



## INSURANCE REVIEW UNCOVERS PENDING POLICY LAPSE

RECOMMENDED LIFE SETTLEMENT SOLUTION PRODUCES 6X THE POLICY'S CASH SURRENDER VALUE

### THE SITUATION

Josephine Woods<sup>1</sup> purchased a \$500,000 universal life insurance policy in 2000 for her husband's survivor needs. Josephine, now age 85, was referred by her accountant to a ValMark Advisor for a comprehensive life insurance review by Valmark's Policy Management Company. The detailed analysis discovered that the duration of Josephine's guaranteed coverage was reduced from age 108 to age 85. It was also determined that she had a 90% chance of outliving her projected coverage if she didn't increase premium payments substantially. The review also found that the policy was no longer needed for survivor needs, since Josephine's husband was deceased.

#### SUMMARY

Death Benefit  
Guaranteed Coverage Length  
Premium  
Premium Required To  
Extend Coverage

#### ORIGINAL POLICY DESIGN

\$500,000  
Age 108  
\$0 (10-PAY)

#### CURRENT POLICY PERFORMANCE

**\$500,000 (Not Guaranteed)**  
**Age 85**  
**Premium Not Paid As Planned**  
**\$28,674 Per Year Through Age 100**

### FOUR OPTIONS

Based on the Policy Management Company's findings and recommendations, the ValMark Advisor provided Josephine and her children (who were trustees of the insurance trust) with four options: surrender the policy for a cash surrender value of \$25,000, reduce the death benefit, begin paying increased premiums, or the fourth option—sell the policy. Josephine wanted to see her children enjoy the money now and decided to pursue selling the policy through a life settlement.

### THE OUTCOME

The Policy Management Company worked with ValMark's Life Settlement Team to complete a Policy Appraisal Report which determined that Josephine was a candidate for a life settlement. Her projected life expectancy was 7 years. The Life Settlement Team worked with multiple providers through a professional bidding process and negotiated a settlement offer which resulted in a total gross offer of **\$155,000 or 6X the cash surrender value** (before commissions and expenses<sup>2</sup>).

#### SUMMARY

Death Benefit	\$500,000
Cash Surrender Value	\$25,000
Life Settlement Offer	\$155,000 Gross <sup>2</sup>

<sup>1</sup> Client name has been changed to protect confidentiality. | <sup>2</sup> The gross offer will be reduced by commissions and expenses related to the sale. | 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.



## BUSINESS OWNERS BENEFIT FROM ANNUAL POLICY REVIEW

### THE SITUATION

Jack Dawes, age 70, and Carl Mueller, age 60, are partners in a successful real estate development company in the Midwest. Ten years ago, the partners each purchased a \$7 million Variable Universal Life policy to fund a buy-sell agreement. At that time, the partners each had underwriting complications that prevented them from obtaining the best possible price on their policies: Jack had medical issues that prevented him from obtaining the best underwriting rating class; and Carl engaged in two high-risk hobbies, private piloting and scuba diving, which negatively affected his rating class.

### WHAT WENT WRONG

When The Policy Management Company (PMC) was brought in by Jack and Carl's Valmark Advisor for a standard annual policy review, the PMC team found that the policies' cash values, cash surrender values and coverage ages were lagging behind the original plan design. Moreover, when the PMC team performed a life expectancy analysis on the partners, they found that Jack and Carl were likely to outlive their respective coverage ages. Also, the partners' company had grown considerably over the last decade and the buy-sell agreement was now underfunded.

### SOLUTION

The PMC team performed an in-depth analysis of various planning scenarios and market comparisons to see if the partners' coverage could be enhanced. The PMC team also brought in Valmark's Underwriting Advocacy team to perform a private underwriting inquiry on Jack and Carl to see if their underwriting rating classifications could be improved which would lower their costs of insurance.

### THE OUTCOME

With Jack and Carl's approval, the PMC team and Valmark Advisor prepared an updated insurance plan that would provide improved funding for the buy-sell agreement and extend coverage on both partners through life expectancy. To help the partners obtain the best possible pricing, the Underwriting Advocacy team leveraged their longtime relationship with the prospective insurer and went through several rounds of negotiations to position the partners medical and avocation information in the best possible light. Ultimately, the insurer granted Jack and Carl an improved underwriting rating which lowered their costs of insurance compared to their prior policies.

<sup>1</sup> Client name has been changed to protect confidentiality. | The information presented here is for educational purposes only and actual results may vary. Variable Universal Life Insurance products are sold by prospectus. A prospectus is available from your insurance professional. Clients are advised to read the prospectus in full before investing. Securities offered through ValMark Securities, Inc. Member FINRA/SIPC. 130 Springside Dr., Akron, OH 44333. (800) 765-5201

