



LIFE SETTLEMENT EVALUATION™

PRELIMINARY MEASUREMENT OF YOUR POLICY'S LIFE SETTLEMENT POTENTIAL

Prepared For: Valued Client
Presented By: Valmark Advisor

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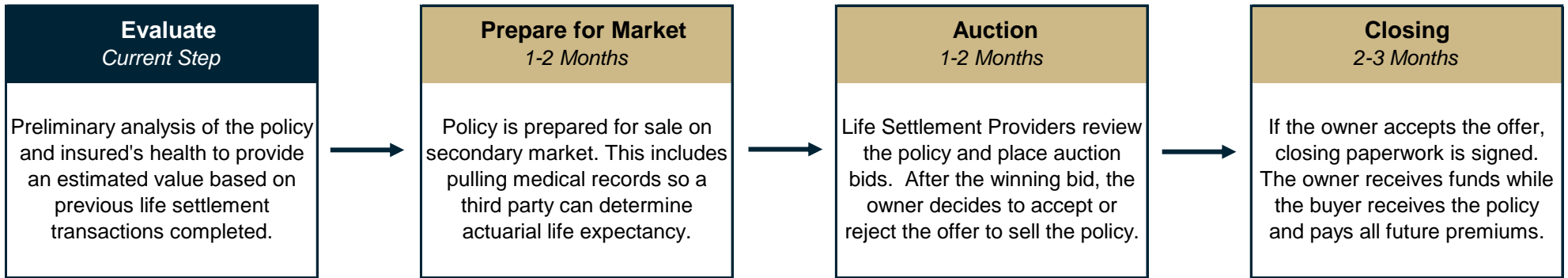
Introduction

What is a Life Settlement?

A Life Settlement is the sale of an existing life insurance policy to a third party purchaser for its fair market value. The policy owner receives a cash payment, and the purchaser of the policy assumes all future payments and receives the death benefit upon death of the insured.

What is the Process?

The Life Settlement process consists of 4 primary steps: **Evaluate**, **Prepare for Market**, **Auction**, and **Closing**. The typical Life Settlement may take between 4-7 months to complete. This depends on various factors such as turnaround times of insurance carriers or medical record providers and the length of the auction.



What makes a policy a candidate for a Life Settlement?

The market value of your policy will be based on the evaluation of 5 main factors: **Age**, **Health**, **Policy Type**, **Premium**, and **Cash Value**.

| | |
|---|---|
| Age <i>Life Expectancy</i> | Your age is an important factor used to determine a life expectancy. The policy is generally worth more when life expectancy is shorter. Life expectancies less than 15 years make the policy more desirable to institutional buyers. |
| Health <i>Life Expectancy</i> | Your health is another important factor used to determine life expectancy. Health impairments decrease life expectancy. Life Settlement buyers may consider the severity of health impairments differently in their offers. |
| Policy Type <i>Product Flexibility</i> | Each policy has different features, riders and premium options. Some products have more flexibility to maintain coverage than others. Institutional buyers prefer policies with flexible premiums. |
| Premium <i>Cost to Maintain Policy</i> | The required premium to maintain coverage is considered when determining the value of the policy today. The lower the premium compared to the death benefit, the more valuable the policy will be. |
| Cash Value <i>Cost to Maintain Policy</i> | Cash value can be used to offset future premiums. The higher the cash value, the more valuable the policy will be. However, surpassing the cash value may not be possible if the current cash value is too high. |

Life Settlement Evaluation

CLIENT INFORMATION

| Client Name | Date of Birth | Age | Gender |
|---------------|---------------|-----|--------|
| Valued Client | 1/1/1931 | 88 | Female |

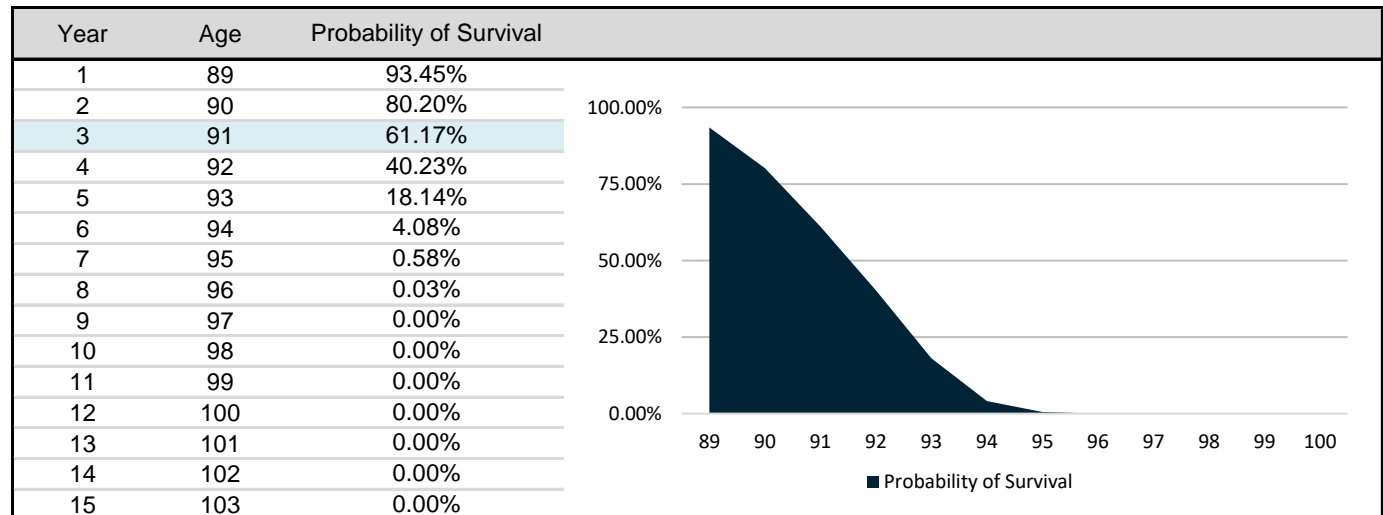
The following chart is designed to evaluate the 5 main factors in determining the likelihood of a Life Settlement. The sections highlighted in blue provide a range in which you score based on the questionnaire you submitted.

| Life Settlement Factor | Negative Impact on Pricing | Minor Impact on Pricing | Positive Impact on Pricing |
|------------------------------------|----------------------------|----------------------------|----------------------------|
| Age | Under 70 | 70 - 80 | 80 + |
| Health | Healthy | Minor Medical | Major Medical |
| Policy Type | Whole Life/Guaranteed Life | Variable Life/Survivorship | Universal Life/Term |
| Premium % to Death Benefit (DB) | Premium > 15% of DB | 15% > Premium > 5% | Premium < 5% of DB |
| Cash Value % to Death Benefit (DB) | Cash Value < 5% of DB | 15% > Cash Value > 5% | Cash Value > 15% of DB |

UNDERSTANDING LIFE EXPECTANCY

Life Expectancy is an estimate of the average number of additional years that a person of a given age and health can expect to live. At life expectancy, there is a 50% probability of survival. The information below estimates your life expectancy range based on current age and known health status:

| Estimated Life Expectancy | (Years) |
|------------------------------|---------|
| Conservative Estimate: | 4.4 |
| Preliminary Health Estimate: | 3.5 |
| Aggressive Estimate: | 2.5 |

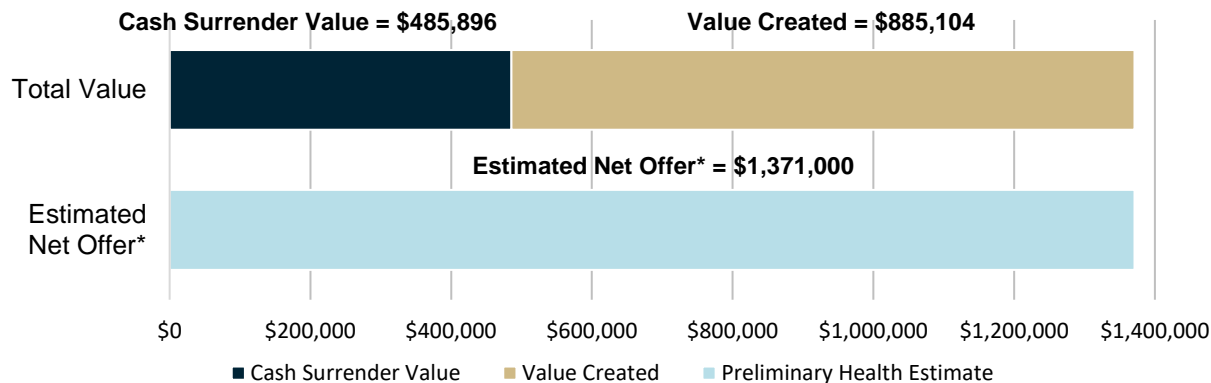


Life Settlement Evaluation

| POLICY INFORMATION | | | IN-FORCE ILLUSTRATION | | |
|--------------------|---------------|---------------------|-----------------------|-----------------|----------------------|
| Carrier | Policy Number | Policy Issue Date | Illustration Date | Annual Premium* | Cash Surrender Value |
| John Hancock Life | 123456789 | 1/1/1991 | 5/1/2019 | \$174,318 | \$485,896 |
| Policy Type | Death Benefit | Total Premiums Paid | In-Force to Age | Guaranteed DB? | Maturity Age |
| Whole Life | \$3,000,000 | \$873,419 | 100 | No | 100 |

| ESTIMATED PROCEEDS | | | | |
|------------------------------------|-----------------|----------------------------------|----------------------|------------------------------|
| Mortality Estimates | Life Expectancy | Estimated Net Offer | Cash Surrender Value | Estimated Value Created |
| Conservative Estimate | 4.4 | \$953,000 - \$1,053,000 | \$485,896 | \$467,104 - \$567,104 |
| Preliminary Health Estimate | 3.5 | \$1,302,000 - \$1,440,000 | \$485,896 | \$816,104 - \$954,104 |
| Aggressive Estimate | 2.5 | \$1,701,000 - \$1,881,000 | \$485,896 | \$1,215,104 - \$1,395,104 |

VALUE CREATED



EVALUATION CONCLUSION

Based on the current assumptions, there is a good possibility to receive a net offer greater than the current cash surrender value.

*Annual Premium is increasing each year due to annual renewable term component of the policy

*Estimated Net Offer is midpoint of net offers for the Preliminary Health Estimate, see Life Settlement Offer Range on page 6 for calculation assumptions.

Next Steps

Should I move forward with a deeper exploration?

If the majority of the answers to the following questions are true, it may be worth exploring a Life Settlement further with a more formal application and auction:

| QUESTION | TRUE | FALSE |
|---|--------------------------|--------------------------|
| I no longer want or need the policy benefits | <input type="checkbox"/> | <input type="checkbox"/> |
| I am unwilling or unable to pay required future premiums | <input type="checkbox"/> | <input type="checkbox"/> |
| I prefer or need cash liquidity | <input type="checkbox"/> | <input type="checkbox"/> |
| I am planning to surrender or lapse my current policy | <input type="checkbox"/> | <input type="checkbox"/> |
| I believe the Estimated Net Offer range provides adequate Value Created above my cash surrender value | <input type="checkbox"/> | <input type="checkbox"/> |
| I am willing to provide all information necessary to explore a settlement further | <input type="checkbox"/> | <input type="checkbox"/> |

What are the next steps to prepare the policy for market?

If you plan to move forward with a formal analysis and auction, the steps below breakdown the responsibilities required by each party to prepare the policy for market.

| Your Responsibility | Our Responsibility |
|---|--|
| Sign Life Settlement Engagement Agreement | Prepare policy for market |
| Complete Life Settlement Application | Obtain medical records from all physicians |
| Complete 3rd Party Authorization form | Obtain 3rd party life expectancy report(s) |
| Sign medical release form (HIPPA) | Prepare Policy Appraisal Report (PAR) |
| Provide medical contact information | Evaluate PAR and market the policy to institutional buyers |

Life Settlement Evaluation Process

Page 3 - Life Settlement Evaluation

Life Settlement Evaluation: The Life Settlement Factors are designed to determine the general likelihood of selling a policy, but it is not an exhaustive list. Some factors may have a greater significance than others, and other factors such as carrier strength, interpretation of health reports, and buyer liquidity may also be crucial factors in selling a policy.

Page 3 - Understanding Life Expectancy

Your Estimated Life Expectancy: The life expectancy years given are based on a preliminary health estimate that is determined by the pre-qualification underwriting questionnaire submitted with this analysis. Actual life expectancy reports may come back significantly different. The conservative estimate is used to estimate a healthier range, and the aggressive estimate is used to estimate a more significant decline in health. Updated health records will likely provide a more accurate life expectancy range. Life Expectancy is estimated using 2017 CSO Unloaded Mortality Tables.

Life Expectancy Definitions:

Table Rating: a point based system that allows insurers to take additional risk factors into account when setting a policy premium. Table ratings can be for both medical and non-medical conditions. The table ratings below are estimates based on the pre-qualification underwriting questionnaire submitted with this analysis.

Mortality %: Directly correlated with Table Ratings, Mortality % is an indicator of the insured's likeliness of death. At a standard table rating, the mortality % would be 100%. Each table rating adds 25% to the mortality %. Life Expectancy and Mortality % are derived from Table Rating.

| Life Expectancy Assumptions | Table Rating | Mortality % | Life Expectancy (Years) |
|-----------------------------|--------------|-------------|-------------------------|
| Conservative Estimate | Table J/10 | 350% | 4.4 |
| Preliminary Health Estimate | Uninsurable | 550% | 3.5 |
| Aggressive Estimate | Uninsurable | 750% | 2.5 |

Page 4 - Life Settlement Offer Range

Estimated Proceeds: The analysis below illustrates how the estimated net offer is calculated, which is compared to the cash surrender value to determine the potential value created by selling the policy.

Step 1: Total Cost of Insurance (Premium Loads, Administrative Expenses, Cost of Insurance, etc) is estimated on an annual basis by calculating the premium load, crediting rate, and changes in account value year-over-year in the in-force illustration provided.

Step 2: The current cash value is used to offset future premiums needed to cover the annual Total Cost of Insurance. When the cash value is depleted, the ongoing premiums needed will cover the annual Total Cost of Insurance. For guaranteed insurance contracts and whole life contracts the cash value will not be used to offset future premiums because it may jeopardize policy guarantees or the death benefit amount.

Step 3: The Estimated Gross Offer is calculated based on the life expectancy reports, the required premium needed to cover the Total Cost of Insurance, and a (14%) IRR discount rate. The IRR discount rate used is an estimated return that is based on previously closed cases. Their actual target return may be higher or lower depending on various market factors.

Step 4: Compensation is deducted from the gross offer based on the lessor of a 3 tiered commission schedule:

Lesser Of:

| | | | |
|-----------------------|------------|----------------------------|--------------|
| 30% of Gross Offer: | \$ 465,363 | Estimated Gross Offer | \$ 1,551,211 |
| 1/3 of Value Created: | \$ 355,105 | Less Estimated Commissions | \$ 180,000 |
| 6% of Death Benefit: | \$ 180,000 | Estimated Net Offer | \$ 1,371,211 |

Step 5: Estimated Net Offer is rounded to the nearest thousand, and shown in a range of -5% to +5% to provide a range of potential offers.

Value Created: is defined by the difference between an estimated net offer and the cash surrender value. If the value created is negative, it would be better to surrender the policy or consider other options with the policy. If the value created is positive, a Life Settlement may be a good option if the insurance is no longer wanted or needed.

Disclosures

Terms and Definitions:

Valmark Securities, Inc. (Valmark): Valmark and its registered representatives act as brokers on the transaction and will receive a fee from the purchaser. Valmark supervises all life settlements like a security transaction.

Life Settlement Providers: Valmark markets policies only to Life Settlement Providers. Life Settlement Providers are generally responsible for maintaining the policy after sale, and receive their funding from institutional buyers. Valmark reviews Life Settlement Providers periodically to affirm that their funding sources are institutional buyers, carry errors and omissions insurance, and are licensed in the state of sale.

Institutional Buyers: Institutional buyers include qualified institutions, accredited investors, hedge funds, pension funds, and other qualifying investors.

General Disclosure

This piece is educational in nature and not intended to provide specific investment, legal, tax, or accounting advice. Please consult your qualified tax professional and/or attorney before considering any ideas presented. Life expectancy ranges, rate of returns on offers, and net present value calculations made are hypothetical in nature and do not guarantee similar results in a live auction. Each variable should be closely considered based on each individual's unique time horizon, investment objective, and risk tolerance.

This report is a snapshot and does not provide legal, tax, or accounting advice

This report provides a snapshot of your current situation with the goal and to help create a plan of action. Before making decisions with legal, tax or accounting ramifications you should consult appropriate professionals for advice that is specific to your situation. Information provided is derived from the information received in the questionnaire. If any assumptions are incorrect, you should notify your financial advisor. Even small changes in assumptions can have a substantial impact on the results shown in this report. Please note that this report is not intended to predict the actual worth of any policy. There is no guarantee that your policy will receive an offer on the secondary market.

Life Settlement Disclosure

Important Considerations:

- 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.
- 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.
- 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.