



Funding With Support of *Platinum's Senior Life Settlements Program*

For Educational Purposes Only—Not a prospectus or offering

In a time when businesses are struggling to secure reasonable equity and mortgage funding on real estate transactions, development projects, and startup capital to bring a new idea to the marketplace, lenders and investors are looking for safer places to invest their money with a minimum of risk and reasonable return. Over the past decade a sound mortgage and equity enhancement has emerged in the marketplace called “Senior Life Settlements”—addressing the needs for large sums of “at risk capital” in large mixed-use developments, startup business ventures, and otherwise high-risk transactions while providing a safe and reasonable return for the capital lender or investor. “Senior Life Settlements” use eligible life insurance policies with excess or no-longer-needed insurance benefits for the insured to provide complete protection for the commercial lender and investor.

Recent estimates show that each year owners of more than \$100 billion of life insurance policies either will have an active interest in selling or no longer have an interest in owning their policies. Most of these owners are not aware of their liquidity options beyond the policy’s cash surrender value. Senior Life Settlements has accessed this tremendous resource and developed a means to provide real protection by securing the commercial loan or equity investment with viable life insurance policies owned by the lender/investor—not the insured.

Between 2002 and 2006, \$19.4 billion in policies were purchased through “Senior Life Settlements”. Life settlement companies purchase policies covering the lives of insured seniors with a life expectancy of more than two years who do not have a terminal illness (“life settlements”). The life settlement company pools the policies it purchases, reinsures them, and the pool serves as collateral for a bond (e.g., are securitized). In contrast, viatical settlements (which the life settlement company does not purchase) are for persons with terminal illnesses and usually with a life expectancy of two years or less. We do not participate in viatical programs—ever.

Platinum Business Group, Ltd seeks to remain on the cutting edge of innovation and creative problem solving for our clients—churches, schools and universities, ministries, nonprofit charitable organizations, commercial loans, and mixed-use developments. In our efforts, we consider ever-improving ways to enhance the mortgage and equity funding process to increase the likelihood that our client’s funding request will be approved and the debt servicing is well within the means and ability of our client.

We have affiliated with quintessential qualified licensed insurance professionals to help us meet the growing needs of our clients as they seek commercial mortgage and equity funding for their projects. We use the Senior Life Settlements opportunity solely for the purpose of enhancing an otherwise sound loan request. There are three easy steps to follow to ensure that the client is eligible for this loan enhancement method and that the use of the Senior Life Settlement is appropriate in the specific funding transaction.

Step One

Permit our authorized and licensed insurance professional to contact you and review your life insurance information, evaluate your policy, and ascertain the eligibility of your policy for a Senior Life Settlement (an insurance policy audit).

Step Two

Permit an appraisal of your life insurance policy to determine what it may be worth as a Senior Life Settlement versus the cash surrender value (the value of your policy if the insured surrendered the policy to the insurer) or lapsed policy value (zero).

Step Three

Make a decision as to whether to (a) hold onto the policy and continue to maintain premium payments; (b) surrender the policy to the insurance company and get some cash out of the policy as “surrender value”; (c) permit the policy to lapse without surrendering it for any cash and without continuing to pay any premiums—the policy dies and becomes worth zero; or (d) sell the policy in a Senior Life Settlement transaction for more than the surrender value and less than the face value (if the policy is eligible and the value is superior to cash surrender value).

Using the life settlement company’s criteria as to examples, here are answers to questions both policyholders often ask.

Frequently asked questions

What is a life settlement?

A Life Settlement occurs when the owner of an insurance policy sells the policy to a third party.

Who buys the policy?

Generally financial institutions such as large banks and hedge funds buy a large number of policies and create a pool that they then keep for their own investments or sell to other institutions.

Why sell the policy instead of cashing it in for the “Cash Value”?

Frequently, a policy can be sold for more than the cash value (surrender value).

What determines the value of a policy?

Some of the major factors in determining the value of a policy are the age of the insured and his or her health (which are factors in determining life expectancy); and the return that the purchaser desires. In general, the older

and sicker the insured is, and the lower the return acceptable to the purchaser, the higher the price offered will be. This is why an appraisal and policy audit are generally required by the Senior Life Settlement purchaser.

Why would a policy owner want to sell his or her life insurance policy?

A life insurance policy is the owner's property. A policy may be sold when the owner has determined that he or she no longer needs the policy. This may arise in circumstances such as business-owned policies where the insured no longer is connected to the business, or where the insurance proceeds no longer are needed to pay estate taxes, final expenses, or loan balances. The contract may be sold for any reason the owner desires.

Who is the most likely candidate for selling a policy?

In general, the purchasers are looking for insureds who are at least 65 years of age and have a life expectancy of more than two years and less than twenty years.

What kind of policy will the life settlement company purchase?

The life settlement company will purchase whole life, universal life, variable life, and convertible term policies. It is more likely to be a desirable policy if the face value is \$500,000 or more.

Who will be responsible for premium payments after the policy's sale?

The life settlement company (Purchaser) and not the insured will be responsible for all premium payments after the sale is closed.

Is the process confidential?

Yes. No medical, financial or other personal information the life settlement company obtains as a result of the transaction will be disclosed to any other person or entity not a part of the process without specific written consent unless required by law.

Are there restrictions as to how the funds may be used?

The life settlement company places no restrictions on how the funds are to be used after the contract is purchased.

How does a life settlement work?

The insured—and the contract owner if different than the insured—submits an application through a financial partner to the life settlement company with a copy of the insurance policy. The life settlement company obtains an in-force illustration of the policy from the issuing insurer showing the face amount, outstanding loans, and premiums due.

The life settlement company also obtains copies of the insured's medical records directly from the insured's physicians. The life settlement company reviews the records to determine if the insured meets its guidelines to make an offer on the policy.

When an offer is made and accepted, the transaction is documented and it proceeds to closing. An escrow account ensures that the policy's owner receives the purchase price. In most cases, the policy's seller has the right to rescind the transaction within 15 days of the closing so long as the purchase price and any premiums paid by the life settlement company are returned.

How long does it take to complete a transaction from start to finish?

The life settlement company's goal is to complete most transactions within 60 to 90 days. The most significant delay is the need to review and evaluate the insured's medical records carefully. Also, obtaining these records may take some time.

Does the client have to sell all of his or her insurance?

No, he or she may sell as much coverage as he or she desires, provided that the minimum policy size of \$500,000 is met.

How much will the owner be paid for the policy?

The amount paid to the policy owner depends upon a number of factors, including the insured's life expectancy, the amount of premiums needed to be paid to keep the policy in force, and the policy's cash surrender value.

Are the proceeds from life settlements taxable?

The proceeds from life settlements are generally tax-free up to the amount invested in the policy. The difference between that amount and the cash surrender value usually is taxable as ordinary income. Amounts received exceeding the cash surrender value usually are taxed as capital gains. Sellers should consult their own tax and financial advisors before completing a transaction so they can determine the tax effect on them from the sale.

Is it permissible to sell and buy life insurance policies?

Yes. When a life insurance policy is issued and put in force, it is the contract owner's property. Much like any other asset, the policy owner has the right to dispose of the policy in any manner that he or she chooses. Options include holding the policy until maturity, surrendering it for its cash value, lapsing the contract, or selling it for an amount higher than the cash value, but less than the face amount.

Factors to consider for eligible candidates of life settlements:

- Plans to lapse the policy
- Plans to surrender the policy
- No longer needs the policy
- Plans to retire or sell interest in a benefit
- Has changed estate and tax needs
- Has to pay premiums he or she can no longer afford

If the answer to any of these questions is "yes", the client may no longer need the life insurance. In other cases, a review of the client's situation—family, business, financial—may disclose that the need for life insurance still exists, but that a new, more cost-efficient policy should be considered.

Transaction Security

All transactions are regulated by the State Department of Insurance and are closed through an independent trust company regulated by the State Department of Banking. Policies are issued by some of America's oldest and most financially sound life insurance companies. Clients enjoy the same regulatory protection

available to all life insurance policyholders. Even during the Great Depression, life insurance companies still paid off their policies.

For more information concerning Life Settlements, contact *Platinum Business Group* representative or your state's Commissioner of Insurance.

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NOTE: *Platinum Business Group, Ltd* is not a licensed financial planner, broker/dealer, or insurance agent. *Platinum Business Group, Ltd* has established strategic alliances with licensed professionals that enjoy years of experience in this field.

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