



Information

for

Financial Institutions

and

Banking Institutions

Value added service for Financial and Banking Institutions

The trade and security value of insurance assets is of great importance as catalyst in the initiation, the conclusion and even the success of a majority of financial transactions. Adding value to these insurance assets is a world-wide industry that is currently proving to be of growing importance and value to financial institutions and clients alike.

In South Africa the addition of value to insurance assets is a concept that is rapidly gaining recognition. The reasons therefore, are because of legislative changes to inform clients of all available options and possibilities, and also to protect clients interests in providing best advice at all times. Clear indications exist that it is about to develop into a financial service of similar stature and importance as its counterparts in other developed economies around the world, like Great Britain, where this is a highly regulated industry. Polinvest is already gaining the attention of major financial service providers in South Africa and forms an important part of their general services provided to valued clients.

Polinvest offers this specialised value added service to your company, to provide this essential service to your valued clients and associates within South Africa.

Insurance Assets Under Security - A Potential Risk

The acceptance of insurance assets by banking institutions as a form of collateral security in financial credit agreements has for many years been and still is an acceptable practice. This practice has always been an easy arrangement. The readily available cash value within insurance assets was easy to obtain should the client not honour the credit agreement. This is usually done through surrendering the policy and applying the surrender value to cover the liabilities.

It is well known that great financial losses are still suffered in the process by policyholders and banking institutions alike. In the event of surrenders a great deal of the value of a policy vests with the Life Insurance Company and is not passed on to the policyholder who, in most cases, has been paying that policy for many years. This is mainly due to the way policies are structured and surrender values are calculated. Certain bonuses that have vested in policies do not become available in the event of surrender and also the harsh penalties applied in the case of a surrender of a policy.

The result is that financial institutions only get the security value out while clients then often have to face additional financial liabilities that could have been covered if the full available underlying value of the policy was paid out to the client or institution.

These additional liabilities now increase the risk profile of that particular client since a financial risk for which there is no collateral security now has to be carried by the financial or banking institution. The overall increase in the general risk profile and costing of such transactions is well known.

Polinvest's service greatly reduces this risk potential and minimises the associated costing factor.

POLINVEST: Adding Value to Insurance Assets Under Security

Value is added to insurance assets (policies & investments) through a specialised system of financing during which some of the inherent value of the declared bonuses is released and made available to all parties involved in the transaction. The harsh surrender penalties involved in surrendering is also ignored during trading, because the full surrender value plus profits are paid to the client.

This financing system then allows for this inherent value to be passed on to the client, who could either be the policyholder or the cessionary, which is often some financial or banking institution.

In practice, this means that the value that eventually gets paid out to the client on the specialised range of policies exceeds the normal surrender value of the policy. This excess is not fixed, but varies according to the type and size of the policy and its age. It is therefore very important that each policy is assessed individually.

Methodology

The methodology of the system can be adapted to suit the preferences of the financial or banking institution. There are, however, certain basic system requirements that have to be adhered to due to ensure legality to the trading process. These requirements include the following:

- ❖ Financial and Banking Institution's or Client's written consent to obtain information regarding a higher value for the policy or investment and to sell at the higher value.
- ❖ A predetermined set of legal transactional documents - available at your request during trading.

All policy numbers that are supplied by participating financial or banking institutions for evaluation are received at *Polinvest* (valuation@polinvest.co.za) where after they are scanned for suitability (measured against the requirements of the buyer). This first selection takes place within 30 (thirty) minutes of receiving the policy numbers. Policy numbers that are not suitable for trading are then communicated back to the participating financial or banking institution that supplied the numbers in order for them to proceed with further surrendering. Each source of referral is ringfenced and utmost confidentiality will be maintained at all times.

Policies that do qualify for trading, are evaluated completely and the financial or banking institutions is informed within 24 (twenty four) hours of the increased value that can be offered on each of the qualified tradable policies or investments.

All documentation needs to be completed in front of a Commissioner of Oaths, who will then also be required to sign all relevant documents as proof. All signed documentation (originals) as well as the original policy document and an original certified copy of the client's Identification Document and other FICA requirements, is then couriered to Polinvest. Payment is then done via EFT (electronic funds transfer) or Bank Guaranteed Cheque and takes place within 48 hours of receiving the original signed documentation.

Full records are kept of each transaction with each policy that is traded by Polinvest or its nominated trader. These records are available on request. A client satisfaction evaluation form will be implemented to record the client's perception of the transaction. It is of the utmost importance to evaluate the process regularly, since the satisfaction of the client is paramount in this whole exercise.

POLINVEST: A Breakthrough in Transparent Trading

The market for traded endowments is still an informal, non-structured network of sellers, traders and buyers. It is of great importance that the standards that do exist and which guarantee the success of the system be protected. *Polinvest's* procedures and systems it currently uses in adding value to insurance assets, is just as transparent as any other system in the Insurance Industry. We maintain complete transparency throughout the entire trading process, disclosing all fixed costs, the fee structure and total trading price.

Polinvest therefore undertakes to proceed with a **full disclosure agreement** in the event of a formal and mutually advantageous agreement being reached between itself and any financial or banking institution. Please contact us should you have any queries or interested to implement this service.

This full disclosure agreement will be subject to the inclusion and signing of **confidentiality clauses** by all relevant parties. Much time, energy and money was invested to develop this service and to ensure its efficiency.

Information concerning client bases, methods of operation, financing and current and potential buyers can willingly be released once agreements exist that:

- ❖ Protects the undertaking, its service and its efficiency.
- ❖ Protects policyholders and their benefits.
- ❖ Provides a proven service to policyholders.
- ❖ Lightens the administrative burden of the financial or banking institution.

POLINVEST: A Win-Win Situation for Everybody

Polinvest has developed a network of servicing in this regard that has proven itself to create a **win-win situation** for all parties involved in the trading process. Adding value to Banks', Estates', Trusts', Commercial and private insurance assets has over the years proven to:

- ❖ Provide clients, through value adding assessments, with a feasible and more acceptable alternative, to the surrendering of their insurance assets.

- ❖ Provide financial and banking institutions, through Polinvest, the opportunity to benefit all parties concerned. This is done in the following way :
 - Significantly more of the client's liabilities are recovered.
 - The policyholder or beneficiary is left with fewer liabilities than what would have been the case in the process of normal surrender.
 - The general administrative procedure in completing the recovery process is significantly reduced with the result that greater efficiency is obtained all around.
 - Greater client satisfaction with the way their affairs are handled by their respective financial or banking institutions - even in times of great difficulty to the client.

Polinvest's trading services is a powerful way of ensuring client satisfaction while protecting the interests of the financial or banking institution. By incorporating this service into the normal activities of your company, a new mechanism of wealth creation and stability for both the financial or banking institution and the client can be developed to ensure a lower risk business environment and greater client satisfaction.

Polinvest provides a very important and powerful opportunity of establishing the perception with clients and their interests always remain paramount.

Polinvest prides itself in being a market leader in this trading service and looks forward to extending this service to your institution or bank.