Premium Financing for Life Insurance

Producer Guide

These materials are not intended to be used to avoid tax penalties and were prepared to support the promotion or marketing of the matter addressed in this document. Neither ING nor its affiliated companies or representatives give tax advice. Clients should always be advised to consult with their tax and legal advisors regarding their individual situation.

LIFE

Table of Contents

Section 1:
Overview

Premium financing enables high net-worth clients to purchase the life insurance they need without liquidating other investments or otherwise changing their normal cash flow. When properly structured, it may also help them transfer assets to children, grandchildren and charities with potentially reduced gift and estate-tax costs.

People usually don't object to owning life insurance; they just object to paying for it using current assets. This is true even for high net-worth individuals. In fact, these clients often face unique challenges in paying premiums. For example, gift and estate-tax laws can complicate a life insurance purchase. In addition, the policy often must be owned by a third party or outside entity that, by itself, may not have the means or the cash flow to make large premium payments.

Clients with these concerns may seek alternative arrangements that allow them to purchase the coverage they need with the potential for more favorable tax consequences — and without major changes in their finances. They may even be willing to pay someone else to pay the premiums for them if it can be done on favorable financial terms. Premium financing may be the solution. The concept allows qualified clients to borrow funds to pay life insurance premiums, and it may protect the net worth those clients have built while at the same time help them pass on their financial legacy to future generations.

As a successful producer, using the premium financing concept you can help your high net-worth clients meet their life insurance needs and also provide an attractive method to pay for that insurance.

Section 2:
The Market

Premium financing is often attractive to both high net-worth American citizens and foreign nationals who have a defined life insurance need.

The Domestic (United States) Market

Financed life insurance gives high net-worth clients the opportunity to lower their out-of-pocket costs for life insurance. Premium financed life insurance meets the same needs as traditional, non-financed life insurance. It provides a death benefit for:

- Family protection
- Estate liquidity
- Wealth transfer
- Charitable planning.

The International Market

Premium financing can also be attractive to citizens of other countries who need life insurance protection. Life insurance from an ING life insurance company may help foreign nationals obtain needed life insurance coverage from a name that they know — ING.

There are restrictions on marketing life insurance products to foreign nationals. Be sure that you are aware of these restrictions prior to marketing life insurance to foreign nationals.

Section 3:
Eligibility

Eligible Clients

Premium financing is a complex financial transaction and only sophisticated clients comfortable with leverage, and with skilled tax and legal advisors, should participate in this concept. Premium financing requires the use of multiple financial vehicles, and is usually appropriate for high net-worth clients only. An appropriate client for this concept:

- Has a need for life insurance
- Has a net worth of $5,000,000 or more
- Has liquid assets sufficient to pledge as security for loan repayment (if additional collateral is required)
- Meets life insurance policy underwriting guidelines
- Meets the lender's minimum requirements.

Because of their high net worth, these clients usually have their own tax and legal advisors. The earlier these advisors are involved, the better the chances for successful completion of a premium financing transaction. Keep in mind that when presented with an unfamiliar concept, most advisors usually give a negative opinion. But if they are included early and allowed time to learn about premium financing, those same advisors can become great allies and even sources of future business.

Eligible Marketers

Premium financing is a specialty market and knowledge of estate and business-planning issues is important. To participate in this program, successful agents in this market may have the following skills:

- Experience in business planning and estate planning
- An established estate-planning reputation in their local community
- Access to clients having a net worth of $5,000,000 or more.

In addition to the above, the agent must agree to follow ING life insurance companies' guidelines and disclosure requirements.

Section 4:
Types of Premium Financing Plans

There are three general types of premium financing loans, and not all lenders participate in all types. Different types of loans will vary in sensitivity to interest rate changes.

Type One Plans — Fully Collateralized with Interest Due in Cash

The borrower provides full collateral for the loan advance. The principal collateral is the cash surrender value of the policy being financed. Additional collateral may be required in the form of a letter of credit or other assets acceptable to the lender. The borrower pays the annual interest to the lender out of his/her/its own funds. In a properly designed and funded policy, cash value distributions may cover a portion of the interest payments.[1]

Type Two Plans — Fully Collateralized with Interest Accumulated on the Loan

Again, the borrower provides full collateral for the loan advance. The principal collateral is the cash surrender value of the policy being financed. Additional collateral may be required in the form of a letter of credit or other assets acceptable to the lender. However, the borrower does not pay the annual interest costs to the lender. Instead, the annual interest due is added to the loan principal. The borrower has no cash flow needs and no out-of-pocket costs. The tradeoff, however, is that the interest costs of the transaction can grow substantially and reduce the amount of death benefit ultimately delivered to the beneficiary. The increasing amount of the loan generates increasing annual interest costs. This loan design can carry a greater financial risk, especially when the policy cash value performance or loan-interest projections do not meet expectations.

Type Three Plans — Non-Recourse Loans

Non-recourse and hybrid lending arrangements differ from traditional premium finance loans in that the policy is looked at as an asset that has a secondary market value. The loan may be collateralized by just the policy only or partial collateral from the borrower.

ING does not allow its life products to be sold using either non-recourse or hybrid type loan.

Premium Financing Plans In Action

To see how a premium financing plan may work, let's review a few cases. The following case studies show both survivorship plans using ING Strategic Accumulator Survivorship Universal Life[2] as well as an individual case using ING Universal Life-CV.[3]

[1] Loans and withdrawals may generate income tax liability, reduce available cash value and reduce the policy's death benefit or cause the policy to lapse.
[2] ING Strategic Accumulator Survivorship Universal Life policy form # 1173-01/07, issued by Security Life of Denver Insurance Company.
[3] ING Universal Life-CV policy form #1178, issued by Security Life of Denver Insurance Company.

Case Study 1: The trust applies for a death benefit of $11,090,000. The premium is $1,120,078 for five years. The client makes annual gifts to the trust so the trustee can pay the annual interest costs. Review the policy illustration below for the details.*

ING STRATEGIC ACCUMULATOR SURVIVORSHIP UNIVERSAL LIFE
A Survivorship Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

ING

PREMIUM FINANCING - LENDER VALUES

The purpose of this supplemental illustration is to show ING Strategic Accumulator Survivorship Universal Life using a Premium Financing arrangement. This arrangement provides a means of paying policy premiums while minimizing out of pocket expenses. Security Life of Denver Insurance Company is not a party to nor responsible for any Premium Financing, including but not limited to monitoring policy performance.

Prepared for:

Mr Valued Client
Male 80 Preferred No Tobacco
Mrs Valued Client
Female 80 Preferred No Tobacco
Policy Interest Rate: 4.15%
Initial Financed Premium Loan Interest Rate: 5.00%

Yr	(1) Annual Premium	(2) Cumulative Lender Loan	(3) Lender Loan Interest Owed	-	(4) Lender Interest Paid From Policy	-	(5) Lender Interest Accrued	=	(6) Lender Fees /Interest Paid Out of Pocket	(7) Collateral Value of CSV @ 100%	(8) Additional Collateral Required @ 100%
1	1,120,078	1,120,078	56,004		0		0		56,004	1,128,699	0
2	1,120,078	2,240,157	112,008		0		0		112,008	2,143,681	96,476
3	1,120,078	3,360,235	168,012		0		0		168,012	3,207,013	153,223
4	1,120,078	4,480,314	224,016		0		0		224,016	4,298,313	182,001
5	1,120,078	5,600,392	280,020		0		0		280,020	5,460,610	139,781
	5,600,392		840,059		0		0		840,059		
6	0	5,600,392	280,020		0		0		280,020	5,613,438	0
7	0	5,600,392	280,020		0		0		280,020	5,756,765	0
8	0	5,600,392	280,020		0		0		280,020	5,892,202	0
9	0	5,600,392	280,020		0		0		280,020	6,017,619	0
10	0	5,600,392	280,020		0		0		280,020	6,110,318	0
	5,600,392		2,240,157		0		0		2,240,157		
11	0	5,600,392	280,020		0		0		280,020	6,153,299	0
12	0	5,600,392	280,020		0		0		280,020	6,123,465	0
13	0	5,600,392	280,020		0		0		280,020	5,987,662	0
14	0	5,600,392	280,020		0		0		280,020	5,726,646	0
15	0	5,600,392	280,020		0		0		280,020	5,339,124	261,268
	5,600,392		3,640,255		0		0		3,640,255		
16	0	5,600,392	280,020		0		0		280,020	4,793,158	807,234
17	0	5,600,392	280,020		0		0		280,020	4,059,631	1,540,761
18	0	5,600,392	280,020		0		0		280,020	3,053,203	2,547,189
19	0	5,600,392	280,020		0		0		280,020	1,786,737	3,813,655
20	0	5,600,392	280,020		0		0		280,020	0	5,600,392
	5,600,392		5,040,353		0		0		5,040,353		
21	0	5,600,392	280,020		0		0		280,020	0	5,600,392
	5,600,392		5,320,372		0		0		5,320,372		

This illustration is not valid without all pages.

Prem Finance $11,090,000 ING Strat Accum SUL for Mr Valued Client
Version M3 2009.02.06-HO, Released 03/23/2009
7P: 1,192,733 TP: 265,052

Presented by: Advanced Case Design (nth)
03/23/2009 02:52 PM
Page 9 of 38

* Death Benefit Option A (Level). Death Benefit Qualification Test: CVAT. Assumes a 4.15% crediting rate and current charges. Results are significantly lower using a 3% crediting rate and guaranteed maximum charges (and the policy will lapse in year 11). Lender loan rate is 5%. Loan repaid at death.

ING STRATEGIC ACCUMULATOR SURVIVORSHIP UNIVERSAL LIFE
A Survivorship Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

Cash Flow Comparison at 6.00%:
Present Value of Annual Premiums: 5,001,268
Present Value of Lender Interest Paid Out of Pocket: 2,794,902

Security Life of Denver Insurance Company is not a party to or responsible for any premium financing, including but not limited to monitoring policy performance.

The Lender loan interest rate of 5.00% is paid in advance annually to the third party Lender. Some Lenders may have interest payments paid in arrears, which may also affect the additional collateral requirements. The Lender loan interest rate and collateral valuations are determined by the Lender as defined in the loan agreement and may fluctuate.

The amounts shown reflect the US Dollar equivalent at the time of the loan. Fluctuations in the exchange rates will change the outlay and net amount in US Dollars.

The net cash surrender value and net death benefit amounts illustrated are based on the current policy interest rate and cost assumptions. The values illustrated are not guaranteed. They assume that the illustrated non-guaranteed elements of the policy will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown. This page must be accompanied by the basic Policy Illustration, which includes the guaranteed elements of the policy and other important information.

Neither ING nor its affiliated companies or representatives give tax or legal advice. For complete details regarding your individual situation consult with your tax and legal advisors.

This illustration is not valid without all pages.

Prem Finance $11,090,000 ING Strat Accum SUL for Mr Valued Client
Version M3 2009.02.06-HO, Released 03/23/2009
7P: 1,192,733 TP: 265,052

Presented by: Advanced Case Design (nth)
03/23/2009 02:52 PM
Page 10 of 38

Case Study 2: The trust applies for a death benefit of $10,000,000. The financed premium is $505,760 for ten years plus $500,000 from a suitable 1035 exchange of an existing life insurance policy. Review the policy illustration below for details.*

ING STRATEGIC ACCUMULATOR SURVIVORSHIP UNIVERSAL LIFE
A Survivorship Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

ING

PREMIUM FINANCING - LENDER VALUES

The purpose of this supplemental illustration is to show ING Strategic Accumulator Survivorship Universal Life using a Premium Financing arrangement. This arrangement provides a means of paying policy premiums while minimizing out of pocket expenses. Security Life of Denver Insurance Company is not a party to nor responsible for any Premium Financing, including but not limited to monitoring policy performance.

Prepared for:

Mr Valued Client
Male 80 Preferred No Tobacco
Mrs Valued Client
Female 80 Preferred No Tobacco
Policy Interest Rate: 4.15%
Initial Financed Premium Loan Interest Rate: 5.50%

Yr	(1) Annual Premium	(2) Cumulative Lender Loan	(3) Lender Loan Interest Owed	-	(4) Lender Interest Paid From Policy	-	(5) Lender Interest Accrued	=	(6) Lender Fees /Interest Paid Out of Pocket	(7) Collateral Value of CSV @ 100%	(8) Additional Collateral Required @ 100%
1	1,005,760	505,760	27,817		0		0		58,105	1,013,338	0
2	505,760	1,011,521	55,634		0		0		55,634	1,454,671	0
3	505,760	1,517,281	83,450		0		0		83,450	1,919,375	0
4	505,760	2,023,042	111,267		0		0		111,267	2,388,000	0
5	505,760	2,528,802	139,084		0		0		139,084	2,897,021	0
	3,028,802		417,252		0		0		447,540		
6	505,760	3,034,562	166,901		0		0		166,901	3,407,814	0
7	505,760	3,540,323	194,718		0		0		194,718	3,930,943	0
8	505,760	4,046,083	222,535		0		0		222,535	4,460,612	0
9	505,760	4,551,844	250,351		0		0		250,351	4,998,557	0
10	505,760	5,057,604	278,168		0		0		278,168	5,528,388	0
	5,557,604		1,529,925		0		0		1,560,213		
11	0	5,057,604	278,168		0		0		278,168	5,568,505	0
12	0	5,057,604	278,168		0		0		278,168	5,545,589	0
13	0	5,057,604	278,168		0		0		278,168	5,426,088	0
14	0	5,057,604	278,168		0		0		278,168	5,194,639	0
15	0	5,057,604	278,168		0		0		278,168	4,850,241	207,363
	5,557,604		2,920,766		0		0		2,951,054		
16	0	5,057,604	278,168		0		0		278,168	4,364,514	693,090
17	0	5,057,604	278,168		0		0		278,168	3,711,560	1,346,044
18	0	5,057,604	278,168		0		0		278,168	2,815,229	2,242,375
19	0	5,057,604	278,168		0		0		278,168	1,688,608	3,368,996
20	0	5,057,604	278,168		0		0		278,168	99,615	4,957,989
	5,557,604		4,311,607		0		0		4,341,895		
21	0	5,057,604	278,168		0		0		278,168	0	5,057,604
	5,557,604		4,589,776		0		0		4,620,064		

This illustration is not valid without all pages.

Prem Finance $10,000,000 ING Strat Accum SUL for Mr Valued Client
Version M3 2009.02.06-HO, Released 03/23/2009
7P: 991,610 TP: 239,001

Presented by: Advanced Case Design (nth)
03/23/2009 04:16 PM
Page 9 of 41

* Death Benefit Option A (Level). Death Benefit Qualification Test: CVAT. Assumes a 4.15% crediting rate and current charges. Results are significantly lower using a 3% crediting rate and guaranteed maximum charges (and the policy will lapse in year 11). Lender loan rate is 5.5%. Loan repaid at death.

ING STRATEGIC ACCUMULATOR SURVIVORSHIP UNIVERSAL LIFE
A Survivorship Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

Cash Flow Comparison at 6.00%:
Present Value of Annual Premiums: 4,445,787
Present Value of Lender Interest Paid Out of Pocket: 2,281,800

Security Life of Denver Insurance Company is not a party to or responsible for any premium financing, including but not limited to monitoring policy performance.

Based on the outstanding loan, this illustration assumes origination and/or renewal fees of:

Year	Fee
1	$30,288

The fees are payable to the Lender and not to Security Life of Denver Insurance Company. The client should discuss these fees with the Lender.

The Lender loan interest rate of 5.50% is paid in advance annually to the third party Lender. Some Lenders may have interest payments paid in arrears, which may also affect the additional collateral requirements. The Lender loan interest rate and collateral valuations are determined by the Lender as defined in the loan agreement and may fluctuate.

The amounts shown reflect the US Dollar equivalent at the time of the loan. Fluctuations in the exchange rates will change the outlay and net amount in US Dollars.

The net cash surrender value and net death benefit amounts illustrated are based on the current policy interest rate and cost assumptions. The values illustrated are not guaranteed. They assume that the illustrated non-guaranteed elements of the policy will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown. This page must be accompanied by the basic Policy Illustration, which includes the guaranteed elements of the policy and other important information.

Neither ING nor its affiliated companies or representatives give tax or legal advice. For complete details regarding your individual situation consult with your tax and legal advisors.

This illustration is not valid without all pages.

Prem Finance $10,000,000 ING Strat Accum SUL for Mr Valued Client
Version M3 2009.02.06-HO, Released 03/23/2009
7P: 991,610 TP: 239,001

Presented by: Advanced Case Design (nth)
03/23/2009 04:16 PM
Page 10 of 41

Case Study 3: The trust applies for a death benefit of $10,000,000. First, premium loans up to the maximum non-MEC premium are done in years 1 and 2, then premium loans pick up again when cash value runs low. An option C (face + premium) death benefit is used to maintain the desired net death benefit. The design potentially enhances IRRs at life expectancy, which is often the most important goal with financing. Review the policy illustration below for details.*

ING UNIVERSAL LIFE-CV
A Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

ING

PREMIUM FINANCING - DETAILS

Prepared for:

Valued Client
Male 70 Preferred No Tobacco
Policy Interest Rate: 5.00%
Initial Financed Premium Loan Interest Rate: 5.00%
Initial After Tax Earning Rate for the Retained Capital Account: 6.00%

	PROPOSED FINANCED POLICY					NON FINANCED POLICY **			FINANCED POLICY WITH ASSUMED RETAINED CAPITAL			
	(1)	(2)	(3)	(14)	(16)	(1)	(13)	(22)	(18)	(19)	(20)	(21)
Yr	Annual Premium	Cumulative Lender Loan	Lender Loan Interest Owed	Net Death Benefit after Lender Loan Repayment	Net Outlay	Annual Premium	Net Death Benefit	Death Benefit IRR	Retained Capital	Retained Capital @ 6.00%	Death Benefit with Retained Capital	Death Benefit wit Retained Capital IRR
1	1,075,704	1,075,704	53,785	10,000,000	53,785	324,451	10,000,000	2,982.13%	270,666	286,906	10,286,906	19,025.90%
2	1,075,704	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	407.42%	216,881	534,014	10,534,014	1,203.04%
3	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	174.01%	216,881	795,948	10,795,948	415.77%
4	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	101.66%	216,881	1,073,599	11,073,599	224.09%
5	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	68.32%	216,881	1,367,908	11,367,908	146.35%
	2,151,408		484,067		484,067	1,622,256			1,138,189			
6	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	49.63%	216,881	1,679,876	11,679,876	106.09%
7	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	37.86%	216,881	2,010,562	12,010,562	82.04%
8	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	29.86%	216,881	2,361,089	12,361,089	66.29%
9	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	24.11%	216,881	2,732,648	12,732,648	55.28%
10	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	19.82%	216,881	3,126,501	13,126,501	47.21%
	2,151,408		1,021,919		1,021,919	3,244,511			2,222,592			

This illustration is not valid without all pages.

Prem Finance $10,000,000 ING UL-CV for Valued Client
Version M3 2009.04.03-HO, Released 05/18/2009
7P: 1,075,704 TP: 294,960 MP: 175,698

Presented by: Advanced Case Design (nth)
05/13/2009 02:46 PM
Page 6 of 38

* Death Benefit Qualification Test: CVAT. Assumes a 5% crediting rate and current charges. Results are significantly lower using a 3% crediting rate and guaranteed maximum charges (and the policy will lapse in year 5). Lender loan rate is 5%. Loan repaid at death.

ING UNIVERSAL LIFE-CV
A Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

	PROPOSED FINANCED POLICY					NON FINANCED POLICY **			FINANCED POLICY WITH ASSUMED RETAINED CAPITAL			
	(1)	(2)	(3)	(14)	(16)	(1)	(13)	(22)	(18)	(19)	(20)	(21)
Yr	Annual Premium	Cumulative Lender Loan	Lender Loan Interest Owed	Net Death Benefit after Lender Loan Repayment	Net Outlay	Annual Premium	Net Death Benefit	Death Benefit IRR	Retained Capital	Retained Capital @ 6.00%	Death Benefit with Retained Capital	Death Benefit with Retained Capital IRR
11	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	16.50%	216,881	3,543,984	13,543,984	41.08%
12	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	13.88%	216,881	3,986,517	13,986,517	36.30%
13	0	2,151,408	107,570	10,000,000	107,570	324,451	10,000,000	11.76%	216,881	4,455,601	14,455,601	32.47%
14	2,041,219	4,192,628	209,631	10,000,000	209,631	324,451	10,000,000	10.02%	114,820	4,844,646	14,844,646	29.15%
*15	2,041,219	6,233,847	311,692	10,000,000	311,692	324,451	10,000,000	8.57%	12,759	5,148,850	15,148,850	26.21%
	6,233,847		1,865,954		1,865,954	4,866,767			3,000,813			
16	2,041,219	8,275,067	413,753	10,000,000	413,753	324,451	10,000,000	7.35%	-89,302	5,363,120	15,363,120	23.55%
17	2,041,219	10,316,286	515,814	10,000,000	515,814	324,451	10,000,000	6.31%	-191,363	5,482,062	15,482,062	21.08%
18	2,041,219	12,357,505	617,875	10,000,000	617,875	324,451	10,000,000	5.41%	-293,424	5,499,957	15,499,957	18.75%
19	2,041,219	14,398,725	719,936	10,000,000	719,936	324,451	10,000,000	4.64%	-395,485	5,410,740	15,410,740	16.51%
20	2,041,219	16,439,944	821,997	10,000,000	821,997	324,451	10,000,000	3.96%	-497,546	5,207,985	15,207,985	14.30%
	16,439,944		4,955,330		4,955,330	6,489,022			1,533,692			
21	2,041,219	18,481,164	924,058	10,000,000	924,058	324,451	10,000,000	3.36%	-599,607	4,884,881	14,884,881	12.09%
22	2,041,219	20,522,383	1,026,119	10,000,000	1,026,119	324,451	10,000,000	2.83%	-701,668	4,434,206	14,434,206	9.81%
23	2,041,219	22,563,602	1,128,180	10,000,000	1,128,180	324,451	10,000,000	2.37%	-803,729	3,848,305	13,848,305	7.43%
24	2,041,219	24,604,822	1,230,241	10,000,000	1,230,241	324,451	10,000,000	1.95%	-905,790	3,119,066	13,119,066	4.88%
25	2,041,219	26,646,041	1,332,302	10,000,000	1,332,302	324,451	10,000,000	1.57%	-1,007,851	2,237,888	12,237,888	2.07%
	26,646,041		10,596,231		10,596,231	8,111,278			-2,484,953			
26	2,041,219	28,687,261	1,434,363	10,000,000	1,434,363	324,451	10,000,000	1.24%	-1,109,912	1,195,655	11,195,655	-1.07%
27	2,041,219	30,728,480	1,536,424	10,000,000	1,536,424	324,451	10,000,000	0.93%	-1,211,973	0	10,000,000	-4.65%
28	2,041,219	32,769,699	1,638,485	10,000,000	1,638,485	324,451	10,000,000	0.65%	-1,314,034	0	10,000,000	-6.35%
29	2,041,219	34,810,919	1,740,546	10,000,000	1,740,546	324,451	10,000,000	0.40%	-1,416,095	0	10,000,000	-7.93%
30	2,041,219	36,852,138	1,842,607	10,000,000	1,842,607	324,451	10,000,000	0.17%	-1,518,156	0	10,000,000	-9.39%
	36,852,138		18,788,656		18,788,656	9,733,534			-9,055,122			

This illustration is not valid without all pages.

Prem Finance $10,000,000 ING UL-CV for Valued Client
Version M3 2009.04.03-HO, Released 05/18/2009
7P: 1,075,704 TP: 294,960 MP: 175,698

Presented by: Advanced Case Design (nth)
05/13/2009 02:46 PM
Page 7 of 38

ING UNIVERSAL LIFE-CV
A Flexible Premium Adjustable Life Insurance Policy
Security Life of Denver Insurance Company

The non-financed policy solves for the premium amount necessary, at current expense and projected interest rate assumptions, to carry the policy through age 100. The non-financed policy does not carry to the duration needed to qualify the policy for continuation of coverage. The illustrated premium duration is for 30 years.

* Year 15
Assumed year of death, based on the 1990-95 Society of Actuaries tables. Actual mortality will differ.

* * The non-financed policy uses a level death benefit, Option A. The proposed financed policy uses initial death benefit Option C (Face + Premium).

Security Life of Denver Insurance Company is not a party to or responsible for any premium financing, including but not limited to monitoring policy performance.

The net surrender value and net death benefit amounts illustrated are based on the current policy interest rate and cost assumptions. The values illustrated are not guaranteed. They assume that the illustrated non-guaranteed elements of the policy will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown. This page must be accompanied by the basic Policy Illustration, which includes the guaranteed elements of the policy and other important information.

Neither ING nor its affiliated companies or representatives give tax or legal advice. For complete details regarding your individual situation consult with your tax and legal advisors.

This illustration is not valid without all pages.

Prem Finance $10,000,000 ING UL-CV for Valued Client
Version M3 2009.04.03-HO, Released 05/18/2009
7P: 1,075,704 TP: 294,960 MP: 175,698

Presented by: Advanced Case Design (nth)
05/13/2009 02:46 PM
Page 8 of 38

Interest Rates and Loan Structure

The interest rates charged on the loan vary by lender and amount of loan, but are often stated as a margin rate over the London Interbank Offered Rate (LIBOR). Typically, the larger the loan, the lower the margin.

When you present clients any premium financing concept, it is useful to demonstrate variations in interest rates. These will fluctuate over time and affect the premium financing concept's performance as compared to the original as-sold illustration.

Another important factor in your presentation is to manage your client's expectations regarding the loan. The ability to obtain the loan and the amount of loan that the client would be eligible for may determine what type of lending scenarios may be available to your client.

Collateral

Collateral is critical in premium financing, and meeting the lender's collateral requirements can be difficult. Making the client (and his or her advisors) aware of these requirements early in the process will help address any concerns. Two considerations determine whether the borrower has sufficient collateral:

1. The total amount of collateral the lender requires varies by lender.
2. The valuation of collateral. Lenders may not value every asset at its face or even its fair market value. The total amount of collateral required may vary based on the type of asset being pledged. The primary asset pledged as collateral is the life insurance policy surrender value. For the additional collateral required, banking Regulation U regulates the valuation that may be placed on an asset for purposes of pledging that asset as collateral. For example, a stock may be assigned a 50 percent valuation factor. If $500,000 of additional collateral were required, $1,000,000 of that stock would be required to pledge as collateral.

Life Insurance Products

A client may use any suitable ING life insurance companies' general account life insurance product in a premium financing concept. This includes both single-life and second-to-die policies. As in any other life insurance sale, the client's needs determine the appropriate product.

There may be difficulties using Modified Endowment Contracts (MECs) in a premium financing arrangement. The IRS may view the MEC's assignment of benefits to the lender as collateral to secure the loan as a distribution which would cause the annual growth in policy cash values to be currently taxed as ordinary income. Some ownership structures may not have difficulties with this taxation. When the use of a MEC is desired, the tax consequences must be reviewed by the client's legal and tax advisors to determine whether such a structure is appropriate for the client's unique circumstances. ING may impose restrictions on the available products.

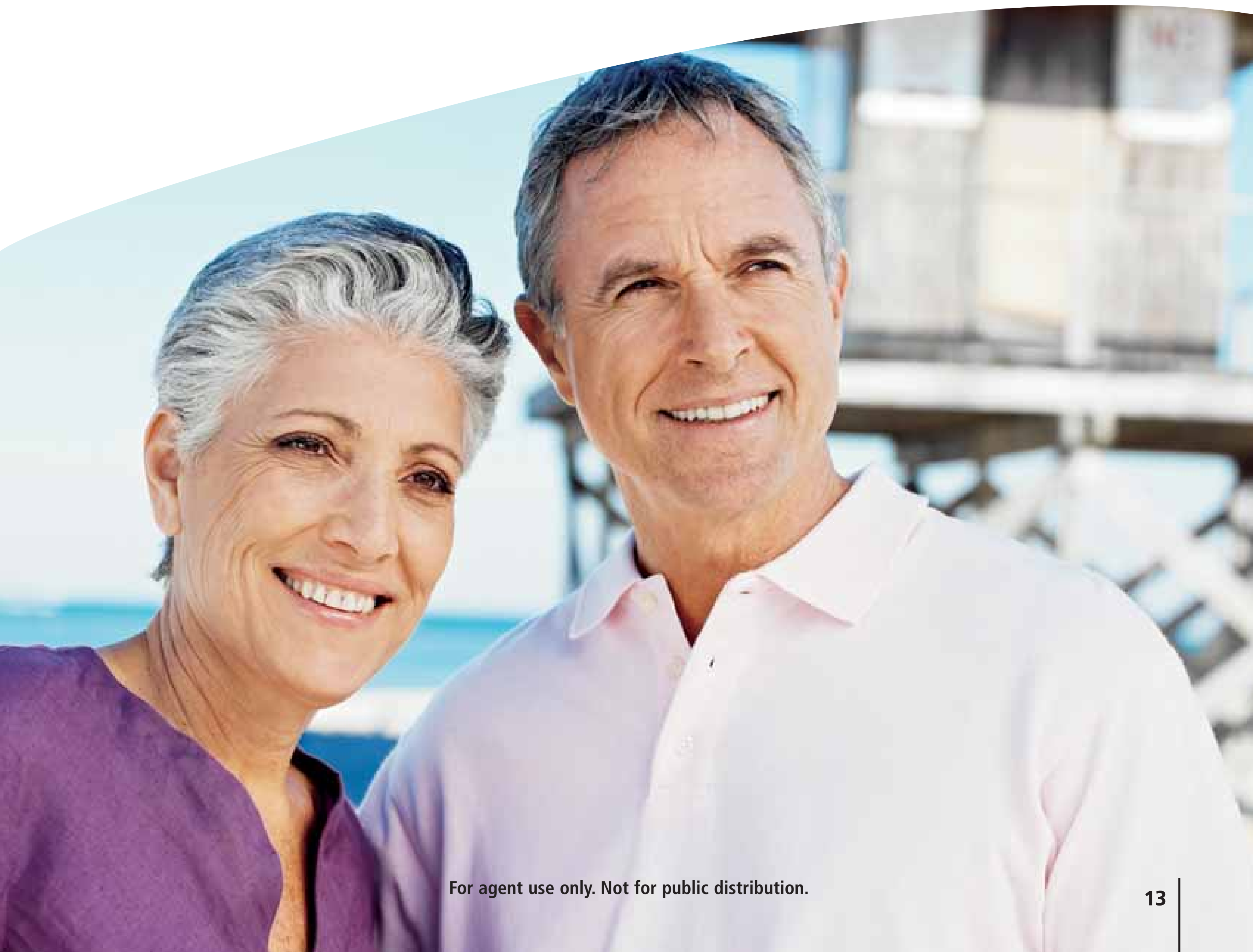
Loan Arrangements Involving Foreign Currencies

The interest rates available to some foreign currencies may be very attractive, and may be an excellent fit for your clients. Your client may choose to borrow in a currency other than US Dollars. But a premium financing transaction in a foreign currency adds additional risks to an already complex sale, and requires a financially sophisticated client. Not all lenders will provide loans in foreign currencies.

A currency's strength depends on factors that are uncontrollable and difficult to predict such as:

- Strength of the country's economy
- Stability of the government
- Actions of the national bank of that country
- Laws that the country's government may pass.

As currencies fluctuate versus the dollar, there can be an impact on the amount loaned annually, the annual interest payment, the amount of collateral required and the repayment of the loan at death. Changes in currency values can be both positive and negative.



Section 5:
The Process

A client who is interested in the premium financing concept must understand that the concept involves two separate financial instruments, and the application process occurs in two stages.

Stage One: The application for a life insurance policy

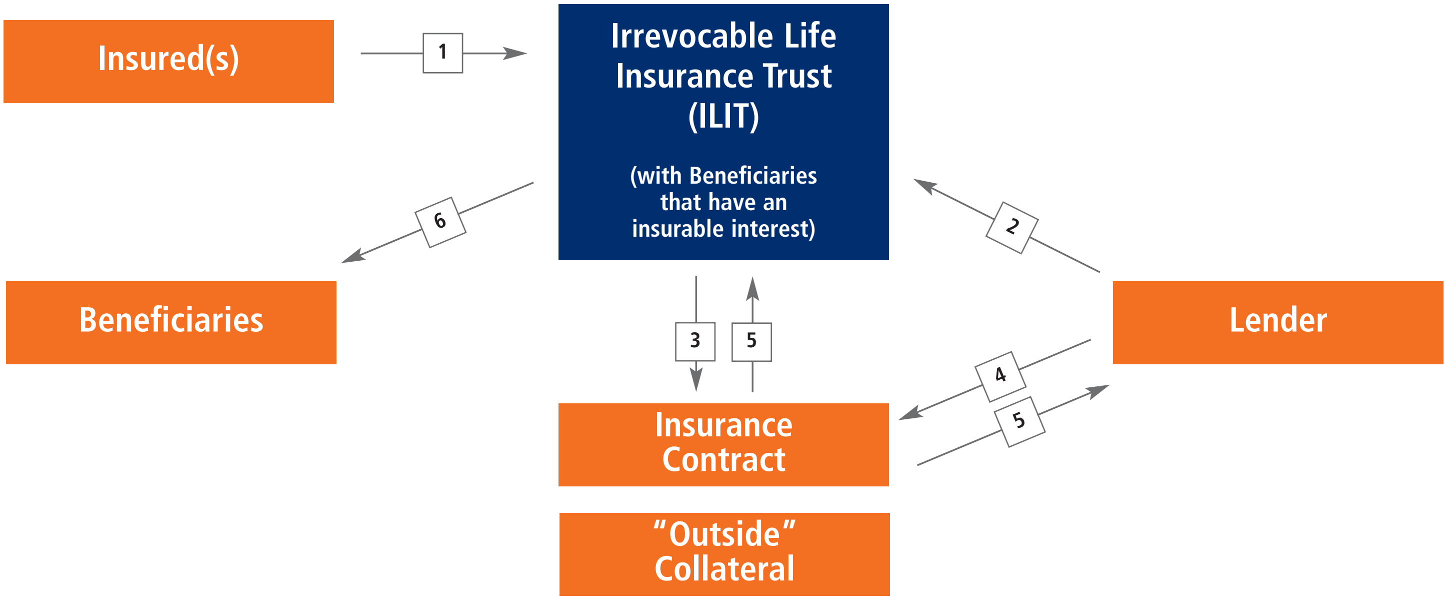
The client's agent submits an application for the life insurance policy. The life insurance company completes medical and financial underwriting to determine whether the client qualifies for the policy. Note that normal considerations regarding timeliness and complexity should be given to the processing of large cases.

Stage Two: The application to borrow the premiums

After the policy is approved, the agent submits the case to the lenders who decide whether or not to lend the money to pay premiums. The lender analyzes the borrower's credit and financial status, availability of collateral and decides whether or not to make the loan.

See the next page for the steps in premium financing.

Basic Strategy Diagram



1. Insured(s) establishes ILIT.

2. ILIT establishes/secures Premium Financing Loan.

3. ILIT purchases Life Insurance Policy on Insured.

4. Lender loans annual premiums for Life Insurance Policy.*

* Lender has secured interest in insurance policy for amount of loan plus interest accrued (Collateral Assignment). If the loan balance exceeds policy surrender value, the lender will require additional "outside" collateral from the client to be posted in order to fully collateralize the loan.

5. At death, the lender is paid back from policy proceeds, balance of death benefit paid to ILIT.

6. Heirs receive balance of death benefit proceeds from ILIT.

Section 6:
Lender Issues

Premium financing consists of two separate financial instruments: a life insurance policy and a loan. The life insurance portion of the premium financing transaction will come from an ING life insurance company. The loan will come from an independent lender. Each lender will have its own rules, procedures and requirements.

A Typical Loan Structure

Borrowing Entities

For a variety of estate and tax planning reasons, the borrowing entity *is not always* an individual. In fact, within the United States, most premium finance borrowers are Irrevocable Life Insurance Trusts (ILITs).

The borrowing entities may also be:

- An Individual
- A Trust
- A Corporation
- A Special Purpose Vehicle
- A Limited Liability Company (LLC).

The Amount

The minimum loan amount is set by each individual lender. There usually is no maximum loan amount, although each loan is tied to the financial strength and the particular structure is designed on a client-by-client basis.

The Term

The premium loan is typically for a set period of years. This means that as long as the client continues to perform under the terms of the various agreements, and as long as the economic case for maintaining the structure remains viable, there should be no interruption in the loan for that established period of time. At the end of the initial loan period, assuming that the business case remains strong, the lender may give consideration to renewing the loan for another set loan period.

Interest Rates

It is important to understand this section on interest rates, as the success of many plans depends on interest rate movements over time.

LIBOR

Most loans will carry an interest rate calculated at a spread over LIBOR (London Interbank Offered Rate).

LIBOR is the rate of interest which banks borrow funds from other banks, in marketable size, in the London Interbank Market. It is quoted fixed for different periods. These rates are published daily and are easy to verify on the internet at various financial websites including: www.bankrate.com or at www.bba.org.uk. ING neither endorses nor guarantees any information provided at these external sites. Lenders will offer to finance at Funding Periods of 1, 3, 6, or 12 months or 5 or more years. This means that the client will be locking in a LIBOR rate for a specific time period called a Funding Period.

Spreads

The spread is sometimes referred to as the Credit Margin. The spread over LIBOR depends on a variety of factors, which include:

- The size of the loan
- Whether the interest is capitalized or not, i.e., whether interest is added to the loan balance or not
- The currency borrowed
- Quality of collateral
- Creditworthiness of the borrower
- Term of the loan commitment
- Whether or not the borrower is bankruptcy remote.

Borrowing may exceed the cash value growth in the policy, and possibly lead to additional collateral being required. In these cases where clients cannot or do not want to provide such additional collateral, the lender may declare an event of default causing the loss to the client of existing pledged collateral. Presently, many of these structures appear to make sound economic sense to the client due to historically low interest rates.

Section 7:
Legal and Tax Considerations

Premium financing is a sophisticated and complex process. Each client must rely on his or her legal and tax advisors to decide whether or not to participate. Agents do not give legal, tax or lending advice. The following section provides background on various tax and legal issues. This is not a comprehensive list of all issues that may be relevant and does not constitute tax or legal advice.

Estate Tax Considerations

Life insurance death benefits are included in an insured's estate if he or she possessed any incidents of ownership at the time of death or transferred any incident of ownership within the three years preceding death. If no incidents of ownership were held by the insured in this fashion, and if the death benefits are not payable to the insured's estate or used to pay the estate's debts, then the death benefits are usually not included in the insured's taxable estate.

A personal guarantee for the payment of premiums on a life insurance policy has not been recognized as an incident of ownership, nor has it been considered a retained right, power or interest in the policy that could cause the policy to be included in the estate under Internal Revenue Code (IRC) Sections 2033-2045.

In private-letter ruling* (PLR) 9809032 the IRS found that life insurance proceeds payable to a trust were not included in the insured's estate even though an ILIT created by the insured had borrowed funds from the insured to pay premiums. Those loans remained outstanding at the time of the insured's death (the unpaid balance of the loans was includible in the estate). In this private-letter ruling the IRS stated that the trustee possessed all incidents of ownership in the policy. The payment of premiums (even with borrowed funds) was irrelevant in determining whether the decedent retained any incidents of ownership under IRC Section 2042.

*Private-letter rulings are not binding except on those parties to whom they are issued.

Gift Tax Considerations

If a person guarantees another's debt, there is a gift if the guarantor is required to make payments under the terms of the guarantee. Less clear is whether the provision of the guarantee is itself a gift. The Tax Court in *Bradford v. Commissioner* 34 T.C. 1059 (1960) held that no gift was made since there was no certainty that a guarantee payment would be required. In PLR 9113009, the IRS found a guarantee to be a completed gift as soon as it became legally enforceable (it made no mention of how to value the guarantee). However, in PLR 9409018 it withdrew that portion of PLR 9113009 dealing with the taxable gift without further discussion.

Commentators to PLR 9113009 have argued that it was premature to impose a gift tax on a contingent liability that does not reduce the guarantor's net assets unless or until a guarantee payment is actually made. Even if a completed gift has occurred, the gift's value may be too speculative to determine and may constitute an open transaction for transfer tax purposes. To date, there is no further guidance on the IRS' position on the gift question.

Interest Deductibility

Generally, all interest paid or accrued in the taxable year on indebtedness is deductible by the taxpayer subject to certain specified exceptions. Only the taxpayer obligated to pay the debt may deduct the interest. Individual taxpayers are no longer allowed to deduct personal interest (the exceptions are interest other than that incurred in connection with the conduct of a trade or business, investment interest, qualified residence interest, interest taken into account in computing income or loss from a passive activity, interest on extended payments of estate tax, or interest on education loans). Because interest on indebtedness to acquire or maintain a life insurance contract is generally considered personal interest, it is usually not deductible by individual taxpayers.

An interest deduction is allowed when borrowing against a life insurance policy if the proceeds of the loan are used for investment purposes, subject to certain limitations. Interest is also deductible when the loan is used for business purposes. However, the tracing rules capture and disallow an interest deduction on loans used to purchase life insurance that are disguised as investment or business-purpose debts.

The deduction of interest incurred in purchasing or maintaining a life insurance contract is not allowed if the policy is obtained pursuant to a plan that contemplates the systematic (direct or indirect) borrowing of policy cash values from either the policy itself or an outside source, such as a bank. Four exceptions apply to this systematic borrowing rule. The first two are those most likely to apply to premium financing cases:

- The four-out-of-seven rule, where no more than three annual premiums due in the first seven years are borrowed.
- The trade or business exception, which states that the use of loan funds must be traced to a business purpose (loans used to pay premiums on policies on key executives or to provide employee retirement benefits do not meet the trade or business exception).
- Interest paid on a loan on one or more business-owned policies on the life of an officer, employee or person with a financial interest in the business may be deducted providing the loan does not exceed $50,000 (note that one or more of the systematic borrowing rule exceptions must still be met).
- The Health Insurance Portability & Accountability Act of 1996 amendments disallow the interest deduction regardless of the total amount of the debt, unless the life insurance policies cover no more than 20 key persons (individuals who are either officers or 20 percent owners). The number of key persons cannot exceed the greater of five or the lesser of 5 percent of the total number of officers and employees or 20 individuals. The interest is deductible only to the extent that the interest rate does not exceed Moody's Corporate Bond Yield Average — Monthly Average Corporates for each month interest is paid or accrued. These provisions are for policies issued prior to June 21, 1986 and interest paid or accrued before October 14, 1995.

The Taxpayer Relief Act of 1997 denies a portion of the interest expense deduction from all debt sources allocated to the unborrowed cash values in the taxpayer's life insurance policies and annuity or endowment contracts. A formula is used to calculate the percentage of the total interest expense that is nondeductible and is based on the ratio of the average unborrowed policy cash values to the basis of all assets plus the same average unborrowed policy cash values. The unborrowed cash values are defined as the cash surrender values in excess of any outstanding policy loans. The law exempts policies and contracts covering 20 percent owners (and spouses of 20 percent owners in second-to-die contracts), officers, directors and employees. Policies held by natural persons are also excepted, unless a trade or business is directly or indirectly a beneficiary of the policy. This provision is effective generally for contracts issued after June 8, 1997, and taxable years ending after this date.

For the above reasons, interest on a loan to purchase life insurance would not be deductible.

MEC policies

A life insurance policy that is classified as a Modified Endowment Contract (MEC) has separate tax issues that need to be addressed. Subject to IRC Section 72, the assignment of a MEC policy is considered a distribution from the policy. The distribution is taxable as income at the time received to the extent that the cash value of the contract immediately before the distribution exceeds the investment in the contract, without regard to surrender charges.

The future taxation of the assignment will depend on the assignment against the policy. A fully assigned policy would have future income for tax purposes of any gains in the policy above the investment in the contract. A partially assigned policy would have future income for tax purposes to the extent that an increase in the assignment is considered gain. This reportable income would increase the investment in the contract.

This tax liability exists whether or not an IRS form 1099 is generated for the reportable income.

Remember that premium financing plans have complex legal and tax issues. ING life insurance companies do not provide legal or tax advice to agents or clients. They must consult their own legal and tax professionals for such advice. This summary is not intended as a legal or tax opinion.

Section 8:
Frequently Asked Questions

1. **Who can help me with this concept?**
   Your first contact for help is your primary contact for ING life insurance company business (General Agent, Managing Director, Sales Vice President, etc.). Additional support services are available from ING Life Sales Support by calling 866.ING.SELL (866.464.7355) and selecting Option 4 for Advanced Case Design.

2. **Is there any age restriction?**
   Age restrictions are based upon the issue ages of the life insurance policy.

3. **What products are available for this concept?**
   The product may also depend on the lender. The collateral valuation varies for different types of policies. However, for the ING life companies, only general account products are used with the premium financing concept. Suitability should also be a factor in determining which product is used.

4. **Is there a minimum premium or loan amount?**
   Yes, the lender will determine what minimum loans they will issue. Verify with the lender what these minimums are and how they're determined. With some lenders, the anticipated loan is the sum of the premiums in the first five years.

5. **Is there a maximum premium or loan amount?**
   No, only to the extent that insurability can be justified and lending capacity is available.

6. **Does the borrower have to qualify for the loan each year?**
   This depends on the lender. Some lenders require annual qualification. Some lenders pre-qualify the loan based on a period of years of premium outlay.

7. **What fees are associated with the loan?**
   Each lender has its own fee structure. Outside of the interest, another common fee is a loan-origination fee (arrangement fee).

8. **Can loan interest be added to the loan amount?**
   This will depend on the lender. In some scenarios, the accumulation of interest may not make the sale viable.

9. **What ongoing responsibilities does the borrower have?**
   The borrower is responsible for maintaining the proper collateral requirements and making any loan interest payments due in cash.

10. **What is acceptable collateral?**
    Generally, cash, letters of credit, other cash value life contracts, fixed assets such as real estate, and marketable securities are acceptable forms of collateral. Each lender has unique collateral requirements.

11. **How much additional collateral will the borrower have to pledge?**
    That depends on the type of loan arrangement that is selected. The amount of additional collateral will vary by lender and currency loaned. Generally, the lender will base the valuation of pledged assets on Regulation U. Most lenders will apply a 90 to 100 percent valuation on the life insurance cash surrender value. Check with your lender to verify the valuation percentage.

12. **Who will monitor the collateral requirements?**
    The lender will monitor the collateral.

13. **Can life and financial underwriting be done concurrently?**
    Simultaneous submission may take place. Generally, the lender will require that the insurability of the potential insured be established prior to application for the loan.

14. **Can the bank and insurance company share financial information for underwriting purposes?**
    No, these are two separate transactions and two separate entities and will require separate applications for each transaction.

15. **How are interest rates determined?**
    Lenders usually set interest rates at a margin above LIBOR. The size of that margin depends upon a number of factors including the loan's size and term and the perceived risks of lending to a particular client.

16. What is LIBOR?

LIBOR stands for the London Interbank Offered Rate and is the rate of interest at which banks borrow funds from other banks, in marketable size, on the London Interbank Market. It is the most widely used benchmark or reference rate for short-term interest rates. The British Bankers' Association determines this rate, so LIBOR is often called BBA LIBOR. The BBA compiles LIBOR as a free service and releases it to the market at about 11:00 a.m. Greenwich Mean Time each day.

17. Where is the BBA LIBOR standard used?

BBA LIBOR is the primary benchmark for short-term interest rates globally. It is used as the basis for settlement of interest rate contracts on many of the world's major futures and options exchanges (including the London International Financial Futures and Options Exchange, Deutsche Term Börse, Chicago Mercantile Exchange, Chicago Board of Trade, Singapore Monetary Exchange and Tokyo International Financial Futures Exchange) as well as most Over the Counter (OTC) and lending transactions.

18. How is BBA LIBOR produced and published?

The BBA, advised by senior market practitioners, maintains a reference panel of at least eight contributor banks. The aim is to produce a reference panel of banks which reflects the balance of the market — by country and by type of institution. Individual banks are selected within this guiding principle on the basis of reputation, scale of market activity and perceived expertise in the currency concerned.

The BBA surveys the panel's market activity and publishes their market quotes online. The top quartile and bottom quartile market quotes are disregarded and the middle two quartiles are averaged: the resulting spot fixing is the BBA LIBOR rate. The quotes from all panel banks are published online to ensure transparency.

BBA LIBOR is compiled each working day by an electronic vendor (currently Bridge Telerate) and broadcast through international distribution networks including Reuters, Knight-Ridder, and Bloomberg.

BBA LIBOR fixings are provided in seven international currencies:

- British Pound Sterling
- US Dollar
- Japanese Yen
- Swiss Franc
- Canadian Dollar
- Australian Dollar
- Euro

LIBOR rates are fixed for each currency at maturities up to 12 months.

19. Why is the BBA LIBOR standard important?

BBA LIBOR is important because:

- It is long established
- It offers the largest range of international rates
- It is a truly international reference rate
- It has a wide commercial use
- It enjoys wide international dissemination
- Its mechanism is transparent
- Of the credibility of providing a robust settlement rate
- Of the credit quality of panel banks
- The panel's banks are active in the cash markets.

BBA LIBOR's London base is significant: well over 20 percent of all international bank lending and more than 30 percent of all foreign exchange transactions take place through the offices of banks in London and it represents a unique snapshot of competitive funding costs. London has representation from more than 500 banks, and many other major financial institutions actively trade in the euromarkets which are based primarily in London. In addition, no reserve requirements are applied in London.

Source: British Bankers' Association Web site, www.bba.org.uk, Mar. 14, 2002.

20. What currencies are available for lending?

Different lenders will have different availability of currencies. The two currencies that are currently seeing the greatest usage are the US Dollar and the Japanese Yen.

21. Are there any marketing materials that support this concept?

Yes. Both producer and client marketing pieces are available. You can find these items on ING for Professionals at www.inglifeinsurance.com or on the ING Premium Finance Resource Center at http://www.ing-usa.com/us/marketing/153103/index.html.

Section 9: Conclusion

Important Issues in Premium Financing

There are several important issues that your clients should consider before finalizing a premium financing arrangement. A comprehensive examination of all relevant issues is beyond the scope of this brochure.

Interest Rates and Loan Structure

The interest rate charges on premium financing loans vary by lender. Generally, larger loans have lower rates and smaller loans have higher ones. Additionally, lenders may charge a loan origination fee or other fees that will increase the total cost of borrowing. Each lender will also have their own interest rates. Your clients need to be aware that changing interest rates may increase collateral needs or lower the net death benefit to the policy's beneficiaries. Be sure to discuss this important issue with your clients.

Financing Options

Premium financing consists of two separate financial instruments: a life insurance policy from an ING life insurance company and a loan. Each lender will have its own rules, procedures and requirements. In addition, each loan usually has a specific loan term and your client's loan may need to be renewed periodically. Many lenders will require your clients to qualify for loan renewal.

Collateral

Collateral is critical in premium financing, and each lender's collateral requirements will be different. Generally two considerations determine whether your clients will have sufficient collateral:

1. The total amount of collateral required, which varies by lender.
2. The valuation of collateral; lenders may not value every asset at its face value or even its fair-market value.

Life Insurance Products

You may use any general account life insurance product from an ING life insurance company in a premium financing strategy, including single-life and second-to-die policies.

Legal and Tax Considerations

Premium financing has tax implications in a number of areas including estate, gift and income taxes. Clients should always be advised to rely on their legal and tax advisors to help them navigate through the various tax issues. ING representatives do not give legal or tax advice.

Your clients work hard for financial success and it's important to protect what they have earned. Premium financing may offer a way to safeguard a financial legacy without a dramatic change to your client's current financial situation.

ReliaStar Life Insurance Company
20 Washington Avenue South
Minneapolis, MN 55401

ReliaStar Life Insurance Company of New York
1000 Woodbury Road, Suite 208
Woodbury, NY 11797

Security Life of Denver Insurance Company
1290 Broadway
Denver, CO 80203

Log in to ING for Professionals at www.inglifeinsurance.com

Neither ING nor its affiliated companies or its representatives give tax or legal advice. The strategies suggested may not be suitable for everyone, and each individual should consult with his or her own tax advisor and legal counsel before implementing any of the strategies discussed here.

Life insurance products are issued by ReliaStar Life Insurance Company (Minneapolis, MN), ReliaStar Life Insurance Company of New York (Woodbury, NY), and Security Life of Denver Insurance Company (Denver, CO). Within the state of New York, only ReliaStar Life Insurance Company of New York is admitted and its products issued. All are members of the ING family of companies.

All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

ING