

EXECUTIVE SUMMARY

A comprehensive independent feasibility study revealed that a client's proposed premium finance plan understated collateral requirements by nearly 600%—exposing them to \$2.5M in unexpected financial risk. This case demonstrates why every premium finance arrangement demands independent verification.

THE CHALLENGE: HIDDEN VULNERABILITIES IN PREMIUM FINANCE PLANS

Over the past decade of historically low interest rates, insurance agents and specialty finance firms have introduced numerous premium finance strategies to the market. However, with the recent rise in rates, many of these existing plans now warrant careful reassessment, and new proposals should be independently evaluated.

Without a thorough review, clients may be unknowingly exposed to substantial financial risks, potentially jeopardizing the wealth and assets they've spent years building. These hidden vulnerabilities, if left unchecked, can escalate into significant liabilities—sometimes amounting to millions of dollars.

OUR SOLUTION: INDEPENDENT PLAN FEASIBILITY STUDIES

We collaborate with a diverse network of professionals—RIAs, attorneys, CPAs, banks, and insurance agencies—to ensure that their clients' financial interests are safeguarded. Through the application of our proprietary risk management model, which we utilize with our own internal premium finance clients, we identify and mitigate key risks based on both conservative and realistic assumptions.

-SEE CASE STUDY ON NEXT PAGE-



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REAL-WORLD IMPACT: THE \$2.5 MILLION DISCOVERY

An RIA engaged our firm after their client was presented with a premium finance plan for a \$10M death benefit. The original proposal projected a maximum collateral requirement of just \$494,000.

The Analysis

By applying our internal risk management model and adjusting unrealistic assumptions—such as a 4% loan rate applied indefinitely—we uncovered the true risk profile.

The Results

- Original Projected Collateral: \$494,000
- Actual Collateral Requirement: \$2,970,000
- Hidden Risk Exposure: \$2,476,000 (nearly 6x the original projection)

Howard L.

"You saved me from a ticking time bomb."

For some clients, this would represent a life-altering financial burden. For all clients, this level of exposure is completely avoidable through an independent feasibility study.

OUR IMPROVEMENTS

After understanding the client's needs and the vulnerabilities in the proposed plan, our firm suggested the following improvements:

- 1. Scale it down:** *The client had assets but did not want to potentially tie up \$2.9M. Instead, we redesigned the plan so that the realistic collateral exposure would only be \$1M.*
- 2. Increase annual client payments:** *The original model assumed the client would make no payments on the bank loan. This increased the leverage amount and the risk. The client had good cash flow and could afford to make annual payments on the loan.*
- 3. Lower cost financing:** *Our firm found a bank that offered a lower rate loan, which reduced the interest cost to the client.*
- 4. Better insurance product:** *The product being proposed had high expenses and an inefficient design (more death benefit than needed). Our firm found a product with 50% lower fees and only the minimum amount of death benefit needed.*

The combination of all the proposed suggestions resulted in millions of dollars of interest and fee savings and a much more resilient, safe, and predictable premium finance arrangement.

PROTECT YOUR CLIENTS

If your client is currently enrolled in a premium finance plan or has been presented with one, we strongly recommend an independent plan feasibility study. Contact us today to request a comprehensive review and ensure your clients' financial security.

ABOUT OUR PREMIUM FINANCE FEASIBILITY STUDIES

Our independent feasibility studies use the same proprietary risk management model we apply to our own premium finance clients, ensuring objective analysis based on realistic market assumptions rather than optimistic projections.



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