

# Premium Finance

## Guidelines and Procedures

In some situations, financial professionals might recommend premium financing for high net worth clients. Typically, these clients will have significant life insurance needs associated with their personal and/or business assets. The following guidelines for premium financing apply to fixed life insurance policies, including indexed policies. Ameritas will consider premium financing cases that meet the following requirements.

### Client guidelines:

- Have a permanent estate planning or business need for life insurance.
- Traditional premium finance platform: ages 18-70 with a net worth of \$5 million or more.
- Net income platform: ages 18-65 with an income of \$100,000 or more.
- Considering financing an annual premium that is no more than 10 percent net worth.
- Sufficient income to support lifestyle.
- Be a U.S. citizen or permanent resident (no foreign nationals).
- U.S. situated ownership (no offshore trusts or non-U.S. based entities).
- Understand and appreciate leverage, interest rate risk and lending institution requirements.
- Full recourse premium financing required.
- Client must have a vested financial interest in the purchase of the life insurance policy.
- Understand that they are under no obligation to borrow.

### Case design guidelines:

- Annual planned premium must be a minimum of \$100,000 and maximum is \$1 million per owner (or group of related owners).
- Contract cannot be a Modified Endowment Contract (MEC).
- First year outlay for premium-financed cases must be at least 120 percent of target premium, if applicable.
- Loan interest payable annually. Deferral of loan interest may be allowed in very limited circumstances.
- Lifetime exit strategies apply to insureds 65 and under (exit strategies after 65 may include death in limited cases).
- Stress testing must be completed by premium finance vendor or Ameritas Advanced Markets.
- Agents must receive approval from their Agency Director and Compliance Officer prior to submitting a premium finance application on themselves or immediate family members (i.e., spouse, children, grandchildren, parents and siblings).
- Business entities are not allowed to utilize any receivable accounts as proposed collateral in any premium financing transaction.
- Policy may include the Early Cash Value Rider. A five-year commission charge back will apply to all compensation paid on the Early Cash Value Rider.
- Any agent who submits a case for premium financing must have current E&O coverage that includes premium financing. Proof of this coverage will be required.

Ameritas reserves the right to consider those cases not meeting the above stated guidelines.



## Case Submission Procedures

Please follow these steps when considering a premium financing recommendation:

- Read and understand these guidelines on premium financing.
- An approved Premium Financing lender must be used. See ADV 1434 for list of Approved Premium Financing Programs.
- All premium financing cases must complete a pre-application. To request a pre-application review, please complete the Premium Financing Pre-Application (ADV1572) and email the pre-application, along with any illustrations, to **competition.case@ameritas.com**.

Once the pre-application review is complete, you will receive a notification from Ameritas to proceed with completing the life insurance application with your client and submit the application and signed copies of:

- The Premium Finance Checklist (ADV1392) on Producer Workbench, along with copies of the required loan and trust documentation.
- The Premium Financing Client Disclosure (UN1248 or UN1248 NY) on Producer Workbench.

Retain copies of these materials in your client files.

Ameritas reserves the right to restrict premium financed sales at our discretion. Applications submitted without the pre-application review will be held for 30 days. Failure to obtain the review and approval during the 30-day hold period will result in the closing of the underwriting file.

**Questions about Premium Financing? Contact the Ameritas Case Design & Competition team at [competition.case@ameritas.com](mailto:competition.case@ameritas.com).**



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