

Premium finance guidelines

Premium financing offers high-net-worth individuals, who don't want to liquidate assets tied up in a business or other profitable investments, the opportunity to leverage life insurance for legacy and business planning. These underwriting guidelines apply to most premium financing arrangements made with traditional commercial banks and their affiliates.

General guidelines for premium finance

Products available	All fixed permanent products									
Issue age limits	70									
Minimum net worth and annual income	<table><tr><th>Ages</th><th>Net worth</th><th>Annual income</th></tr><tr><td>30–70</td><td>\$5M and up</td><td>\$250,000 and up</td></tr></table>	Ages	Net worth	Annual income	30–70	\$5M and up	\$250,000 and up	Annual income or liquid net worth must support the minimum annualized premium; generally, the minimum premium should not exceed 40% of annual income.		
Ages	Net worth	Annual income								
30–70	\$5M and up	\$250,000 and up								
Minimum face amount	\$2,000,000									
U.S. citizenship required	No – See the following section: Premium finance guidelines for foreign national clients.									
U.S. ownership required	Yes									
Interest payments	<ul style="list-style-type: none">▪ Generally, interest must be paid as incurred, annually or more frequently.▪ Domestic clients exhibiting net worth of \$10 million or greater may accrue, accumulate or defer interest for up to 10 years.									
Early cash value rider	<p>The following riders are available on certain products:</p> <ul style="list-style-type: none">▪ <i>Lincoln Enhanced Value</i>® Rider (LEVR)▪ Surrender Value Enhancement Endorsement (SVEE) <p>Note that additional guidelines pertain to 1035 exchanges.</p>									
Full recourse required	Yes – For policies owned by U.S. LLC or in a U.S. trust, Lincoln will accept loan arrangements that are fully secured and collateralized without the insured’s personal guaranty.									
Maximum loan spread requirement	Not to exceed U.S. Treasury CMT or SOFR + 3.5% or Prime + 2.5%									
Use of MEC	MEC cases will be evaluated on an individual basis if the producer provides complete details regarding the need for the MEC situation. If accepted, the client will need to sign a disclosure/disclaimer letter provided by Lincoln.									
Minimum loan duration	3 years – Shorter durations may be considered for an insured exhibiting net worth of \$10 million or greater.									
Table Reduction Program	Table Reduction Program is available for premium financing on insureds up to age 60.									

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

Premium finance guidelines for foreign national clients

Foreign nationals	<p>Premium finance is available for foreign national clients, if all the following apply:</p> <ul style="list-style-type: none"> ▪ Verifiable \$10 million or more in net worth, and verifiable \$250,000 or more in annual income (U.S. equivalency) ▪ Premium financing must be with a U.S.-based lender bank ▪ Interest must be paid annually, or more frequently, and no accrual of interest is allowed ▪ Signed premium finance disclosure and acknowledgement provided to Lincoln ▪ Lincoln's premium financing guidelines apply
Reference	Foreign national guidelines

Premium finance guidelines for MultiLife cases

Issue criteria	<ul style="list-style-type: none"> ▪ Employer/employee relationship must exist ▪ U.S. citizens or those with permanent resident status only ▪ Insureds must be active at-work white-collar executives earning \$75,000 or more per year
Age limits	<ul style="list-style-type: none"> ▪ Issue ages 20 to 70 ▪ Average age of eligible group should be 55 or younger
Maximum issue limit	<ul style="list-style-type: none"> ▪ Maximum issue limit on participant (including all increases) cannot exceed \$5 million ▪ Subsequent increases must be planned at the time of original underwriting; maximum increase of 20% per year
Face amounts	<p>Face amounts for the most highly insured individual must not be greater than three times the average face amount of the carve-out group. Additionally, the maximum face amount must not be greater than five times the minimum face amount of the carve-out group.</p>
Guaranteed Issue limits	<ul style="list-style-type: none"> ▪ Available on 10 or more lives ▪ Face amounts determined by: <ul style="list-style-type: none"> – Set amount (title/position/percentage or ownership) or – Formula (salary multiple/defined premium or defined benefit)
Simplified Issue limits	<ul style="list-style-type: none"> ▪ Available on 5 or more lives ▪ Face amounts determined by: <ul style="list-style-type: none"> – Set amount (title/position/percentage or ownership) or – Formula (salary multiple/defined premium or defined benefit)
Reference	<ul style="list-style-type: none"> ▪ MultiLife financial professional guide

Suggested practices for premium financing cases prior to application submission

This is how you can expedite underwriting and the processing of applications to be paid with funds from commercial lenders.

- **Obtain a medical underwriting offer via trial submission** to provide premium classification information to lender.
- **Gather financial information to confirm insured's income and net worth.** Business financial statements are needed as well if a business is the borrower or owner.
- **Identify the proposed policyowner and borrower** if other than the insured, such as a trustee or employer. There must be an insurable interest between the owner and proposed insured.
- **Establish the loan exit strategy with the insured and owner.** Gather any additional financial information that may help the underwriter understand the loan exit strategy. We will not accept the death of the insured as a viable exit strategy.
- **Obtain a loan commitment, an offer letter or a term sheet from the proposed lender, including:**
 - Names of borrower, lender and lender's primary contact person
 - Total loan amount and duration
 - Interest rate, including an explanation of any variable rate calculations along with any origination and prepayment fees and expenses
 - Security, collateral and guaranty requirements
 - Indication that the loan arrangement requires interest to be paid at least annually, or if accumulation of interest is permitted

Formal application submission criteria

In addition to the usual age and amount requirements and any other state forms, premium financed cases will require:

Information	Documentation required	Form for submission
General information	<ul style="list-style-type: none"> ▪ Source of loan interest payments ▪ Exit strategy or source of loan principal payments when the loan matures or becomes unavailable or undesirable ▪ Identification of assets that will be used as collateral ▪ Identity of proposed policyowner and borrower (if other than the insured), such as a trustee or employer, their relationship to the insured ▪ Financial need for life insurance 	Cover memo
Lender information	<ul style="list-style-type: none"> ▪ Lender name and contact person ▪ Answers to all questions and signatures of both insured and owner 	(LFF06369 or state variation)
	Lender name, contact information, signature and date	LFG Premium Financing Lender Certification (LF06657)
	Loan terms	Lender proposal, offer letter or term sheet
Policyowner information	<ul style="list-style-type: none"> ▪ Trust and trustee identification ▪ Partnership or LLC agreement or articles of formation, organization or incorporation of the proposed policyowner and borrower if other than the insured. 	LFG Certification of Trustee Powers form AN07086 or organizational documents

Information	Documentation required	Form for submission
Insured's information	<ul style="list-style-type: none"> Insured's financial information Detailed amounts of assets, liabilities and income, particularly liquid assets, and descriptions of large or complex assets and liabilities Business financial statements (income statement, balance sheet, statement of cash flows) for any business borrower situation 	LFG Financial Supplement form LFF10007 for personal insurance or LFF10006 for business insurance or state variation signed by insured and CPA or attorney (or financial statements, providing similar information and signed by the preparer)
	Tax returns for two years. This is required even if a business will be the borrower or owner.	IRS Form 4506-C Authorizing Lincoln to obtain the insured's federal income tax returns for the two most recent years
	Additional acknowledgments may be required on certain cases	Disclosure and Acknowledgement Form

Additional guidelines apply to lenders that are not traditional banks or their affiliates. Contact your Lincoln representative or underwriter for more information.

If an application does not comply with the guidelines, Lincoln may not offer coverage with premium financing. Please contact your Lincoln representative or underwriter for more details or other options.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

©2023 Lincoln National Corporation

[LincolnFinancial.com](https://lincolnfinancial.com)

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-5712852-053123
POD ADA 6/23 **Z10**
Order code: LIF-PFUW-FLI003



Talk with your Lincoln representative about premium finance planning for your clients.

Lincoln Financial Group (LFG) does not recommend, endorse, sponsor or otherwise offer Premium Financing. LFG does not have an agreement with any Premium Financing organization, is not a party to the loan agreement and does not receive any form of compensation from any financing arrangement. There are risks associated with commercial Premium Financing including but not limited to interest rate risk, additional collateral requirements, additional loan renewal requirements and risk the lender could become insolvent. In addition, if the policyowner fails to repay the loan based on the terms, the loan could default and the insurance contract could lapse.

For financial professional use only. Not for use with the public.