

STEPHEN M. WATSON

LICENSED VIATICAL SETTLEMENT BROKER

2 West Runswick Drive—Richmond, Virginia 23238

Tel.: 804.740.3900—Toll Free: 888.321.9057—Fax: 804.740.8880

## VERMONT 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..."*

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## **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 ( ) \_\_\_\_\_

**2. 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, Licensed 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 as defined under the privacy regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 (“PHI”) 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.

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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, Licensed 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: This authorization shall remain valid until, and shall expire on, the date of my death.

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 the Health Insurance Portability and Accountability Act of 1996 (the "HIPAA Privacy Regulations"). 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  
LICENSED VIATICAL SETTLEMENT BROKER

VERMONT

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, is best suited for people who are living with an immediate life-threatening illness and facing tough financial choices.

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.

In many states, you may have the right to change your mind about the settlement after you receive the money, provided you return all the money. Typically the law allows 15 days to review your settlement arrangement. In some states the viatical settlement company has the option to deny rescission after 15 days from the date the proceeds are placed in escrow as provided by law.

## DISCLOSURE RULES IN EFFECT IN VERMONT:

A viatical settlement provider shall disclose the following information to the viator prior to the execution of the viatical settlement contract by the viator:

- (1) Alternatives to viatical settlement contracts for persons with catastrophic or life threatening illnesses or conditions including, but not limited to accelerated benefits offered by the issuer of the life insurance policy;
- (2) The fact that some or all of the proceeds of the viatical settlement may be taxable, and that a personal tax advisor should be consulted;
- (3) The fact that the viatical settlement could be subject to the claims of creditors;

- (4) The fact that receipt of proceeds from a viatical settlement may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements, and that advice should be obtained from the appropriate agencies;
- (5) The policyholder's right to cancel a viatical settlement contract within seven days of the date it is executed;
- (6) The date by which the proceeds will be available to the viator and the source of the proceeds; and
- (7) The fact that the viatical settlement contract is null and void if the viatical settlement provider fails to tender payment of the proceeds as provided in the viatical settlement contract.

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. The viatical settlement broker is not giving tax advice and recommends 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

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