National Association of Accredited Insurance Professionals
Presents:

The Power of Leverage

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Life Insurance Premium Financing

I. Introduction

There are many financial planning techniques available involving the purchase of life insurance. These techniques provide for estate planning, charitable giving and business planning needs. For certain individuals, the premium payments required to achieve the desired level of insurance may conflict with the individual's own funding plans or objectives, because either:

a) the expected return on other investments exceeds the overall return on the life insurance policy, or
b) due to the nature of the individual's investments, there is insufficient liquidity or cash flow to fund the required premium payments.

Life insurance premium financing is often considered an attractive alternative for funding the premium payments for life insurance.

II. What is Premium Financing?

Life Insurance Premium financing is a special asset based lending program available to the affluent marketplace for funding of premium payments for life insurance for estate planning, charitable giving or business planning needs. Funds are provided by an independent lender to support current and future life insurance premiums and are secured by the life insurance policy and other pledged assets.

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III. What are the Benefits of Premium Financing?

Once the decision to purchase life insurance has been made, a potential Insured should consider the most efficient way to pay the required on-going premiums. Generally an Insured has two options:

(1) Using current assets to cover the cost of the annual premiums
(2) Financing the premiums with a reputable lender

Option (1) may require the liquidation of high-performing investments, which may prove to be costly, inefficient and inconvenient.

Option (2) premium financing has long been seen as an effective way to obtain and maintain an appropriate amount of life insurance while offering the Insured a tool to meet his or her estate or business planning objectives.

Financing allows the Insured to:

(1) Minimize the impact on their financial liquidity
(2) Maximize their ability to purchase the life insurance available to them

IV. Premium Financing Overview

There are four main parties in a life insurance premium financing transaction:

- The insured(s)
- The borrower (a bankruptcy-remote entity)
- The lender
- The life insurance company

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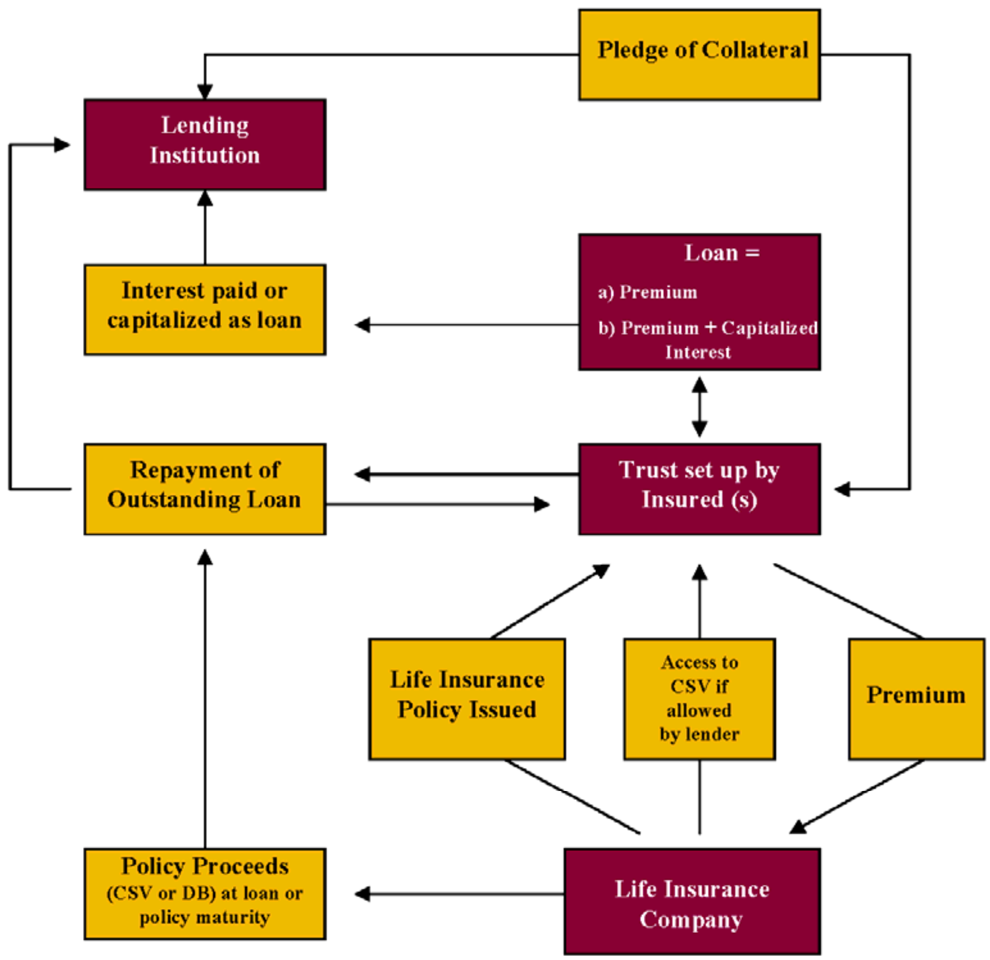
V. Premium Financing Schematic



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VI. Profile of the Insured

The insured will be required to demonstrate to the lender that he/she is knowledgeable enough to understand the risks involved in a premium finance arrangement. In addition, the insured must have both the sufficient net worth to obtain a life insurance policy of adequate size and the ability to arrange for the provision of any additional collateral, as referenced below.

Accordingly, the following criteria will be used to determine the insured's eligibility from the lenders perspective:

- Necessity for the insurance
- Meets all the underwriting criteria of the life insurance company
- Target net worth: $5,000,000 +
- Target minimum annual income: $200,000
- Target loan facility of $1,000,000
- Sufficient assets to pledge additional collateral for the difference between the total loan value and the cash surrender value

VII. Typical Loan Parameters

- Non-amortizing loan with a balloon payment due at maturity
- Floating interest rate based on 1-year LIBOR* plus a spread
- Spreads range between 1.5% to 3.50%
- Renewable term periods of 5 years or greater
- Interest can be paid: current, in arrears or accrued
- Personal Guarantee
- All loans are fully collateralized first by the policy CSV, with additional collateral to cover the short fall
- Additional collateral may include: Letters of Credit, Cash, Marketable Securities, Real Estate & Collectables**

* London Inter Bank Offering Rate in U.S. Dollars
** All additional collateral is evaluated by the lending institution. It is at the discretion of the lending institution to decide if the collateral chosen is acceptable and at what value it is acceptable.

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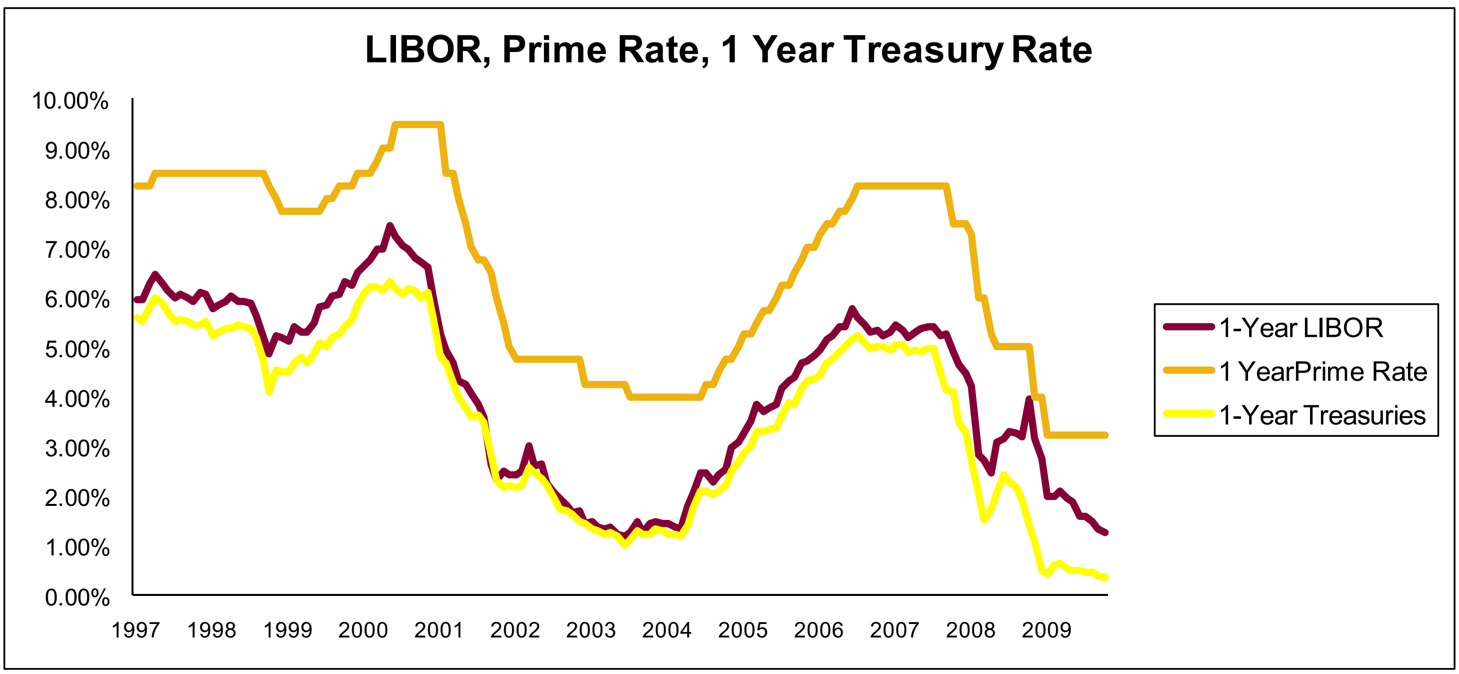
VIII. Premium Financing Risks

- Interest rate
- Policy performance
- Non-renewal
- Loan term modifications at renewal
- Change in collateral value and/or collateral requirements
- Economic forecasting and expectation



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IX. Why NAAIP

To ensure your clients meet their financial objectives, NAAIP provides proven experience using premium financing as a tool that can meet your client's most complex planning needs.

We at NAAIP are experienced with numerous financial tools and techniques. We will work with you and your clients' attorneys and accountants to provide clarity on complex insurance transactions.

The following are the deliverables that we provide in a financing transaction:

- Generation of personalized illustrations and case design
- Preparation of advisors regarding potential client/attorney issues and questions
- Coaching of attorneys and accountants
- Coordination of requirements and documents with the lender to achieve the financing in an efficient and timely manner
- Clients' bank provided with instruction regarding letter of credit
- Coordination with insurance companies to ensure timely underwriting

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