

Premium Financing

Guidelines and procedures

I. Guidelines

In some situations, financial advisors for Minnesota Life 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 Minnesota Life's fixed life insurance policies (including indexed). Minnesota Life will consider Premium Financing cases for clients who meet the following characteristics:

- Have a permanent estate or business planning need for life insurance;
- Have a net worth of \$5 million or more in illiquid assets;
- Are under age 70;
- Are considering financing an annual premium that is no more than 10 percent net worth;
- Have sufficient income to support lifestyle;
- Understand and appreciate leverage, interest rate risk and lending institution requirements;
- Are considering a full recourse Premium Financing arrangement; and
- Understand that they are under no obligation to borrow.

Important note:

- Nearly every lender that supports Premium Financing requires a minimum annual loan commitment of \$100,000 for at least five years.
- You should consider other planning alternatives if your client's life insurance needs do not meet the above minimum requirement.
- A specific trust or trustee may not be required by the lender, nor may the lender be affiliated with the trustee.
- Advisors appointed with Minnesota Life may not finance policies on themselves or immediate family members (i.e., spouse, children, grandchildren, parents and siblings).

II. Procedures

You must follow these steps when considering a Premium Financing recommendation:

- 1) Read and understand these guidelines on Premium Financing.
- 2) Refer to the updated 'Premium Financing - Lender List' on your advisor website.
- 3) Complete the life insurance application with your client and send the Home Office the application and signed copies of:
 - i) the 'Advisor Attestation for Premium Financing (Form F69011)' on your advisor website, along with copies of the required loan and trust documentation; and
 - ii) the 'Premium Financing - Client Disclosure (Form F69012)' on your advisor website;
 - iii) collateral assignment forms securing the loan need to be reviewed by the Home Office prior to case approval. We may request additional documentation (e.g., trust agreements, loan documents) as needed.
- 4) Retain copies of these materials in your client files.

If you have a case, or if you have any questions on Premium Financing, call Bill Stark or Channing Schmidt in Advanced Marketing at 651-665-1500 or 651-665-4335, respectively.

Minnesota Life Insurance Company

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F74093-12 Rev 4-2012 DOFU 10-2011
A04147-1011

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