

# ADDRESSING CLIENTS' BEST INTERESTS IN LIFE SETTLEMENT TRANSACTIONS

## **Subject: Addressing FINRA's Consumer Protection Questions About Life Settlements**

On July 31, 2023, the Financial Industry Regulatory Authority (FINRA) posted an investor alert and guide aimed at older investors who are thinking about selling their in-force life insurance policies to others through life settlement transactions. The guide includes several questions FINRA proposed for consumer consideration and protection.

We recognize the importance of this information, and as a firm that focuses on servicing life settlement transactions, we would like to take a moment to respond to the questions FINRA proposed for consumer consideration and protection. We feel confident that our process conforms to the guidance provided by FINRA to act in the best interest of consumers.

### **1. Is the life settlement broker or provider licensed in my state?**

*Our response:* We appreciate the emphasis that FINRA places on ensuring life settlement brokers or providers are licensed within their operating state. With our partnership with Valmark, we take pride in our rigorous adherence to industry standards and regulatory requirements.

### **2. What will happen to my policy? [Who is buying it]?**

*Our response:* Our broker dealer, Valmark, works with institutional buyers for the purpose of providing a conduit to organizations who demonstrate standard operating procedures of privacy and professional conduct on behalf of our clients. Generally speaking, these buyers purchase policies and place them in a large portfolio of hundreds or thousands of other life insurance policies that are then professionally managed by servicing companies. These servicing companies are typically the ones who will pay ongoing premiums after the sale and follow up with the insured on any required post-sale requirements.

### **3. What information will I have to provide? To whom? For How Long?**

*Our response:* For most life settlement transactions, an insured will be required to provide a HIPAA authorizing medical records to be released and reviewed by potential buyers. This is a necessary requirement so that buyers may reasonably estimate and value the policy based on the investment objectives and risk tolerance. Only institutional purchasers are approved to view this information. These institutional buyers adhere to privacy regulations and are only permitted to share on a need-to-know basis with parties that assist in valuing a policy.

### **4. How can I protect my privacy?**

*Our response:* In addressing concerns about an insured's privacy and their personal information, we adhere to strict privacy regulations and data protection protocols. We value the confidentiality of our clients' information and make it our highest priority to safeguard this data. The access and handling of such information are tightly controlled and are in full compliance with HIPPA guidelines and all additional applicable laws and regulations,

## **5. What's the best price I can get for my policy?**

*Our response:* Valmark is committed to providing a process designed to yield competitive offers through our auction process. We recognize the inherent difficulty in determining fair offers, and we support policyholders throughout this process by offering complete transparency of all bids received, all life expectancy reports and all fees. We believe we have a strategic advantage leveraging our 25+ years of experience in the life settlement market to estimate what a fair value is on a policy and negotiate with buyers until favorable client outcomes are achieved.

## **6. What are the transaction costs?**

*Our response:* We believe our pricing model is competitive and in line with industry standards. Our commission structure is based on a 3-tiered formula, where the lowest of the three tiers is the fee charged for the transaction. It is our business practice to not deviate from the fee schedule as the regulation requires the fee to be fair and non-discriminatory. We believe that our competitive auction process yields far greater results, even after the fee, than other options to sell your policy today. We are always willing to discuss and clarify these costs with our clients prior to starting the transaction.

## **7. What if I change my mind?**

*Our response:* We support the rights of policyholders to reconsider their decisions within the legally stipulated timeframe. Valmark works to educate clients and make sure they are aware of their rights and are provided with the necessary assistance should they choose to exercise a cancelation option. We do not charge the client any fees or ask for reimbursement of expenses if the transaction does not close.

## **8. Am I being pressured to make a fast decision?**

*Our response:* We strongly condemn high-pressure sales tactics or aggressive advertising. Our approach focuses on providing our clients with comprehensive information and support to make well-informed decisions at their own pace. We believe in building long-term relationships based on trust and integrity.

### ***Our Concluding Thoughts:***

We believe our life settlement brokerage services and competitive auction process are in concert with FINRA's guidance for how consumers should pursue a life settlement today.