

# Life Insurance News

## MetLife®



Bulletin 74 — 07

### MetLife Investors defines position on Premium Financing

Premium Financing continues to emerge in the industry as an attractive option for clients who are in need of life insurance coverage, yet are unwilling or unable to liquidate assets to cover premium payments. MetLife Investors (MLI) has continued to follow and assess this trend and will now consider Premium Financing applications on a case-by-case basis.

#### Cases will only be considered acceptable based on the following:

1. Only the Current Assumption UAUL product will be available under Option "A"; cases sold with the GAUL guaranteed product will be required to follow Option "B".
2. Any policyholder who has previously transacted a life settlement on a policy covering their life will be forced to meet the Option 'B' criteria.
3. Table Shaving will not be available for cases involving Premium Financing.

#### **OPTION A:**

To approve a case, it is expected that the Committee will satisfy itself, utilizing among other things, the criteria set forth below:

- NOT any present intent to life settle the policy either directly, or indirectly by selling shares or financial interests in a trust or special purpose vehicle that owns the policy;
- NOT part of any prearranged group program of insurance and settlement (e.g. alumni associations, church groups, etc.);
- NOT part of a "spin life", "speculator initiated life insurance", IOLI, STOLI, CHOLI, etc. program;
- NOT without a legitimate insurance and/or estate planning need;
- NOT in connection with non-recourse Premium Financing;
- NOT in combination, directly or indirectly, with an SPIA;
- NOT with an expectation, based on the Committee's judgment, that the policy will be life settled within 5 years **and**
- NOT without demonstrating that theoretical exit opportunities may exist (proposal must include the following):
  1. Describe the type of "exit strategy" they will use
  2. State when the "exit strategy" will be put in place
  3. List assets that are going to be used to fund the "exit"
  4. State how they will handle the gift tax exposure

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**OPTION B:**

1. SAME AS OPTION "A" ABOVE **AND**

2. A concrete exit strategy must exist at the time of issue. In addition to what is listed above for Option 'A', the Committee must be provided with sufficient information (including illustrations showing the debt being retired efficiently) that it is able to determine, in its opinion, based upon the facts and circumstances of the client's overall estate plan (or life insurance need) and the client's financial circumstances, that there is a reasonable probability that the client's exit strategy to retire the debt (of the premium financing by the client to purchase the life insurance policy) will succeed without the need to life settle the policy. If the committee concludes, however, that there is a reasonable probability of a life settlement of such policy in the future, then MetLife will not issue the policy.

**Several documents have been created to further define the parameters of the cases suitable for consideration and should be reviewed in detail:**

1. **Premium Financing Guidelines** – Describes the two options available for Premium Financing cases.
2. **Checklist for Premium Finance Cases** – Outlines the additional documentation required for Premium Finance cases.
3. **Underwriting Review Checklist** – Defines the guidelines for Underwriting review.
4. **Memorandum of Understanding** – Requires the signature of the producer.
5. **Disclosure and Acknowledgment** – Requires the signature of the applicant.

For further information, please contact Jim Allen, NAC Wealth Advisory Group or Jeff Coppage, Independent Channel, Wealth Advisory Group.