

Sample Client Letter

Month 00, 200_

Client Name

Client Title

Client Company

Client Address

City, State 00000

Dear: _____

Life insurance policy owners, after paying premiums on their life insurance policies for many years, have traditionally had only three options if they decided to discontinue their policies: 1) Allow the policy to lapse; 2) Offer the policy back to the company that originally issued it; 3) Exercise the policy's non-forfeiture options. Now there is another option – a life settlement – that is available through a secondary market for life insurance.

For other financial assets, secondary markets enable potential sellers to connect with potential buyers so the sellers can try to obtain a true, fair market value for what they own. As the life insurance and life settlement marketplaces change, the key question for a life insurance policy owner is, do you know what your life insurance policy is really worth? The answer is important because, like some other financial assets, you can now potentially sell your policy for its true market value through a life settlement.

Life insurance is not just a death benefit. It is a valuable form of personal property. Like any other asset — a home, business, car, or investment portfolio — a life insurance policy has a market value that could exceed its cash surrender value many times over.

I am excited to be working with Madison Brokerage, a company that can appraise your policy to determine its market value and help you determine what your life insurance policy is really worth. Only when you know the answer can you make educated decisions about whether the policy is meeting your expectations or whether it is time to sell it in a life settlement transaction.

Consider this actual transaction for a male, aged 70, who was the insured (owner) of a \$500,000 universal life policy which was no longer needed. Instead of cancelling the policy he chose a life settlement solution through Madison Brokerage and received \$45,000. Even term insurance can be used for a life settlement. We can convert the term insurance to permanent insurance and dispose of that policy on the secondary market. A life settlement can actually give you some options with your old term insurance.

A life settlement transfers ownership of the policy to a person who does not have an insurable interest in the life of the insured but acquires a financial interest in the early death of the insured. Once the policy is transferred, the original policy

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owner has no control over subsequent transfers, and there is no limit to the number of subsequent transfers that may occur.

The tracking procedures used by the purchaser of the policy to determine whether or not the insured has died include, but are not limited to, the insured agreeing to provide periodic health updates and/or to periodically update designated contact information, or the insured agreeing to list three designated persons that can be contacted on occasion for information regarding the insured's health status. These contacts will have a professional relationship with the insured, for example, a primary care physician, an attorney, an accountant, or a financial advisor. Family members, who are at least 18 years of age, should only be designated only if they understand and agree to be contacted.

The sale of a life insurance policy may be a taxable event. Tax experts disagree on the details of life settlement taxation, but there is a general consensus that if the cash surrender value of the policy exceeds the premiums paid on the policy, the life settlement proceeds will be taxed as follows: the portion of the policy owner's investment (premiums paid) in the contract will be received tax-free; the difference between premiums paid and the cash surrender value will be taxed as ordinary income; and the portion exceeding the cash surrender value will be a gain, which, in some circumstances, may be a capital gain. Neither Madison Brokerage nor employees of the firm, nor any of their life settlement brokers provide any tax advice.

Insureds who are chronically or terminally ill may be eligible for a viatical settlement, and as such, may receive those benefits on a tax-free basis. Terminal illness is defined as a person having a life expectancy of 24 months or less. Accelerated benefits may be offered by the insurance company, an option that should be considered carefully before making a decision.

The policy owner generally has the right to rescind a life settlement contract within 30 days after it is executed by all parties or within 15 days from the receipt of the life settlement proceeds by the owner, whichever is less.

Life settlements can be a valuable source of liquidity for policy owners who would otherwise surrender their policies or allow them to lapse — or whose life insurance needs have changed. Life settlements are not for everyone. There are many factors to consider such as your continued need for coverage and if you plan to replace your existing policy with another policy. You will need to carefully consider such factors as the availability, adequacy, and cost of comparable coverage. You must assess your circumstances, including financial need and investment objectives, tax consequences that affect eligibility for government benefits, and other relevant implications of selling a policy.

If you would like to find out the market value of your policy, the appraisal process is simple. Please call me for more information.

Sincerely,