

Premium financing guidelines and procedures

In some situations, you might recommend premium financing for high-net-worth clients. Typically, these clients will have significant life insurance needs associated with their personal and/or business assets.

The following guidelines for premium financing apply to fixed and indexed life insurance policies. We will consider premium financing cases that meet all of the requirements below.

Client guidelines

- Have a permanent estate planning or business need for life insurance
- Have a net worth of \$5 million or more
- Have a liquid net worth of at least 10 percent of the total loan amount
- Under age 70
- Considering financing an annual premium that is no more than 10 percent net worth
- Sufficient income to support lifestyle
- Owner of contract may not be a charity
- Understand and appreciate leverage, interest rate risk and lending institution requirements
- Considering a full recourse premium financing arrangement
- Understand that they are under no obligation to borrow

Case design guidelines

- Annual planned premium must be \$3 million or less per owner (or group of related owners)
- First year outlay for premium-financed cases must be at least 120 percent of target premium
- Premium financing arrangement must be fully collateralized
- Design should be stress tested at various loan interest rates and policy crediting rates
- Loan interest should be paid out of pocket at least annually

- Financial professional who submits a case for premium financing must have current E&O coverage that includes premium financing
 - Proof of this coverage will be required
- Policy may include Early Values Agreement (EVA)
- Policy may not include:
 - Surrender Value Enhancement Agreement (SVEA)
 - Business Value Enhancement Agreement (BVEA)
 - Long-Term Care Agreement (LTCA)
- Contract cannot be a Modified Endowment Contract (MEC)
- Application must be fully underwritten
- Simplified Issue and Guaranteed Issue cases are not eligible for premium financing
- A specific trust or trustee may not be required by the lender, nor may the lender be affiliated with the trustee
- Business entities are not allowed to utilize any receivable accounts as proposed collateral in any premium financing transaction involving a Minnesota Life Insurance or Securian Life Insurance product
- Financial professionals appointed with us may not finance policies on themselves or immediate family members

Cover letter guidelines

We require a cover letter with your pre-application submission. The cover letter should include:

- An overview of the client and their financial need for life insurance

- Why the client is utilizing premium financing
- Demonstrate the client's understanding of potential risk by describing what borrowing and crediting rate scenarios were reviewed with the client
- An explanation of the design, including the anticipated handling of loan interest, the source of funds for loan interest payments and the loan exit strategy
 - Death of the insured is not an accepted exit strategy
 - If the exit strategy does not involve a distribution of policy value, please detail the expected source of loan repayment funds

Case submission procedures

You must follow these steps when considering a premium financing recommendation:

- 1 Read and understand these guidelines on premium financing.
- 2 All premium financing cases must complete a pre-application review by Minnesota Life or Securian Life prior to or in conjunction with the submission of the application. To request a pre-application review, please complete in full, a premium financing pre-application and include a cover letter and illustration showing exit strategy. The request and accompanying documents can be emailed to lifesales@securian.com. We will respond to submissions by the 2nd Friday from the day all required documentation is received.

Please note: Premium financed sales from any financial professional or group of related professionals are reviewed for concentration risk.

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in St. Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

We reserve the right to restrict premium financed sales, for any reason, at our discretion.

- 3 We will respond to submitted premium financing pre-application requests by the 2nd Friday from the day your application was submitted. Once the pre-application review is complete, you will receive a notification from Minnesota Life or Securian Life. If pre-application is approved, the formal application may be submitted (underwriting will continue if already submitted). Be sure to include the following:
 - **Financial professional attestation** (Form F71858) along with copies of the required loan and trust documentation; and
 - **The Premium Financing – Client Disclosure** (Form F71859)
 - The loan term sheet will be required and additional documentation may be requested (e.g., trust agreements, loan documents) as needed.

- **Financial professional attestation** (Form F71858) along with copies of the required loan and trust documentation; and
- **The Premium Financing – Client Disclosure** (Form F71859)

- The loan term sheet will be required and additional documentation may be requested (e.g., trust agreements, loan documents) as needed.

- 4 Retain copies of these materials in your client files.
- Please note:** We reserve the right to restrict premium financed sales at our discretion.



Learn more

Securian Financial's Advanced Sales Team provides advanced case design and consultative sales support for your premium finance needs.

1-888-413-7860, option 3.

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