

Premium Finance: Step-by-Step Guide

Premium finance is an arrangement for funding life insurance premiums by using a loan from a third-party lender. It allows high-net-worth individuals to maintain liquidity, while meeting their life insurance objectives. Premium finance is not for everyone and carries additional risk compared to traditional payment options. Please consult North American's Premium Finance Guidelines to determine if this strategy fits your client's needs.

Follow these steps to guide a case through North American's premium finance process.

When submitting documents, please send to PremiumFinance@sfgmembers.com.

Step 1 - Preliminary Phase

1.a	<p>To begin the premium finance process, please provide the following:</p> <ul style="list-style-type: none"> • Life Insurance Premium Finance Submission Form (O-2997) • For informal underwriting: <ul style="list-style-type: none"> • Medical records, i.e. attending physician statement (APS), with Authorization for Release of Health-Related Information (L-3100) • Two years of most recent tax returns, if available • Requested face amount • Total amount of inforce life insurance coverage • Other tentative offers, if any, the client may have received from other insurance providers
1.b	<p>Once your client receives an informal underwriting offer and there is a clear understanding of premium/loan amount, please provide the following completed, signed forms:</p> <ul style="list-style-type: none"> • Life Insurance Premium Finance Client Disclosure and Acknowledgement (O-2998) • Life Insurance Premium Finance Financial Professional Disclosure & Acknowledgement (O-2999) • Proof of Errors & Omissions coverage that includes premium financing • Cover letter explaining purpose of coverage or special circumstances <p>In addition, please submit the following client-signed proposals:</p> <ul style="list-style-type: none"> • Non-premium financed proposal • Premium financed proposal showing stress testing that is at least as stringent as required by the North American Premium Finance Guidelines
1.c	<p>The client will apply for a loan with a financial institution.</p>
1.d	<p>Once the client receives a pre-approval loan offer from the lender, the client-signed offer letter must be submitted to North American.</p> <p>This will initiate the case review process at North American.</p>

Step 2 - Formal Application Phase

2.a

Upon successful completion of the preliminary phase, your client will be invited to submit a life insurance policy application. This requires:

- Formal life insurance application
- Additional medical records, as needed
- Trust certification form, if policy will be trust owned (L-3172A)
- Two most recent tax returns, if not previously submitted
- If policy will be business owned, please provide:
 - Business financials (Two years of income statements, balance sheet and/or cash flow statements; or two years business tax returns; other validated signed business financials on letterhead of business' CPA or CFO)
 - Business Insurance Supplement form (L-3123, use appropriate state version)

2.b

Once the policy is approved and loan documents are drafted, the client signs both the loan documents and required policy forms, including an Assignment of Life Insurance Policy as Collateral form (O-2914).

The lender sends premium payment to North American, and the policy is placed in force. Collateral (including the policy value and/or any external funds) is pledged to secure the loan.