

SWAPP[®]

Executive Brief for Financial Advisors

SWAPP enables consumers to optimize their life insurance coverage while eliminating premium payments. It is a revolutionary transaction for the secondary market for life insurance. As a result, SWAPP will redefine how you manage your client's life insurance assets and allow you to offer a compelling new estate planning option. We invite you to learn more.

COVENTRY
FIRST
Redefining Insurance.

Insurance Optimized

Life insurance has long been a valuable estate planning tool. However, the cost of maintaining insurance for high net worth individuals at older ages presents significant challenges. Underperforming policies, due to low interest rates, combined with longer life expectancies, often put the annual outlay beyond a policyowner's ability to maintain ongoing premium payments.

Still, the need for adequate coverage remains. Prior to the secondary market for life insurance, there were few options for consumers who wanted to retain coverage while eliminating premium payments. Nonforfeiture laws provide for: 1) surrendering the policy for cash or 2) exchanging it for a paid-up policy with a reduced benefit. Because both of these options are based on cash surrender value, they frequently undervalue the policyowner's asset.

Time to SWAPP

With SWAPP, Coventry has provided policyowners the option to transfer the ownership of the policy while retaining a portion of the death benefit premium-free. This is possible because SWAPP enables policyowners to tap into the market value of the original policy, which provides more coverage than a traditional exchange based on the cash value would provide.

As a result, qualifying clients now have a planning strategy that enables them to retain a significant amount of coverage while reducing or eliminating future premium payments. Clients can then purchase a new, more affordable policy. Combined with the SWAPP death benefit, they can achieve the same amount of coverage with a lower overall outlay.

The result is a revolutionary shift in how life insurance assets are managed. Instead of accepting the carrier's nonforfeiture options, advisors are now having their clients' policies appraised on the secondary market. The information provided by these appraisals helps clients use their capital more efficiently.

Ideal Candidates

Ideal candidates for SWAPP are high net worth individuals who wish to reduce or eliminate premium payments while still retaining coverage. Possible scenarios leading to SWAPP include:

- Existing insurance is performing below expectations.
- Client retires or sells a business.
- A change in health or marital status.
- Key employee coverage is too expensive after an executive retires.
- Client gifts for premium payments are now subject to gift tax.

In short, as life circumstances change, clients require new tools that enable them to increase the efficiency and performance of their life insurance holdings. SWAPP gives them an extraordinarily powerful new option to maximize their estate.

Requirements for SWAPP

In order to qualify for SWAPP, clients must be age 60 or older with:

- A life insurance policy with a minimum face amount of \$1 million.
- Life expectancy of 21 years or less.

Transaction Process

The SWAPP process begins with Coventry's sophisticated valuation system that determines the market value of a life insurance policy. Here is how the process works:

- Coventry values the policy to determine if an offer can be made.
- Coventry relays the offer to the advisor.
- Once an offer is accepted, Coventry issues closing documents.

- After receiving the executed closing documents, change of ownership and beneficiary forms are sent to the life insurance company.
- The client is designated as an irrevocable beneficiary for the agreed upon amount of the death benefit and any additional settlement funds are released.

New Role for Advisors

It has never been more important for advisors to understand the value of their clients' assets and what opportunities are available. Sound financial management dictates that advisors appraise their clients' holdings regularly. With the introduction of SWAPP and other secondary market opportunities, it is now essential that life insurance be included in any appraisal. For this reason, an increasing number of advisors consider it their responsibility to notify clients of the possibilities for increasing the value of their assets via the secondary market.

By providing advisors with a new source of value, SWAPP is a powerful tool for enhancing client relationships and growing an advisor's business. Specifically, SWAPP enables financial advisors to:

- Review a client's portfolio on a regular basis.
- Help clients understand the fair market value of their policy.
- Assist clients in optimizing their coverage.
- Suggest more efficient investment opportunities.

The Importance of Institutional Capital

All secondary market transactions from Coventry are funded with institutional capital. Not only does institutional backing provide a secure funding source, it also provides the highest degree of consumer protection with regard to privacy and confidentiality. At no point is a client's policy, or the personal information associated with it, ever in the hands of an individual investor.

Consumer Benefits

SWAPP represents a revolutionary breakthrough for policyowners. It enables them to truly optimize their coverage by maintaining appropriate coverage while eliminating future premiums. As a result, clients can typically:

- Maintain a paid-up benefit based on market value.
- Retain a more appropriate level of coverage.
- Create additional disposable income by eliminating future premium payments.

About Coventry

Coventry created the secondary market for life insurance and pioneered the resulting life settlement industry and SWAPP transaction. Fueled by bold ideas, a deep understanding of life insurance, and impeccable standards, Coventry continues to lead the market by opening new opportunities for consumers and the financial professionals who serve them. To date, our efforts have enabled consumers to receive more than \$1.5 billion over cash surrender value for their underperforming life insurance.

In this way, we are changing the way people think about life insurance. We are making it more powerful, more flexible and more valuable.

Simply stated, we are redefining insurance. And it will never be the same.

Next Steps

To learn more about the benefits and responsibilities of the secondary market for life insurance, call 877-836-8300 or visit coventry.com.

Policy: **Universal Life**

Insured: **Male, age 74 / Female, age 68**

Face Amount: **\$20,000,000**

Cash value: **\$775,000**

Coventry provided a \$5,500,000 paid-up benefit with a cash settlement of \$600,000

Three years ago, the couple purchased \$20 million of UL survivorship coverage for estate planning needs. Their estate needs changed, reducing their requirements to \$10 million. They considered a reduced paid-up policy from the carrier but were only offered \$3.75 million. Their advisor submitted the case to Coventry for appraisal resulting in an offer of \$2 million. Not enough to obtain \$10 million of new insurance on an after tax basis at a reasonable outlay. The challenge? How to obtain \$10 million of insurance without paying full premium. With SWAPP, Coventry provided a \$5.5 million paid-up benefit with a cash settlement of \$600,000. The cash settlement was used to obtain an additional \$4.5 million policy to meet their total need of \$10 million.

Policy: **Universal Life**

Insured: **Male, age 67**

Face Amount: **\$5,500,000**

Cash value: **\$1,320,000**

Coventry provided a \$3,600,000 paid-up benefit

The insured owned \$5.5 million of coverage. Declining interest rates caused his annual premiums to double, forcing his advisor to seek a replacement policy as the client still had a need for the same amount of insurance. The client's premium tolerance on the new policy was \$120,000. The advisor suggested having the policies valued by Coventry resulting in an offer of a \$1,650,000 life settlement or a \$3.6 million paid-up benefit. The client chose to SWAPP his original policy and obtained an additional \$2.3 million of insurance for his desired premium outlay. The result was a total net death benefit of almost \$6 million for a total outlay of only \$120,000.



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This brochure is not intended for consumers.

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