

STEPHEN M. WATSON VIATICAL SETTLEMENT BROKER

2 West Runswick Drive—Richmond, Virginia 23238
Tel.: 804.740.3900—Toll Free: 888.321.9057—Fax: 804.740.8880

MARYLAND CHECKLIST

Please use this checklist to insure you have enclosed all the documents necessary to process your application efficiently.

- _____ Completed *Personal and Insurance Information Form*
- _____ Completed, signed and witnessed *Authorization to Release Policy Information*
- _____ Signed *Authorization For Disclosure Of Protected Health Information*
- _____ Read and sign *Information and Disclosure Statement*
- _____ Photocopy of the *Life Insurance Policy*
- _____ Photocopy of the *Insured's Driver's License*
- _____ Photocopy of *Medical Records* for past five years.*
- _____ Photocopy of *Divorce Decree* (if applicable)*
- _____ Photocopy of *Discharge from Bankruptcy* (if applicable).*
- _____ Statement from Insurance Company reflecting the policy's cash value, loan value and premium payment structure.*

FAX OR MAIL ALL COPIES AND DOCUMENTS TO:

Stephen M. Watson
Licensed Viatical Settlement Broker
2 West Runswick Drive
Richmond, Virginia 23238

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Tel: 804-740-3900
Toll Free: 888-321-9057
Fax: 804-740-8880

*These items are optional at this time, but if included the response time will improve.

"Bringing Benefits to Life..."

APPLICATION – VIATICAL SETTLEMENT

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WARNING: Any person who knowingly presents false information in an application for insurance or an application for a viatical settlement has committed a fraudulent viatical settlement act and on conviction is subject to fines, imprisonment, or both, under Section 27-408 of the Insurance Article of the Annotated Code of Maryland.

CONFIDENTIAL PERSONAL AND INSURANCE INFORMATION

After receiving the following pages of information, we will be able to evaluate the opportunity to present you with an offer to purchase your life insurance policy. Please complete the following forms and sign as indicated.

1. Personal Data: **Date:** _____

Name of Insured: _____
Social Security #: _____
Current Address: _____
City/State/Zip: _____
County: _____
Telephone Number(s): Daytime () _____ Evening () _____
Date of Birth: _____ Marital Status: _____ Sex: Male () Female ()
Dependent Children: Yes () No ()

If policy owner is different than above:

Name of policy owner: _____
Tax Identification No./Social Security #: _____
Current Address: _____
City/State/Zip: _____
Telephone Number(s): Daytime () _____ Evening () _____

Life Insurance Policy Information:

Please enclose a copy of the policy or please complete the following:

Name of Insurance Company: _____
Policy Number: _____
Date Policy was Issued: _____ Coverage/Face Amount: \$ _____
Amount of Premium: \$ _____ How frequently is premium paid? _____
Loans? \$ _____ Current Surrender Value: \$ _____
Type of Policy: Term ___ Whole Life ___ Universal Life ___ Other _____
Is this a group or individual policy? Individual ___ Group ___ Converted Group ___

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If group policy, please provide the following information:

Name of Organization Providing Coverage: _____

Name of Benefits Manager or Third Party Administrator: _____

Phone Number: () _____ May we contact the person named above? Yes ___ No ___

3. Medical History

Please give a brief description of your medical condition: _____

Name of Physician seen for this medical condition:

Name of Physician: _____

Address: _____ Telephone: () _____

City: _____ State: _____ Zip: _____

Who is your primary or family physician? (if different than above)

Name of Physician: _____

Address: _____ Telephone: () _____

City: _____ State: _____ Zip: _____

If there are any other physicians that have treated you in the last three years, you may attach an additional page including their full name, address, and telephone.

Signature of Insured

Signature of Policy Owner

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AUTHORIZATION TO RELEASE POLICY INFORMATION

I, _____ hereby authorize _____
(Name of Policy Owner) (Name of Insurance Company)

the issuer of insurance policy number _____ insuring the life/lives of:
(Policy Number)

_____ to release any and all
(Name of Insured(s))

information directly to Stephen M. Watson, Viatical Settlement Broker, and/or his successors, assigns, and authorized representatives. The information may include, but is not limited to, the following information and documents:

- Copy of the policy, including the application therefor.
- Any and all forms promulgated with respect to the Policy and rights of the insured and/or owner, including forms relating to the beneficiary, absolute or collateral assignment, change of ownership, premium payments, loans, withdrawals, payment provisions and/or conversion.
- In-force illustrations of the policy including projections of values into the future.
- All other requested information related to my life insurance Policy.

A photographic copy or facsimile of this Authorization shall be valid as the original. This Authorization shall remain valid for the life time of the undersigned (or the last to survive of the undersigned if more than one signatory), absent any provision of any applicable state statute or regulation to the contrary, in which event it shall remain valid for the maximum period permitted thereunder.

Signature of Policy Owner

Date

Signature of Witness

Date

Printed Name

Printed Name

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AUTHORIZATION FOR DISCLOSURE OF PROTECTED HEALTH INFORMATION

I, the undersigned individual, authorize the disclosure of my Protected Health Information (“PHI”) as defined under the privacy regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) as follows:

1. Classes of Persons Authorized to Disclose My Protected Health Information: I authorize each doctor, hospital, nurse, pharmacy, physician, physician practice group, and any other type of health care provider listed below (each, an “HCP”) having any PHI about me to disclose any and all of my PHI as provided under this authorization. I authorize each Authorized HCP to rely upon a photostatic or facsimile copy or other reproduction of this authorization.

2. Classes of Persons Authorized to Receive My Protected Health Information: I authorize each Authorized HCP to disclose my PHI under this authorization to Stephen M. Watson, Viatical Settlement Broker, and to his assigns, designees, affiliates, agents, independent contractors, service providers or other representatives (each, an “Authorized Recipient”).

3. Description of Protected Health Information Authorized for Disclosure and Purpose of Disclosure: This authorization shall apply to any and all of my health and medical data, information and records, whether or not personally or individually identifiable or protected under any federal or state confidentiality or privacy laws or regulations. This authorization and all disclosures of my PHI made under this authorization are for purposes of allowing the Authorized Recipient (1) to analyze, assess, evaluate or underwrite my health or medical condition, or life expectancy, in connection with the possible sale of any life insurance policy, or certificate of life insurance, under which my life is insured to the Authorized Recipient and (2) to monitor, track or verify my health or medical status and condition in connection with any life insurance policy under which my life is insured that is purchased.

4. Expiration of Authorization: I agree that this Authorization shall remain valid for the life time of the undersigned absent any provision of any applicable state statute or regulation to the contrary, in which event it shall remain valid for the maximum period permitted thereunder.

5. Right to Revoke Authorization: I acknowledge and understand that I may revoke this authorization any time with respect to any Authorized HCP by notifying such Authorized HCP in writing of my revocation of this authorization and delivering my revocation by mail or personal delivery at such address designated to me by such Authorized HCP; provided, that, any revocation of this authorization shall not apply to the extent that the Authorized HCP has taken action in reliance upon this authorization prior to receiving written notice of my revocation.

6. Inability to Condition Treatment, Payment, Enrollment or Eligibility for Benefits on Provision of Authorization. No HCP or other covered entity may condition your treatment, payment, enrollment or eligibility for benefits on whether you sign this authorization.

I understand that this authorization is not a consent or an authorization requested by a health care provider, health care clearinghouse or health plan covered by the privacy regulations promulgated pursuant to HIPAA. I further understand that, as a result of this authorization, there is the potential for my PHI that is disclosed by any Authorized HCP to an Authorized Recipient to be subject to redisclosure by the Authorized Recipient and my PHI that is disclosed to such Authorized Recipient may no longer be protected by the HIPAA privacy regulations.

I certify that I am executing and delivering this authorization freely and unilaterally as of the date written below and that all information contained in this authorization is true and correct. I further certify that this authorization is written in plain language and that I have received and retained a copy of this signed authorization for future reference.

Signature of Individual

Signature of Personal Representative of Individual
(if necessary)

Print or Type Name of Individual

Description of Personal Representative's Authority
(Power of Attorney, Guardian *ad litem* or similar status)

Date: _____

Date: _____

STEPHEN M. WATSON
VIATICAL SETTLEMENT BROKER

MARYLAND

INFORMATIONAL AND DISCLOSURE STATEMENT
VIATICAL SETTLEMENT

SELLING YOUR LIFE INSURANCE POLICY

Today it is possible for you to sell your life insurance policy to someone else (a viatical settlement provider) for an immediate cash payment. This financial arrangement, known as a viatical settlement, may be used by people who are living with an immediate life-threatening illness and facing tough financial choices, or in other situations where a viatical settlement provider will pay compensation or value less than the expected death benefit of the insurance policy or certificate.

It may not always be in your best interest to sell your life insurance policy. Before you take action, you want to be sure you understand:

- a. What future benefits you may lose.
- b. What other options may be available.

Selling your life insurance policy is a complex financial arrangement. This guide will help you make an informed decision.

We recommend that you:

1. Evaluate your needs
2. Check all your options
3. Understand how the process works
4. Know your rights
5. Check with your state insurance department

STEP 1 EVALUATE YOUR NEEDS

Before you sell your policy and give up valuable insurance protection, think about whether your need for life insurance has changed since you bought the policy. If it hasn't, selling your policy may not be the right choice. If you sell your policy now, your beneficiaries will not be paid a benefit at your death.

If you sell your policy now, remember premiums go up a lot as you grow older. You may not want to pay the higher cost to replace your coverage later.

STEP 2 CHECK ALL YOUR OPTIONS

You may be able to get the cash you need now without selling your policy. Persons with catastrophic or life-threatening illnesses or conditions may have alternatives to viatical settlements, including accelerated benefits offered by the issuer of the policy, loans secured by the policy and surrender of the policy for cash value.

POLICY CASH VALUES

Contact your current life insurance agent or company to see if you have any cash value in your policy. Ask if you can:

1. Borrow from the cash value and still keep the insurance in force.
2. Cancel the policy for its current cash value.
3. Use the cash value as collateral to get a loan from a financial institution.

Your insurance company must tell you about your options if you ask.

ACCELERATED DEATH BENEFITS

Find out if your policy has an “accelerated death benefit.” It may be your best option.

Many life insurance policies do have an accelerated death benefit. With that benefit, policyholders who are terminally ill, affected with certain diseases or permanently confined in a nursing home can access fifty per cent or more of a policy’s death benefit while still living. An accelerated death benefit could pay you a large part of your policy’s death benefit and you could keep your policy.

A very important feature of the accelerated benefit is that when the policyholder dies, the beneficiaries get the remaining death benefit. This means that eventually one hundred per cent of the policy benefits will be paid out either to the insured or the beneficiary.

OTHER CONSIDERATIONS

Think about what it will mean if you do sell your policy. Check out the tax implications. Not all proceeds from a viatical settlement are tax-free. A viator may incur tax consequences from entering into a viatical settlement. Persons interested in entering into a viatical settlement should consult their tax advisor. Find out if creditors could claim any of the money you would get from a viatical settlement. The proceeds of a viatical settlement payable to the viator may not be exempt from the viator’s creditors, personal representatives, trustees in bankruptcy and receivers in state or federal court. Persons interested in entering into a viatical settlement should consult an attorney or financial advisor regarding these potential consequences. Find out if you will lose any public assistance benefits such as Medicaid or other government benefits if you accept a cash settlement for your life policy. A viatical settlement may affect a viator’s ability to receive supplemental social security income, public assistance and public medical services. Persons interested in entering into a viatical settlement should consult an attorney, financial advisor or social services agency regarding these potential consequences.

Entering into a viatical settlement contract may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy or certificate, to be forfeited. Assistance should be sought from a financial adviser.

Where a policy that is the subject of a viatical settlement contains a provision for double or additional indemnity for accidental death, or contains riders or other provisions insuring the lives of spouses, family members or anyone else other than the person with the catastrophic or life-threatening illness, the viatical settlement contract will affect those provisions or riders and may cause spouses, family members or others to lose the additional benefits afforded by those provisions or riders.

COMPARISON SHOP

To learn the market value of your policy, it is a good idea to contact three to five viatical settlement providers. Or you could use a viatical settlement broker who would contact several viatical settlement providers for you. Your financial advisor can help you decide whether to work with a viatical settlement provider or through a viatical settlement broker.

SUMMARY

Everyone's financial situation is different. A viatical settlement may or may not be the best approach for you. Check it out for yourself. We recommend that you ask an advisor who is qualified to review your finances to help you review your options.

STEP 3 HOW THE PROCESS WORKS

If you decide to sell your life insurance policy to a viatical settlement provider, you will enter into a viatical settlement agreement with the provider. You, the seller, agree to accept a cash payment for your policy. The amount will be less than the face amount the policy would pay upon your death. (For example, you might agree to accept a \$75,000 cash payment for a \$100,000 policy.)

The viatical settlement provider buying your policy:

1. Becomes the new owner of your policy.
2. Names the beneficiary
3. Collects the full death benefit when you die
4. Begins paying premiums on the policy, and
5. May sell your policy again.

There are four basic phases required to complete a viatical transaction.

PHASE 1 QUALIFYING TO SELL YOUR POLICY (UNDERWRITING)

The viatical settlement provider will need information about you before making an offer. Usually it will take some preliminary information about you before making an offer. Usually it will take some preliminary information from you over the phone and send you this paperwork to sign:

1. A medical release form so the viatical settlement provider can get and review your medical records.

2. An authorization form to contact your insurance company to confirm benefit, premium and ownership of your policy.

To avoid delays, it is important that you give complete and accurate information about your medical history. If you apply with more than one viatical settlement provider, each will contact your doctor for medical records and your insurance company for policy information.

PHASE 2 CALCULATING THE OFFER

The viatical settlement provider uses the information it gets in the underwriting phase to make an offer. To develop an offer, a viatical settlement provider takes into account various factors including:

1. Estimated life expectancy and medical condition of the insured. Generally the shorter the life expectancy of the insured, the more the viatical settlement provider will offer for the policy.
2. The amount of life insurance coverage.
3. Loans or advances, if any, previously taken against the policy.
4. Amount of premiums necessary to keep the life insurance policy in force.
5. The rating of the issuing insurance company
6. Prevailing interest rates
7. State laws, if any, that require a minimum payment.

PHASE 3 CLOSING THE AGREEMENT

If you accept the offer, a closing package is forwarded to you, the seller, for approval and signature. Closing documents typically include an offer letter, a viatical settlement contract, and the forms the insurance company needs to transfer ownership of the policy to the viatical settlement provider.

The closing documents are then returned to the viatical settlement provider for its signature.

The viatical settlement provider will put the cash payment owed to you in escrow, if required, and send the signed insurance forms to the insurance company to record the change.

PHASE 4 RECEIVING THE PAYMENT

Once the insurance company notifies the viatical settlement provider that the changes on the life insurance policy have been recorded, the payment is released to you, the seller, usually the next business day.

Special provisions of Maryland law are listed as follows:

- (1) There are possible alternatives to viatical settlement contracts, including any accelerated death benefits or policy loans offered under the viator's policy;
- (2) Some or all of the proceeds of the viatical settlement may be taxable under federal or state income tax law, and assistance should be sought from a professional tax adviser;
- (3) Proceeds of the viatical settlement could be subject to the claims of creditors;
- (4) Receipt of proceeds of a viatical settlement contract may adversely affect the viator's eligibility for Medicaid or other government benefits or entitlements, and advice should be obtained from the appropriate government agencies;
- (5) The viator has the right to rescind a viatical settlement contract for fifteen (15) calendar days after the receipt of the viatical settlement proceeds by the viator, subject to repayment of all viatical settlement proceeds and any premiums and loan interest paid by the viatical settlement provider, and if the insured dies during the rescission period, the viatical settlement contract shall be deemed to have been rescinded, subject to repayment of all viatical settlement proceeds and any premiums, loans, and loan interest to the viatical settlement provider;
- (6) Funds will be sent to the viator within three business days after the viatical settlement provider has received the insurer's or group administrator's acknowledgement that ownership of or interest in the policy has been transferred and the beneficiary has been designated;
- (7) Entering into a viatical settlement contract may cause other rights or benefits, including conversion rights and waiver of premium benefits that may exist under the policy, to be forfeited by the viator and assistance should be sought from a financial adviser;
- (8) All medical, financial, or personal information solicited or obtained by a viatical settlement provider or viatical settlement broker about an insured, including the insured's identity or the identity of family members, a spouse, or a significant other, may be disclosed as necessary to effect the viatical settlement between the viator and the viatical settlement provider. If you are asked to provide this information, you will be asked to consent to the disclosure. The information may be provided to someone who buys the policy or provides funds for the purchase. You may be asked to renew your permission to share information every two years;
- (9) The insured may be contacted by either the viatical settlement provider or viatical settlement broker or its authorized representative for the purpose of determining the insured's health status. This contact is limited to once every three months if the insured has a life expectancy of more than one year, and not more than once per month if the insured has a life expectancy of one year or less;
- (10) The brochure of the Maryland Insurance Administration is attached to this statement.

FEDERAL TAX LAWS

Two groups of people may receive benefits from a viatical settlement without owing federal income tax:

1. persons who have been diagnosed with a terminal illness and with a life expectancy of 24 months or less, and
2. certain chronically ill individuals.

If you qualify for this federal tax-free treatment, you also must use a viatical settlement provider that is licensed in the state where you live, or, in states where licensing is not required, that complies with the standards of the National Association of Insurance Commissioner's Viatical Settlements Model Act.

When interpreting tax laws it is best to check with your financial advisor. Neither Stephen M. Watson nor Viatical Settlement Professionals, Inc. gives tax advice. It is recommended that a tax advisor be consulted on such issues. The undersigned understands that the function of the broker is solely to secure a buyer for the life insurance policy and there are no representations or warranties about the financial status of the buyer, the legal status of the buyer or any subsequent purchaser, or of any tax consequences of the transaction. The undersigned releases and holds harmless the broker in this transaction of any claims resulting from this transaction other than intentional fraud.

I have read the above informational and disclosure statement and enter into a viatical settlement knowingly and voluntarily.

Signature: _____

Date: _____

Signature of Witness: _____

Date: _____

Stephen M. Watson, Viatical Settlement Broker
2 West Runswick Drive
Richmond, VA 23238
Toll Free: 888-321-9057

SELLING YOUR LIFE INSURANCE POLICY

Understanding Viatical Settlements

Maryland Insurance Administration

525 St. Paul Place
Baltimore, Maryland 21202-2272
Phone 410-468-2000 or 1-800-492-6116
TTY 1-800-735-2258
Robert L. Ehrlich, Jr. Governor
Michael S. Steele
Lieutenant Governor
Alfred W. Redmer, Jr.
Insurance Commissioner

A viatical settlement provider is required to disclose certain information to you before an offer to purchase your policy is made.

BEFORE YOU DECIDE

Before you agree to sell your policy:

- Make sure that your viatical settlement broker and viatical settlement provider are registered to conduct business in Maryland.
- Read and check all application forms for accuracy, especially information about your health history.
- Confirm your rights to change your mind about the viatical settlement after you get the proceeds, and how many days you have to return the money.
- Determine if you will lose public assistance benefits (food stamps, Medicaid, supplemental Social Security) or if your creditors could claim any part of your cash settlement.
- Make sure the viatical settlement provider agrees to put your settlement proceeds in escrow, either with an independent party or financial institution to ensure your funds are safe during the transfer.
- Determine if you still need life insurance protection.
- Understand the viatical settlement provider of your policy can periodically ask you about your health status.
- Know if you need permission to sell the policy, for instance is it a group policy.
- Understand how the amount of cash you get is determined and when you will receive payment.
- Get the agreed cash settlement figure in writing before settlement.

CHECK WITH THE STATE

Check the Maryland Insurance Administration's website at mdinsurance.state.md.us for information on the issues and risks of viatical settlements, or if you have concerns about viatical settlement provider offers to:

- Buy your life insurance policy, or assist you in buying an insurance policy as an investment.
- Buy your life insurance policy and you are in good health.
- Sell you a new life insurance policy and immediately sell it for cash.

This document is available in alternative format upon request from a qualified individual with a disability.

BROCHURE TIPS

The Maryland Insurance Administration and the National Association of Insurance Commissioners want you to have the facts before you enter into a *viatical settlement contract* to sell your life insurance policy. This brochure provides some of that information, but it is only a starting point.

You should also consult your own personal professional financial advisor, attorney, or accountant to help you decide if this is the most suitable arrangement for you and your family.

WHAT IS A VIATICAL SETTLEMENT?

A viatical settlement is the sale of a life insurance policy to a third party. The owner of the life insurance policy (*the Viator*) sells the policy for an immediate cash benefit.

The buyer (*the viatical settlement provider*) becomes the new owner of the life insurance policy and receives all rights to and proceeds from the policy and also pays the premium. A viatical settlement provider must be registered with the State.

A *viatical settlement broker* is the person or company that on the viator's behalf and for a fee, commission or other valuable consideration offers or attempts to negotiate a viatical settlement contract between a viator and one or more viatical settlement providers. In Maryland, a viatical settlement broker must be licensed to sell life insurance and also be registered with the State.

WHY SELL A LIFE INSURANCE POLICY?

At one time, most viators were people with a life-threatening illness. Now, individuals who are not facing a health crisis, including older people with a normal life expectancy, may sell their policies for cash. The most common reason for seniors to sell their policies is to address changes in their estate planning needs.

Viatical settlements have also become investment tools for companies and individuals. If you are asked about, or are considering the sale of your life insurance policy, or are interested in buying a life insurance policy as an investment, contact and consult with your personal professional advisor(s) before you make a decision.

Virtually any type of life insurance policy can be sold. Also any portion of a policy can be sold with the remaining death benefit kept in the name of the original beneficiary.

CONSIDER ALL OF YOUR OPTIONS

If you're selling your policy to get cash to pay expenses, check all of your options first. It's likely you may have other ways of getting cash that is more appropriate for your situation and that enables you to keep your life insurance policy. Consult with your personal financial advisor, who knows your personal financial needs.

Find out if your life insurance policy has an accelerated death benefit, which typically pays a portion of the policy's face value, minus any outstanding policy loan, before the insured dies. This policy provision may be a way for you to get cash from a policy without selling it.

CONSUMER TIPS

When evaluating a viatical settlement contract, you should:

- ▲ Understand the process – decide whether to sell your policy directly to a viatical settlement provider, or use a viatical settlement broker for help.
- ▲ Comparison shop – get quotes from several companies to make sure you have a competitive offer.
- ▲ Check on the tax implications –all proceeds received from a viatical settlement may not be tax free.
- ▲ Understand the information needed by the viatical settlement provider – you should know who else may get your personal information.
- ▲ Know who will own the policy and whether it can be resold to another buyer.