

# Premium Financing

## MetLife®



## CHECKLIST FOR PREMIUM FINANCE CASES

- Provide UAUL product illustration that illustrates Premium Financing (no Table Shaving)
- Signed Memorandum of Understanding between MetLife and Producer (IDG channel only)
- Signed Legal and/or Tax Advisor Acknowledgment Statement by Applicant, Insured (if different) and Owner (if different), signed Tax Advisor Acknowledgment Statement from Tax Advisor
- Submit all marketing materials, collateral requirements, client/advisor disclosure statements and all loan documents, loan term sheet, and collateral assignments that are used with this case
- Provide all legal documents and financial statements related to other entities such as a Limited Liability Corporation involved with Premium Financing program
- Describe Target Market – Age, Client Net Worth Requirement, etc.
- Provide purpose of the life insurance (i.e., estate and/or business planning)
- Disclose any experience with IOLI/Life Settlements, STOLI, CHOLI, etc. program, Combo Programs with SPIA and non-recourse Premium Financing
- Demonstrate that “theoretical exit opportunities” may exist by providing a proposal with the following (for cases qualifying under Option “A”):
  - Describe the type of “exit strategy” they will use
  - State when the “exit strategy” will be put in place
  - List assets that are going to be used to fund the “exit strategy”
  - State how they will handle the gift tax exposure

□ Cases illustrated with the GAUL guaranteed product (no Table Shaving) or any policyholder who has previously transacted a life settlement on a policy covering his or her life will be required to provide a Premium Financing Illustration that includes a “concrete exit strategy” with the following items (for cases qualifying under Option “B”):

❖ Exit Strategy Factors

- Details on how the client plans to transfer the funds to the trust to pay off the debt
- Full disclosure on financial and loan assumptions such as expected rate of return on assets, loan interest rate including loan spreads
- Implications of Gift, Income, and Estate taxes for all transactions
- Financial implications of the mechanism such as a IDIT (Intentional Defective Insurance Trust) used to execute the exit strategy

❖ For example, the IDIT must include the following information

- Beginning value of client owned asset
- Initial gift to grantor trust (also used for down payment on note).  
This gift refers to as “seed money” to establish the trust.
- Net Transfer (client asset minus trust gift) to a Limited Partnership
- Discounted limited partnership interests
- Down payment to sales price ratio
- Installment note interest rate
- Annual growth rate on trust assets