

# AUCTION PROCESS

When considering selling an insurance policy, it is critical that a broker works on behalf of the policy owner to obtain the highest market value for the policy. As your advocate, we market the insurance policy to the majority of the leading life settlement providers, launch a formal auction, and negotiate offers intended to get you the highest fair market value.



**Exposure to the Marketplace** ensures that your policy is marketed to a variety of providers and investors. There are many life settlement providers that want to buy your insurance policy. What they do not tell you is that the provider's primary responsibility is to the investor buying the policy. Their goal is to obtain a favorable price for the investor.

Our process removes the risk of a single provider making a low offer for your policy. We market and shop each policy to every provider we work with. Some are names with which you may be familiar, while others are exclusive to our broker network. Combined, we have strong relationships with the majority of the industry's best providers.

**Our Competitive Auction Process** is designed to create competition that drives providers to pay top dollar for your policy. Our industry experience and internal pricing software help us estimate the value of a policy, so that we know when a provider is offering a fair price.

We created our formal auction process to be automatic so that providers receive notifications often to encourage them to stay active in the bidding process. This has provided consistent results by driving up the price and using other providers as competition until the top dollar is achieved.

**The Highest Fair Market Value** can be achieved through our combined ability to access a variety of providers, market each policy based on our industry experience, and competitively auction the policy.

In the example below, you can see the value of the auction in action. The increasing bids in each round maximize the proceeds the policy owner will be offered at closing. Note that the winning provider started with a low offer and was ultimately willing to pay much more for the policy.

Provider	Initial Offer	Auction Rounds													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Bidder 1		\$910,000	\$960,000	\$1,012,500					\$1,160,000	\$1,180,600	\$1,210,000	\$1,220,000	\$1,260,000	\$1,270,000	\$1,270,000
Bidder 2	\$900,000	\$900,000	\$1,000,000	\$1,050,000	\$1,050,000	\$1,100,000	\$1,100,000	\$1,150,000	\$1,150,000	\$1,200,000	\$1,200,000	\$1,250,000	\$1,250,000	\$1,270,000	\$1,280,000
Bidder 3		\$910,000			\$1,075,000	\$1,086,000	\$1,125,000			\$1,160,000	\$1,210,000	\$1,210,000	\$1,260,000	\$1,260,000	\$1,280,000
Bidder 4	\$800,000	\$916,000	\$966,600	\$1,021,600	\$1,076,000	\$1,076,000	\$1,126,000	\$1,126,000	\$1,170,000	\$1,170,600					
Bidder 5	\$900,000	\$900,000	\$1,002,500	\$1,002,500	\$1,065,000	\$1,100,000	\$1,100,000	\$1,145,000							
Bidder 6		\$925,000	\$975,000	\$1,020,000	\$1,060,000	\$1,086,000	\$1,086,000	\$1,136,000							
Bidder 7		\$920,000	\$980,000	\$1,012,500	\$1,060,000	\$1,086,000	\$1,086,000								
Bidder 8		\$950,000	\$950,000	\$1,002,500	\$1,060,000										
Bidder 9			\$960,000												
9 Bidders	No offers														
		15	16	17	18	19	20	21	22	23	24	25	26	27	
Bidder 1		\$1,290,000	\$1,310,000	\$1,320,000	\$1,360,000	\$1,360,000	\$1,395,000	\$1,395,000	\$1,470,000	\$1,470,000	\$1,520,000	\$1,520,000	\$1,570,000	\$1,570,000	
Bidder 2		\$1,300,000	\$1,300,000	\$1,350,000	\$1,350,000	\$1,375,000	\$1,375,000	\$1,450,000	\$1,450,000	\$1,500,000	\$1,500,000	\$1,550,000	\$1,550,000		
Bidder 3		\$1,280,000	\$1,310,000	\$1,310,000	\$1,360,000	\$1,360,000		\$1,415,000	\$1,470,000	\$1,470,000	\$1,520,000	\$1,520,000			

The above chart was the result of an actual auction but is intended for illustrative purposes and is not intended to indicate any future rate of success or percentage increase to a future policy holder. Each auction is unique to each policy.

# IMPORTANT CONSIDERATIONS

- **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. Investors bundle policies to ease any concerns with strangers having access to view millions of death benefit on an individual.
- **Value Created:** is defined as the difference between an estimated offer to client and the cash surrender value.
- **Offer to Client:** is defined as the gross offer on the sale of the policy, less any expenses and commissions.
- 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.
- 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.
- Securities offered through Valmark Securities, Inc. Member FINRA/SIPC. Investment advisory services offered through Valmark Advisers, Inc., a SEC Registered Investment Advisor. 130 Springside Drive, Akron, Ohio 44333. (800) 765-5201.