000 Gross**[3] **($323,250 MORE THAN THE TERM PREMIUMS PAID)**

THE TAKEAWAY

Life Settlement transactions in the marketplace grew by 19% in 2017, which reflects continued growth over the last several years. It is still believed that 90% of consumers have no knowledge of life settlements.[3] Consider life settling a term policy and create value for your clients on an asset they thought was worthless.

[1] Client name has been changed to protect confidentiality. | [2] The gross offer will be reduced by commissions and expenses related to the sale. [3] See "Life Settlement League Tables 2017: Market Grows 19%, Continues Upward Path"; The Deal, June 6, 2018. | 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. This material is intended for informational purposes only and should not be construed as legal or tax advice or investment recommendations. Consult a qualified attorney, tax advisor, investment professional or insurance agent about the issues discussed herein. Securities offered through Valmark Securities, Inc. Member FINRA/SIPC.

- 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.
- Valmark and its registered representatives act as brokers on the transaction and may receive a fee from the purchaser.
- Valmark Securities supervises all life settlements like a security transaction.
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