

# STEP BY STEP GUIDE



The following is a guideline for originating a premium finance loan using Insurative Premium Finance Massachusetts, Inc. ("IPFM") as a Lender, Servicer and Originator. This summary is not all inclusive as each case will have characteristics and unique requirements that are not outlined in the following.

## **BOLD = LOAN AND RELATED DOCUMENTATION**

### INITIAL CASE DESIGN

1. Originator outlines basic circumstances of case to IPFM.
2. **Life Insurance Illustration** is sent electronically to IPFM.

The loans to the borrower are usually made to trusts although some LLCs and other corporate entities can be accommodated. It is highly recommended that the lending circumstances are reviewed immediately so the case can be properly managed.

3. IPFM reviews the illustration/case to ensure it complies with traditional loan parameters including annual loan specifications and carrier guidelines.
4. IPFM sends a **Loan Proposal** back to the borrower or their representative.
5. Borrower or their representative reviews the **Loan Proposal** and provides feedback to IPFM on design, etc.
6. Borrower or their representative is presented a **Loan Proposal** generated by IPFM.
7. The Borrower, Insured and/or Grantor/Settlor and/or Guarantor and/or trustee of the borrowing trust or officer of the borrowing entity agrees to proceed with the proposed financing transaction.

### APPLICATION AND LOAN UNDERWRITING

8. IPFM distributes to the Borrower or their representative the initial loan documents:
  - A. **Loan Application.**
  - B. **Privacy Notice and Acknowledgement.**
  - C. **Additional documentation as required.**

The loan application is very specific with respect to current **know your client/anti-money laundering** inquiry and other requirements: pay careful attention to answer all questions and provide copies of current government issued identification and address verification. Depending on the status of the life insurance coverage it may be preferable to obtain ID and address verification at a later date since this information can expire.

If the borrower, Insured, individually or the Grantor/Settlor of a borrowing trust or officer of a borrowing entity and Guarantor are different individuals the loan application must be completed for each person. If collateral is provided by an individual or organization other than the insured or grantor/settler IPFM will require identity verification for those parties.

9. Properly completed documentation is sent to IPFM electronically for review.
10. IPFM conducts review of documentation and distributes a **Case Progress Report (CPR)** which will list pending requirements and requests for additional information. IPFM will operate from electronic copies.
11. Trusts or other borrowing vehicles will be evaluated by IPFM and the Lender.
12. A copy of the **Life Insurance Application** and/or **Life Insurance Policy** (if it's been issued) including medical/financial underwriting, state policy forms, state product approval, agent licensing and carrier contracting may be requested.
13. It is essential that IPFM is notified of any deadlines with respect to the insurance application process (i.e. expiring medicals, any critical dates should be communicated immediately).
14. One of the most critical aspects of premium financing is collateral. A variety of types of collateral are acceptable depending on the insured, policy, borrowing entity and the loan. IPFM will assist the Borrower and Insured and/or Grantor/Settlor and/or Guarantor and or trustee of the borrowing trust or officer of the borrowing entity throughout the process. IPFM's assistance in the evaluation of suitable collateral may include direct contact with the borrower's brokerage companies, banks and other financial institutions.

**Types of Collateral summary:**

In addition to a percentage of the Lender Acceptable Cash Surrender Value of the financed life policy there are a variety of acceptable collateral:

- Cash and cash equivalents (Certificates of Deposit, time deposits, savings accounts, money markets, etc.) (1)
- Marketable securities including mutual funds, individual equities, fixed income securities, exchange traded funds, other registered investment products (1)
- Cash surrender value of acceptable life insurance policies (1)
- Cash surrender value of acceptable annuities (case by case review) (2)
- Restricted or Controlled securities (special requirements) (2)
- Standby Letter of Credit issued by acceptable financial institution (2)
- Real Estate (2)
  - (1) Control agreement, custody arrangement or assignment required
  - (2) Limited to IPFM and Lender approved underwriting applicability, conditions and other requirements

15. If applicable, IPFM will provide to the borrower specific forms and other documentation to assist the Lender in securing collateral.
16. IPFM will finalize the collateral arrangements and have formal documentation prepared prior to funding.
17. Following a review of the collateral and initial loan documentation it is recommended that the Trust formation (or other borrowing vehicle) is completed (see following for more detail).

At this point in the process it is recommended that legal counsel has been retained to review the lending arrangement and particulars of the loan.

18. In the event of a borrowing trust:
  - A. The trust formation is completed or an existing trust is provided for Lender approval.
  - B. The application is completed and returned to IPFM electronically along with the trustee's proof of identity, two proofs of address and a copy of the trustee's proof of professional indemnity and/or liability insurance.

19. In the event of a borrowing corporate entity:
- A. The corporate articles of incorporation or association, certificate of incorporation, list of shareholders 5% or greater or members, list of corporation owners. corporations last two years of tax returns and most recent corporate financial statement is provided for the Lender approval.



The application is completed and returned to IPFM electronically along with the corporate owner and shareholders proof of identity, two proofs of address.

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## FINAL STEPS PRIOR TO FUNDING

20. Collateral arrangements are finalized including the **Life Policy Collateral Assignment**.
21. Ensure Life Insurance Application has been properly submitted and/or appropriate amendments are provided to the carrier including:
- A. Exact title of trust or entity as owner and proper beneficiary designation.
  - B. Premium finance disclosure pages.
  - C. Additional documentation as required by the issuing company.

It is preferable to have the formal **Life Insurance Application** submitted and applied for by the correct ownership of the policy. The owner (typically the Trustee) will execute the application. In many cases this is not possible due to the timing of the carrier underwriting process in relation to the steps necessary to complete the loan. In these instances an amended **Life Insurance Application** will be submitted following the execution of the trust and other entity formation documents.

21. Once the file is complete, IPFM will send the file to the Lender for review. Once the Lender has approved the file a term sheet is provided by the Lender for the client's signature.
22. Once the term sheet is fully executed, IPFM will generate the **Loan Documents and other documentation**.
23. The Borrower, Insured, Grantor/Settlor/trustee or officer of the borrowing entity and Guarantor reviews and executes the Loan Documents and associated forms (it is recommended that legal counsel or other advisors be involved in this step).
24. IPFM reviews electronic copies of all documents including ancillary forms such as:
- A. Life Insurance Application.**
  - B. Life Policy Collateral Assignment.**
  - C. Signed Life Policy Illustration.**
25. File is reviewed to ensure compliance with Anti-Money Laundering, Know Your Client (KYC) and other critical due diligence. Complex cases (i.e. multiple policies, special requests etc.) may take longer.

Complete file including Anti-Money Laundering and KYC is sent to Lender's underwriting for approval.

26. Carrier policy number, issue date and wire transfer instructions are verified.
27. Upon loan approval, premium payment is wire transferred to the life insurance company or funds to the borrower depending on the circumstances of the case.
28. All wire transfers are confirmed.

The original life insurance policy will be kept on file with owner and a duplicate copy will be sent to IPFM for the Lender.

29. Premium Finance Loan is exclusively serviced by IPFM.

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## CONTACTS AND MORE INFORMATION

For further information please contact your assigned IPFM representative or:



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## ***INSURATIVE PREMIUM FINANCE UNIQUE, BENEFICIAL AND SUSTAINABLE***

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## RISK FACTORS

In determining whether to enter into a premium finance transaction, the policy death benefit, premium, policy performance, loan amounts, loan interest and collateral are mere estimates prepared on the basis of assumptions provided by third party reviewers for illustrative purpose only, the estimates may not meet your needs or be suitable for you and are not guaranteed. The collateral and collateral holder is subject to Lender's approval and loan terms may change accordingly. IPFM, the Lender or any other individual or entity related to or affiliated with IPFM and the Lender does not have any obligation to update or otherwise revise any such estimates and illustrations. IPFM, as the servicer for the Lender, is responsible and concerned only with assisting the Lender in lending on life insurance policies and not for advising any person individually, the trustee, officer or entity on or arranging any insurance policy, the collateral or formation of a trust or borrowing entity. If you enter into any

transaction, the policy death benefit, premium, cash surrender values, loan amounts, loan interest and collateral requirements may differ substantially from the projections provided. This information is qualified in its entirety by any final transaction and related agreements you may enter into based on your own examination thereof and the advice of your financial, legal, investment, tax and accounting advisors. You should not rely on estimates projections or illustrations in determining whether to enter into any transaction. IPFM as servicer for the Lender, does not provide any insurance, legal, tax (gift, estate, income or other), accounting or other financial or investment advice. You should consult with your own financial, investment, legal, tax and accounting advisors before entering into any transaction or agreement.