

## **Life Insurance Secondary Markets and Premium Financing**

As the popularity of universal life policies with secondary guarantees has grown in recent years, so has the development of non-traditional financing and investment programs related to these policies. The purpose of this bulletin is to reaffirm Protective's commitment to traditional uses for life insurance in meeting both personal and business planning needs, and to describe areas of non-traditional life business where we prefer not to participate.

We previously communicated our position on the sale of life insurance policies for use in secondary markets, and in conjunction with non-recourse loans (see [Protective Will Not Issue Life Insurance Planned to Be Resold in the Secondary Market](#), June 6, 2005). To reiterate our position, the Protective Life family of companies (Protective Life, Protective Life and Annuity, Empire General and West Coast Life) will not approve the sale of life insurance products in Stranger Owned Life Insurance (SOLI) or Investor Owned Life Insurance (IOLI) scenarios.

SOLI and IOLI sales are not consistent with our underwriting criteria, and we will return any application for a policy that we determine to be a part of such an arrangement. If such a policy is inadvertently issued, we may refund the premium and rescind the policy. We also reserve the right to terminate the contract or appointment of any producer or distributor involved with such submissions.

Certain premium financing situations are also inconsistent with our underwriting criteria, particularly cases involving non-recourse loans. We will not accept such cases or others that are primarily intended to benefit "non-traditional" life insurance beneficiaries. These include situations in which the primary amount of the death benefit inures to a lender, investor, or other third-party financier. Therefore, we have implemented a new underwriting requirement on all cases involving premium financing. For such cases, a cover letter must accompany the application, fully and clearly describing the case design and financing arrangement. This will be subject to our review and approval prior to the policy being issued.

Many of the types of arrangements described above are under increasing scrutiny and assessment by lawmakers and regulators. Of course, we will respond with new policies, procedures, and forms as warranted by legal and regulatory changes. In the meantime, please note these key points:

- Appropriate insurable interest is required for any policy we issue.
- We will not issue policies intended to be re-sold in life settlement or other secondary markets.
- No applications will be accepted for policies funded by non-recourse loans, or for situations that may involve illegal rebating, "discounted premiums", or "free" insurance.
- We will not issue "Stranger Owned" or "Investor Owned" life insurance policies.
- All applications for policies involving premium financing require an explanatory cover letter, and are subject to our review and approval.

Thank you for your cooperation in following these important guidelines. If you have questions, please contact our sales management team. We appreciate your business.