



Field
Update



June 10, 2011
Number: 0317

Aviva adopts new guidelines for premium finance and Early Cash Value Rider

Aviva strives to offer products and sales assistance to help producers with high-net-worth clients and business prospects, including Legacy Leveraging, our proprietary premium financing program.

Aviva's dedicated Advanced Markets team continually monitors the climate across key financial service areas. In the course of recent evaluations, we have determined a need to modify the Legacy Leveraging program to ensure the quality of our premium finance business.

We are announcing the following changes to our premium finance guidelines, effective immediately. Please also see the [attached guidelines document](#) for a full list of requirements.

- The net worth requirement for eligible cases will be increased from \$5 million to \$10 million
- All bank loan interest must be paid at least annually.
- Policy values may not be used to pay bank loan interest.
- Producers may no longer finance policies on themselves or immediate family members.

Along with the changes to Legacy Leveraging guidelines, we are announcing new guidelines for use of the Early Cash Value (ECV) Rider, also effective immediately. This rider, available on the Lifetime Builder series, is used when selling life insurance in non-qualified plans, premium financing and other instances where having high early year cash values are important. It provides higher cash values in the early years of a policy in the event of a full surrender for cash.

New guidelines for the ECV Rider include:

- The rider will only be available for corporate-owned or premium finance cases.
- The rider will be removed from the Life Portraits Sales Solution illustration software via a Remote System Update on June 10. We will not accept illustrations generated by LPSS that include the ECV Rider after June 13, 2011.
- Producers will need to contact Distribution Services to run illustrations for the ECV Rider on Simplified Issue/ Guaranteed Issue, Premium Finance and corporate-owned policies. You can contact Distribution Services at (800) 801-1486, option 1, ext. 2396.

The last day we will accept applications submitted under the old guidelines for premium financing and the Early Cash Value Rider will be Monday, June 13, 2011. All applications submitted after June 13 will be subject to the new guidelines.

Pending applications received on or before June 13 under the old guidelines will be issued provided all requirements are completed and the case paid by end of day September 30, 2011.

Thank you for making Aviva your carrier of choice for your business and premium finance cases. Please contact our Advanced Markets team for creative solutions to enhance your relationships with clients with sales strategies that can be custom-tailored for their needs. You can reach Advanced Markets at (800) 525-7133, option 5, or by email at advancedmarkets@avivausa.com.

Aviva Legacy Leveraging Program Guidelines

Client Profile

- A client must have a minimum verifiable net worth of \$10,000,000 and minimum verifiable annual income of \$200,000
- Documented insurance need (e.g. – estate tax liquidity, business succession, key person coverage, etc.) and clearly identifiable insurable interest
- U.S. citizen or permanent resident only
- A specific trust or trustee may not be required by the lender, nor may the lender be affiliated with the trustee
- U.S. situated ownership (no offshore trusts or non U.S. based entities)
- Agents may not finance policies on themselves or direct family members

Lending Requirements

- U.S. currency financing (no foreign currency transactions)
- Lender must be a recognized bank or financial institution and must be approved by Aviva in advance (no asset backed lending, hedge fund lending or venture capital lending)
- All loan/financing documents must be submitted, including the proposed collateral assignment form and a bank term sheet (use of the Aviva collateral assignment form is preferred)
- Bank loan must be full recourse and 100% collateralized
- Bank loan interest must be paid at least annually (no interest accrual)
- Bank loan interest may not be paid from policy cash values during the first 10 years

Illustration Requirements

- All basic and supplemental life insurance illustrations must use the current 1 year point-to-point illustration rate or lower
- Interest sensitivity illustrations signed by the insured and owner
 1. A supplemental illustration must be submitted that shows bank loan interest at 2% higher than the current lending rate; and
 2. A supplemental illustration must be submitted that shows policy performance at 2% lower than the current 1 year point-to-point rate
- Variable loan interest spread (difference between illustrated crediting rate and loan interest rate) may not exceed 2%
- Total premiums may not exceed client's net worth

Other Requirements

- Trust or business entity documents must be submitted for review
- Premium financing acknowledgement and case specific disclosure forms must be signed and submitted prior to policy issue
- Full first year premium received upon policy issue (no paying a partial premium to get the policy effective is allowed)

continued

Business Owned Cases

- Policies that are to be owned by a business and which insure executives and/or directors of the business will be underwritten and analyzed on a case-by-case basis, but in general should meet the following specifications.
 1. The business must have a verifiable business valuation in excess of \$10,000,000;
 2. Annual premiums may not exceed annual net revenues;
 3. Total premiums may not exceed current verified business value;
 4. If the business owners are to be the insureds, then each business owner must meet the individual premium financing guidelines; and
 5. For business owned cases, insured non-owner employees must have verifiable compensation in excess of \$200,000 per year
- Simplified Issue/Guaranteed Issue cases may not be financed.
- In certain cases, lender, agent and client disclosure forms may also be required.

Other Suggestions for Expediting Your Case

We strongly encourage the submission of a detailed cover letter as early in the process as possible that explains the overall plan, a financial overview of the client, the knowledge and experience level of the client in relation to leveraging of assets and how premium financing fits into the overall plan. We also suggest including information regarding other options presented to the client. We encourage the submission of all bank documents, illustrations and materials used with the client as early in the process as possible in order to allow adequate time for review and approval.

Any questions relating to the premium financing guidelines should be directed to Eric Johnson at (515) 342-4497 or Adam Pettyjohn at (515) 342-3194.