

REQUIRED NOTICE FOR CLIENT

IMPORTANT INFORMATION YOU NEED TO KNOW BEFORE ENTERING A LIFE SETTLEMENT

What are life settlements?

A life settlement is the sale of a life insurance policy or certificate (hereafter referred to as policy) issued on the life of a person, who does not have a catastrophic or lifethreatening illness or condition that is likely to result in death within 24 months, for a dollar amount that is less than the policy's face value. The person who is insured under the policy is called a life settlor. This person may or may not be the owner of the policy. Only the owner of the policy has the right to sell the policy. If you do not own the policy, the owner cannot sell the policy without your consent. The entity that buys the policy is called a life settlement provider (hereafter referred to as provider). Additionally, there are persons called brokers or provider representatives, who help with the sale of the policy.

A life settlement offers you the opportunity to receive a portion of your policy's death benefit while you are still alive.

How do life settlements work?

Most providers, provider representatives, or brokers will ask you to complete an application and medical release forms so that they can gather information from your life insurance company and your doctors. All information gathered must be kept confidential and cannot be given to anyone without your written approval. If you qualify, the provider will make you an offer for your policy. The amount offered for your policy will be based on facts such as how long you are expected to live, the amount you pay for premiums, the rating of your insurance company, and your policy's provisions (e.g., a waiver of premium). If you accept the offer, you will be asked to sign a life settlement contract.

Do I have to sell all of my policy?

No. You can sell all of your policy or you can sell only a part of your policy. If you sell only a part, you will be required to assign or transfer only the part being sold. If you sell the entire policy, the provider will become the new owner of the policy.

Is there a difference between a broker and a provider representative?

Yes. Although both a broker and a provider representative will help you with the sale of your policy, there are important differences between them. A broker works for you. A broker will check with several providers to find the best offer for you. A provider representative works for a provider. A provider representative will only check with the provider that he or she works with to get you their offer. If you use someone to help with the sale of your policy, you may want to ask whether they are a broker or a provider representative.

Is the provider, provider representative, or broker required to keep my information confidential?

Yes, any financial, medical, or personal information obtained by a provider, provider representative, or broker about you, including your family members, a spouse, or a significant other, may not be shared with anyone unless you have given written approval that the information may be shared. Any written approval for the sharing of this information must show who may get the information and why it will be released.

If I enter a life settlement contract, when will I get my money and who from?

The answer to this question depends on how the provider runs its business. Some providers use an escrow agent or trustee to handle the money that will be paid to you. If an escrow agent or trustee is used, the escrow agent or trustee will send you the money within three business days of the date the insurance company confirms to the provider that the transfer of ownership has been completed. If an escrow agent or trustee is not used, the provider will send you the money within three business days from the date you signed both the contract and the papers needed to transfer or assign your policy to them.

What if I change my mind?

If you change your mind about selling your policy, you can cancel the life settlement contract at any time up to the 15th day after you receive the money from the provider. To cancel the life settlement contract, you will have to return any money the provider paid to you for the purchase of your policy along with any premiums the provider paid to keep the policy in force. If you change your mind, remember to arrange with the provider to have the insurance company transfer the ownership of the policy back to you.

What if I die shortly after selling my policy?

If you die at any time up to the 15th day after you receive the money from the provider, the settlement contract will automatically cancel. The provider will pay the owner of your policy or beneficiaries designated by the owner in the life settlement contract any proceeds it receives from your policy, minus any money it already paid for the purchase of your policy and any premiums it paid to the insurance company to keep your policy current. The insurance company or the provider should refund any unearned premiums paid.

What happens after I get my money?

After the provider has paid the owner for the sale of the policy, they may begin calling to check on the health status of the life settlor.

What if I don't want to be contacted about my health status?

If you do not want to be contacted about your health status, you may appoint an adult person or persons to be contacted on your behalf. That person must be in regular contact with you and you must give the provider their name, address and phone number. Once you give the provider this information, they may not contact you unless they have tried and have not been able to reach your contact person for more than 30 days. If you need to, you can change your contact person at any time by sending a written notice to the provider.

How will I know who will be calling me or my contact person about my health status and how often can they call?

The provider must give you the name, address, and phone number of the person who will be contacting you or your contact person(s) about your health status. If your life is expected to end in one year or less, contacts to check on your health status are limited to once every 30 days. If you are expected to live for more than one year, contact is limited to once every three months.

Will the provider be calling my doctor to check on my health status?

Some providers will use your signed medical release form to check with your doctor for updates on your health status. The medical release form tells your doctor that you want your doctor to give your medical information to the provider, their broker, or provider representative. If you decide you do not want the provider to contact your doctor, you have the right to withdraw your medical consent in accordance with law.

How will I know if my policy includes extra coverages like accidental death, future increases in the death benefit, or covers other family members? Do these affect my settlement?

Some policies contain extra coverages. You may want to contact your insurance company or agent to see if your policy contains a provision or rider providing extra coverages.

If your policy includes a benefit for accidental death, the additional death benefit may not be included as part of your settlement. The additional death benefit will remain payable to your beneficiaries or your estate.

If your policy provides future increases in the death benefit, you may want to ask how much the provider is paying you for the purchase of this benefit.

If your policy is a joint policy, or provides coverage on the lives of other family members or anyone other than yourself, there may be a possible loss of coverage.

Are there other options available besides selling my policy?

Your insurance company may offer options, such as accelerated death benefits, loans, and surrender of the policy for its cash value. Before entering into a life settlement, you should contact your insurance company or agent to see what options are available.

What other things should I know about a life settlement contract?

Some things that may be affected if you enter a life settlement are:

- there may be a loss of life insurance coverage on your spouse or other family members, if the policy (or any riders attached to it) covers their lives;
- the amount of premiums you pay;
- policy cash values or dividends, if provided for in the policy;
- a loss of other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the your policy;
- you may incur tax consequences;
- your ability to receive supplemental social security income, public assistance, and public medical services including Medicaid; and
- the money you receive for your life settlement could be taken away from you by creditors, personal representatives, trustees in bankruptcy, and receivers in state or federal court.

Because of the above, you should contact an attorney, accountant, estate planner, financial planning advisor, tax advisor, social services agency, your insurance company, or agent, as applicable, to find out what effect selling your policy will have on you.

What is the time line from start to finish in respect to completing the sale of a policy?

<u>Stage</u>	<u>Timeline</u>
Application	1 day
Medical Records	2 to 4 weeks
Medical review	2 to 4 weeks
Illustrations	2 to 4 weeks
Offers	2 weeks
Contracts	2 weeks
Change of Ownership	2 to 3 weeks
Funding	2 to 5 days

The above timeline is only for indicative purposes, and therefore every effort will be made to complete each stage within the minimum time limits stipulated above.

THE FOLLOWING PERSONAL ACKNOWLEDGEMENT IS INCLUDED IN THE APPLICATION AND MUST BE AGREED UPON BY THE POLICY OWNER AND INSURED:

SECTION 5 OF 5 – PERSONAL ACKNOWLEDGEMENT

You understand, consent to, and represent the following:

- 5.1 The policy or policies are being submitted with this Application because you are (i) purchasing a new policy, (ii) obtaining additional cash proceeds to use as you deem necessary for your personal use, (iii) no longer in need of or desire, life insurance, (iv) effectuating changes in your estate, family, business, investment or financial planning matters, or (v) Other:

and the policy or policies are therefore considered to be unwanted and/or unnecessary.

- 5.2 Acceptance of this Application does not in any way constitute or guarantee the purchase of life insurance policies as detailed in this Application. This Application is not a contract for the sale of your policy. The information contained within may be used for evaluation purposes only to determine whether you may be able to sell your policy. The information contained within may be used for evaluation purposes only. Any information obtained may be used or disclosed to other parties for qualification purposes in order to effect or facilitate the settlement transaction. Confidential information will not otherwise be disclosed to any person without your prior written consent.
- 5.3 The purpose of this Application is to procure a settlement offer on a policy or policies referred to in this Application.
- 5.4 The source of funds for any settlement offer may include institutional, commercial, corporate, private and/or individual investors, purchasers, funders and/or providers that conduct business on a local, state or national level.
- 5.5 Other rights and benefits, such as disability benefits, conversions or particular riders on the policy(s) detailed in this Application, may exist under the policy(s) and may be forfeited by the life settlement. The insurance carrier should be contacted for additional information.
- 5.6 You may incur tax consequences by entering into a life settlement. Assistance should be sought from a professional tax advisor. The tax information relayed to you is not meant to be tax advice, and, consultation with your professional tax advisor is necessary.
- 5.7 Proceeds of the life settlement could be subject to the claims of creditors, personal representatives, trustees in bankruptcy, and receivers in state or federal court.
- 5.8 Receipt of the proceeds of a life settlement may adversely affect eligibility for supplemental social security income, Medicaid or other Government benefits or entitlements. The appropriate Government agencies should be consulted for advice.
- 5.9 Seniors and individuals with a catastrophic or life-threatening illness or condition may qualify for a Viatical Settlement should the life expectancy of the insured named in the policy(s) be 24 months or less. Professional advisors should be contacted and consulted for further advice.
- 5.10 You may have alternatives to a life settlement that are provided in relation to the policy, such as accelerated benefits, policy loans and surrender of the policy's cash value. You should review the terms of your policy to determine which options are available to you.
- 5.11 If the subject policy is a joint policy or insures the life of another person, a life settlement may result in a loss of coverage.

- 5.12 The purchaser of the subject policy, whether an institution or a private party, has the right to assign or otherwise transfer its interest in the policy to a third party at any time. YOU ACKNOWLEDGE THAT, THE PURCHASER, OR, IN THE EVENT THAT THE PURCHASER SUBSEQUENTLY ASSIGNS THE SUBJECT POLICY TO A THIRD PARTY, THE THIRD PARTY, MAY, WHETHER KNOWINGLY OR UNKNOWINGLY, OBTAIN YOUR IDENTITY AND YOUR CONTACT INFORMATION, INCLUDING, BUT NOT LIMITED TO, YOUR ADDRESS, PHONE NUMBER AND/OR SOCIAL SECURITY NUMBER, ALTHOUGH LEGAL SAFEGUARDS MAY HAVE BEEN IMPLEMENTED BY STATE LAW TO PREVENT SUCH DISCLOSURE.
- 5.13 You recognize that all direct and indirect agents and brokers of the purchaser of the subject policy or policies cannot exercise any degree of control over said purchaser. BASED UPON THIS RECOGNITION, YOU EXPRESSLY RELEASE ALL AGENTS AND BROKERS OF THE PURCHASER FROM ANY AND ALL LIABILITIES, CLAIMS FOR DAMAGE, CAUSES OF ACTION, LOSSES, COSTS OR EXPENSES OF WHATEVER KIND OR CHARACTER, WHETHER IN TORT OR IN CONTRACT, INCLUDING BUT NOT LIMITED TO THE ACTIONS, INACTIONS, BREACHES OF FIDUCIARY DUTY, NEGLIGENCE, GROSS NEGLIGENCE AND MALFEASANCE, IF ANY, THAT YOU MAY HAVE OR MAY HAVE HAD RELATING TO THE ACTIONS OF THE PURCHASER OF THE SUBJECT POLICY OR POLICIES.
- 5.14 That you have not filed for bankruptcy and none of your property has been the subject of any bankruptcy proceeding at any time since the date that the policy(s) detailed in this Application was issued except as disclosed in writing in section 5.21 below.
- 5.15 That there are no outstanding tax liens against any of your property.
- 5.16 That you (i) are the sole and absolute owner of the policy(s), as reflected on the books and records of the insurance company that issued the policy(s), (ii) have not previously pledged or assigned any interest in or under the policy(s) to any person, either in writing or otherwise, (iii) have not designated any irrevocable beneficiaries for the policy(s), and (iv) have no agreements or arrangements with any third parties regarding who is entitled to any portion of the death benefit of the policy(s).
- 5.17 That you, as the sole and absolute owner of the policy(s), have paid all premiums on the policy(s) and that no insurance agents or other professional advisors have paid, lent or advanced to you or the insurance company that issued the policy(s) any funds for the purpose of paying premium payments on the policy(s), save and except any state-authorized payments or rebates of insurance sales commissions which you may have received from the insurance agent as an inducement to purchase the policy(s).
- 5.18 That the policy(s) is not the subject of any lawsuit or any other legal proceeding that you are aware of.
- 5.19 That one of the purposes of acquiring the policy(s) was not only to thereafter sell or otherwise transfer it to a third party for valuable consideration and that you had financial, investment or other planning purposes for acquiring the policy(s).
- 5.20 THAT YOU SHALL NOTIFY BENEFICIARIES AND NAMED EXECUTORS OF YOUR ESTATE REGARDING YOUR INTENT TO SELL THE POLICY OR POLICIES REFERRED TO IN THIS APPLICATION. YOU ARE SOLELY RESPONSIBLE FOR NOTIFYING ANY BENEFICIARIES AND NAMED EXECUTORS OF YOUR ESTATE.
- 5.21 Disclosure by the Policy Owner(s) and/or Insured(s) of any information that may be pertinent to this Application:

- 5.22 You agree that a photocopy and/or facsimile of this Application shall be as valid as the original.
- 5.23 You acknowledge that you have read and understand the contents of this Application and the attached **'Required Notice – Important information you need to know before entering a Viatical Settlement or Life Settlement'**, and, you represent and warrant that all of the information provided in this Application including personal, policy and medical information is true and correct to the best of your knowledge. You acknowledge and agree that you will be liable for any errors or omissions in your responses to the Application and that all information will be relied upon in determining whether your policy is suitable for sale.

I have read and understood the above representations.