

## FIDUCIARY DUTY TO POLICY SELLER



## Complying with BEST INTEREST REGS



# Life Settlements in the New Era of Fiduciary Standards and Best Interest Rules

## ESTATE PLANNING LAW



## FACT BROCHURE

Asset Life  
Settlements, LLC  
SECONDARY MARKET  
ADVISORS & BROKERS



# TAKE AWAYS

*Below is a quick summary of the information you need to know about Life Settlements in the New Era of Best Interest Regs and Fiduciary Duty Standards*



## 1. 2020 marks a new era of compliance requirements for advisors:

- SEC Reg. BI (Compliance date begins June 30, 2020)
- Reg. 187 – New York’s “Suitability and Best Interests in Life Insurance and Annuity Transactions” – (Effective 2/1/20 for insurance; 8/1/19 for annuities)
- CFP® Code of Ethics / Fiduciary Standard (Effective June 30, 2020)
- Department of Labor (DOL) expected to propose new fiduciary rule that aligns with Reg BI

## 2. What do the new rules mean as it relates to Life Settlement transactions?

The above rules do not specifically apply to life settlements. However, consumers still expect their trusted advisors to adhere to the spirit of the new standards when discussing the suitability of the of the transaction, or when assisting a client throughout the underwriting and sales process.

## 3. When a client decides to sell an unwanted policy in the secondary market, why is it in the client’s best interests for their advisor to partner with a life settlement broker, versus working directly with a single market buyer?

Life settlement brokers have a fiduciary duty (per state laws) to represent the best interests of the policy seller in the secondary market. The broker shops the policy to multiple buyers, receives competitive bids, and negotiates the highest possible settlement offer. The brokering process ensures that the client can sell their policy with confidence, knowing they left no money on the table at the end of the transaction.

## 4. If life settlement brokers have a fiduciary duty to the policy seller, whose interests do the buyers represent?

Secondary market buyers (known as providers) represent the interests of their institutional investors. Their priority is the acquisition of life insurance policies at the greatest discount possible in order to achieve the highest possible ROI once policies mature (death benefit paid out). In order to boost policy acquisitions, many buyers (providers) are marketing directly to seniors and/or their advisors through mass media campaigns with what may seem attractive offers. Many are not aware they have other options (such as working with a broker) to obtain a higher offer.

## 5. What should you look for when choosing a life settlement broker?

Negotiating with buyers requires skill and knowledge. Look for brokers who have market longevity, a track record of brokered transactions in terms of dollar value sold, adherence to industry best practices, and licensure in most states that require it. **Asset Life Settlements** meets that criteria and you can review our qualifications on page 8 of this presentation.

**Asset Life Settlements partners with you to ensure a compliant and best practices approach to selling your client's policy.**

## Suitability

Is selling a policy the best solution to achieve your client's objectives? Would a partial settlement and retained death benefit be a more suitable option for your client?



## Fiduciary Duty

Does recommending a life settlement fulfill your fiduciary duty and satisfy compliance guidelines regarding the client's best interests?



## Best Interests

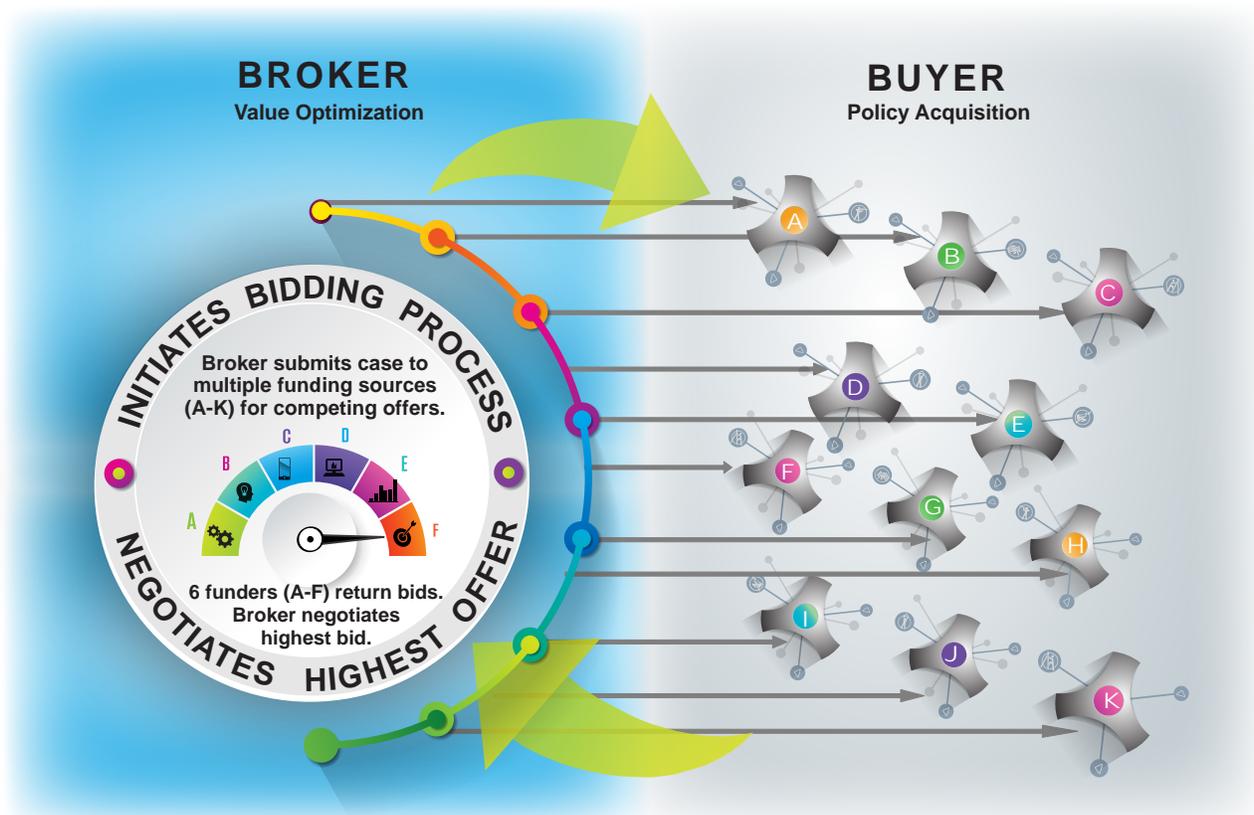
Have you acted in the best interests of your client by working through a life settlement broker (instead of going to just one buyer) who is skilled at negotiating competitive bids from multiple buyers in pursuit of the highest possible offer for your client's policy?

# WHY USE A BROKER?

*Telling it Straight ...*

1. Secondary market buyers (called Providers) have a duty to their institutional funding sources to purchase policies at as great a discount as possible.
2. Brokers have a fiduciary duty to the policy seller to obtain the highest possible value for the seller by negotiating with multiple providers for competing offers.
3. Circumventing the broker's role effectively empowers the provider to control the purchasing price for each policy. This "exclusive provider empowerment" eliminates competition from other providers who may be willing to pay a higher amount for a policy.

As illustrated in the graphic below, Asset Life Settlements optimizes the value of each life settlement by creating a bidding competition among multiple providers in pursuit of the highest offer for each policy. To download a copy of our infographic illustrating "The Three Stages of the Life Settlement Process," go to: <http://www.assetlifeselements.com/Life-Settlement-Process-04-10-18.pdf>



## ACTUAL CASE ILLUSTRATES HOW ASSET LIFE SETTLEMENTS (ALS) SERVED CLIENT'S BEST INTERESTS



- 88 yr. old female
- \$3M Universal Life Policy
- 84 mo. Life Expectancy
- \$220,721 Cash Surrender Value
- \$350,000 (Direct Buyer's Offer to Client)
- \$1,250,000 (Gross Offer to ALS/Broker)
- \$1,060,000 (Client's Net Offer from ALS/Broker)

This case is an actual life settlement transaction brokered by the team at Asset Life Settlements (ALS).

The secondary market competitive bidding summary shown on the next page clearly illustrates the importance of using a life settlement broker, versus selling a policy directly to a buyer.

In this actual case example, the policy seller's advisor had initially received a direct offer from a buyer for \$350,000. Although the agent was feeling pressure from the buyer to accept the offer, he contacted Asset Life Settlements.

ALS shopped the case to multiple buyers and was successful in negotiating a gross offer of \$1,250,000. The client received a net amount of \$1,060,000, and the remainder of \$190,000 was paid in compensation.

# Secondary Market Competitive Bid Summary



Accepting an offer from a direct buyer who touts “speed to market” and expediency is **not** in your client’s best interests as it minimizes competition and enriches the buyers. Had the advisor accepted the direct buyer’s offer of **\$350,000**, the policy seller in this case would have left nearly **\$900,000** on the table.

Referenced Case Study - DC - \$3M Sunlife			
362			
295	7/31/2019	\$1,125,000	9/19/2019
484	8/6/2019	\$750,000	9/6/2019
102		\$775,000	9/6/2019
673			
862			
151			
340			
539			
901			
217	8/6/2019	\$725,000	9/6/2019
225		\$800,000	9/6/2019
499			
163	10/17/2019	\$575,000	10/22/2019
615			
726	8/6/2019	\$1,065,000	9/11/2019
		\$1,110,000	9/18/2019
824	8/6/2019	\$450,000	9/5/2019
		\$1,050,000	9/6/2019
		\$1,100,000	9/13/2019
		\$1,175,000	9/20/2019
	*	<b>\$1,250,000</b>	<b>9/25/2019</b>
133	8/6/2019	\$1,150,000	9/18/2019
342	8/6/2019	\$650,000	9/6/2019
		\$1,140,000	9/20/2019
		\$1,200,000	9/20/2019
960	8/6/2019	\$350,000	8/21/2019

“Using a Life Settlement Broker helps advisors fulfill their fiduciary duty to the policy seller by obtaining the highest possible offer.”

Client received nearly \$900K more by using the Broker Model

Direct Buyer Model Maximizes the Buyer’s Margins -- NOT the Seller’s

Highest Gross Offer: **\$1,250,000**  
7% IRR

# NEXT STEPS

*Here's what you need to know ...*



## Identify At-Risk Policies

- Evaluate older UL policies which are at-risk due to earning lower interest rates
- Evaluate UL policies impacted by recent COI increases
- Review the status of clients who are retired business owners with key man policies
- Review non-individually owned policies (e.g. TOLI, BOLI, COLI, etc.)

## Conduct Formal Policy Reviews • Perform “Client Needs Analysis”

- Is the policy under-performing and at risk of lapsing due to the sustained low interest rate environment?
- Is the policy no longer needed due to increases in the federal estate tax exemption?
- Have COI premium hikes caused the policy to become too expensive?
- Is the coverage no longer needed for estate planning due to changes in family situations?
- Has a key man retired from a business or planning to sell the family business?
- Is liquidity needed for LTC/medical care?

## Request Policy Appraisal • We’ll Help You Determine Best Solution

- We’ll provide a pre-pricing analysis for your client’s policy and recommend options
- Lapse: Letting the policy lapse is the least desirable outcome
- Surrender: Surrender policy for small cash payment
- Benefit Reduction: Reduce death benefit to lower premiums
- Product Exchange: Conduct a Section 1035 Exchange into a new insurance product
- Traditional Life Settlement: Sell policy in secondary market for 3 to 4 times the cash surrender value
- Retained Death Benefit Settlement: Sell policy to minimize premiums in exchange for lower death benefit
- Hybrid Settlement: Sell policy, receive a lump sum payment, and retain a portion of death benefit coverage

## Submit Life Settlement Application • We’ll Take It From There!

- We’ll guide you in gathering your client’s medical records.
- We’ll acquire life expectancy reports and begin case underwriting
- We’ll provide case management and determine which funders are licensed in your client’s state jurisdiction
- We’ll wear our “fiduciary hat” and negotiate with as many funders as possible in pursuit of multiple bids
- We’ll deliver the highest possible offer so you and your client can *“Sell with Confidence.”*



*We're here to serve you.*

**855-768-9085**

**Asset Life Settlements, LLC**

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# ABOUT US



## Experience and Results Set Us Apart

Asset Life Settlements LLC was founded in 2014 by Jeff Hallman and Scott Thomas, two of the industry's most experienced life settlement brokers.

With more than 40 years of combined experience as life settlement brokers, the company's founders and top executives lead a team of brokers who are exceptionally skilled at negotiating the highest offer for each policy. Their track record of success includes having brokered more than \$5 billion in life settlement transactions over the course of their careers.

At Asset Life Settlements, we are dedicated to fulfilling our fiduciary duty to policy sellers by negotiating with multiple providers in pursuit of the highest possible settlement offer. As an active member of the Life Insurance Settlement Association, we are authorized to conduct business in 48 states.

Our goal is to earn your trust and deliver results. In addition to offering you the highest level of life settlement expertise, we are committed to operating with industry best practices and to processing all settlement transactions in a highly compliant manner.

## Our Value Proposition

- **Experience:** Brokered more than **\$5 billion** in policy face value
- **Longevity:** More than **40 years** of settlement transaction experience
- **Access to Funders:** Solid relationships with industry's top funders
- **Record of Success:** **95%** retention rate of advisors who work with us
- **Industry Reputation:** Published articles in leading industry trade media
- **Service & Support:** Training and hands-on case management/support

## Your Strategic Partner

Your goal as a professional advisor is to represent your clients' best interests. When it comes to pursuing life settlements for your clients' unwanted life insurance policies, your first goal is to help them **"Sell with Confidence."**

Leave no money behind. As your strategic partner in the secondary market, we don't believe in settling for just one offer. By negotiating with multiple funders, we help ensure that you and your client will walk away from every life settlement transaction knowing you received the highest possible offer.

Contact us to learn more and discover why we're the broker of choice.

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