Premium Finance (End-to-End Flow)

Sky Gem Solutions - Vision

Sky Gem Solutions aims to be the **go-to strategic backend partner**—delivering scalable, compliant, and education-driven premium financing and tax mitigation solutions for agents and their clients.

1 Client Profile & Objectives

High-income / high-net-worth client seeking:

- Long-term, tax-advantaged growth
- Efficient liquidity + legacy planning
- Typical bank profile:
- Net worth ≥ $5M

2 Underwriting – Insurance & Bank

Insurance Underwriting

- IUL application + basic medical exam +APS + prescription history + Summary of prior doctor visits

Bank / Premium Finance Underwriting

- 2 years tax returns + Personal Financial Statement (PFS)
  Bank verifies: net worth, cash flow, and ability to service interest

3 Loan Approval & Policy Design

Premium Financing

- Bank approves a credit facility to fund premiums for 10 years
- Client typically pays interest (years 1–7)
- Interest often accrued after year 8 (based on age/model strength)

Design Difference — Where We Add Value

Traditional IUL:

- Large upfront commissions → very low early cash value

Our Structure:

- We disintermediate broker commissions
- Commissions spread over years
- Enables Enhanced Cash Value design for strong early liquidity

4 Enhanced Cash Value Rider — Why It Matters

Concept:

- Carrier spreads commissions costs over years instead of loading them in year 1

Result:

- Much higher year-1 cash value
- More premium shows up immediately as policy equity
- Policy becomes front-loaded with liquidity, not drag

Benefit in Premium Financing:

- Higher early cash value = lower collateral constraint
- Standard IUL: Year-1 cash value = 10–20% of premium
- Enhanced IUL: Cash value can be 80–95%+, reducing collateral dramatically

5 Funding the Policy — Premiums & Collateral

- Bank funds premiums for 10 years
- Cash value credited based on index strategy

Collateral Formula:

- Loan Balance – Policy Cash Value = Extra Collateral

Client posts only the difference (if any):

- Securities, cash, CDs, etc.

Because of Enhanced Cash Value, the gap is much smaller → less collateral required.

6 Ongoing Years— Growth & Management

- **Servicing Owner:** Accountable for the ongoing health of the policy and all servicing actions, including premium, loan renewal cycles and monitoring collateral and credit lines.
- **Client Responsibilities:** Pay or accrue interest depending on design, assign collateral as required
- **Advisor/Partner:** Relationship owner. Receives escalation visibility and participates in sensitive or time-critical decisions.
- **Operations/Admin:** Ensures data completeness, tracking integrity, and enforcement of servicing standards.
- **Proactive Time-Based Servicing**
- All in-force PF policies are governed by time-based servicing cycles designed to prevent lapses or last-minute issues

7 Long-Term Outcome & Tax-Free Supplemental Retirement Income

Primary Goals After the Loan Is Repaid

- Create a tax-free annual supplemental retirement income stream for life (policy loans)
- Preserve and grow the death benefit to pass on generational wealth

Tax-Free Lifetime Supplemental Retirement Income

- Once the bank loan is fully paid off, the client can begin structured tax-free yearly distributions
- Distributions are taken through policy loans under current tax law
  Designed to provide steady, predictable supplemental retirement income

Benefit in Premium Financing:

- The remaining death benefit passes income-tax-free to heirs or trust
- At death, policy proceeds automatically pay off any outstanding loans, and the net death benefit is transferred to beneficiaries
- Creates a multi-generation legacy funded by leverage, not after-tax dollars

Premium Finance (End-to-End Flow)

Indexed Universal Life – Premium Finance (Year 1-17)

$20M Illustrative Example – Male, Age 50, Preferred Non-Tobacco

Year	Client Age	Premium	Account Value	Cash Surrender Value	Death Benefit	Loan Repayment (Policy Loan)	Client Pays	Loan Interest Rate	Tax-Free Income (Policy Loans)	Cumulative Income	Beginning Loan Balance	Ending Loan Balance	CSV Net of Bank Loan (Collateral)	DB Net of Bank Loan
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	50	$1,452,475	$1,276,965	$1,134,715	$21,276,965		($101,673)	7.00%	-	-	$1,452,475	$1,45[illegible]	($317,760)	$19,824,490
2	51	$1,452,475	$2,642,384	$2,513,584	$22,642,384	-	($203,347)	7.00%	-	-	$2,904,950	$2,904,950	($391,366)	$19,737,434
3	52	$1,452,475	$4,093,369	$3,978,219	$24,093,369	-	($294,126)	6.75%	-	-	$4,357,425	$4,357,425	($379,206)	$19,735,944
4	53	$1,452,475	$5,636,466	$5,535,066	$25,636,466	-	($377,644)	6.50%	-	-	$5,809,900	$5,809,900	($274,834)	$19,826,566
5	54	$1,452,475	$7,278,200	$7,190,700	$27,278,200	-	($453,898)	6.25%	-	-	$7,262,375	$7,262,375	($71,675)	$20,015,825
6	55	$1,452,475	$9,017,688	$8,944,288	$29,017,688	-	($544,678)	6.25%	-	-	$8,714,850	$8,714,850	$229,438	$20,302,838
7	56	$1,452,475	$10,867,439	$10,808,339	$30,867,439	-	($610,040)	6.00%	-	-	$10,167,325	$10,167,325	$641,014	$20,700,114
8	57	$1,452,475	$12,833,789	$12,789,139	$32,833,789	-	-	5.75%	-	-	$11,619,800	$12,287,939	$501,200	$20,545,850
9	58	$1,452,475	$14,923,112	$14,893,112	$34,923,112	-	-	5.50%	-	-	$13,740,414	$14,496,136	$396,976	$20,426,976
10	59	$1,452,475	$17,142,426	$17,127,326	$37,142,426	-	-	5.25%	-	-	$15,948,611	$16,785,913	$341,413	$20,356,513
11	60	-	$18,172,509	$18,172,509	$37,142,426	-	-	5.25%	-	-	$16,785,913	$17,667,174	$505,335	$19,475,252
12	61	-	$19,272,503	$19,272,503	$37,142,426	-	-	5.00%	-	-	$17,667,174	$18,550,532	$721,971	$18,591,894
13	62	-	$20,448,489	$20,448,489	$37,142,426	-	-	5.00%	-	-	$18,550,532	$19,478,059	$970,430	$17,664,367
14	63	-	$21,707,239	$21,707,239	$37,142,426	-	-	5.00%	-	-	$19,478,059	$20,451,962	$1,255,277	$16,690,464
15	64	-	$23,056,181	$23,056,181	$37,142,426	-	-	5.00%	-	-	$20,451,962	$21,474,560	$1,581,621	$15,667,866
16	65	-	$24,646,41[illegible]	$24,646,417	$37,142,426	-	-	5.00%	-	-	$21,474,560	$22,548,288	$2,098,129	$14,594,138
17	66	-	$26,436,86[illegible]	$2,479,310	$13,184,870	$22,548,288	-	-%	-	-	$22,548,288	-	-	-

1. Premiums are borrowed each year from the bank to fund the policy and is added to the loan balance.
2. Projected annual loan interest payments based on the assumed borrowing rates, with the ability to accrue interest after a few years.
3. Additional collateral will be required to fully secure the loan. Cash accounts or brokerage accounts are preferred sources of outside collateral.
4. A policy loan is later used to repay the bank loan, which will reduce the net cash surrender value and death benefit.
5. Bank loan repayment must occur before policy supplemental retirement income can begin.

Please note: Policy values, death benefit values, policy loan availability, loan repayment and collateral projections assume a constant 6.50% annual crediting rate to the policy

Indexed Universal Life – Premium Finance (Year 17-41)

Year	Client Age	Premium	Account Value	Cash Surrender Value	Death Benefit	Loan Repayment (Policy Loan)	Client Pays	Loan Interest Rate	Tax-Free Income (Policy Loans)	Cumulative Income
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
17	66	-	$26,436,866	$2,479,310	$13,184,870	$22,548,288	-	-%	-	-
18	67	-	$28,368,485	$2,913,582	$11,687,523	-	-	-%	-	-
19	68	-	$30,454,931	$3,409,096	$10,096,591	-	-	-%	-	-
20	69	-	$32,711,640	$3,975,440	$9,209,303	-	-	-%	-	-
21	70	-	$35,143,845	$3,603,117	$8,874,694	-	-	-%	$949,192	$949,192
22	71	-	$37,760,248	$3,239,708	$8,148,540	-	-	-%	$949,192	$1,898,384
23	72	-	$40,576,041	$2,889,450	$7,352,815	-	-	-%	$949,192	$2,847,576
24	73	-	$43,608,305	$2,557,785	$6,482,533	-	-	-%	$949,192	$3,796,768
25	74	-	$46,876,526	$2,251,832	$5,533,189	-	-	-%	$949,192	$4,745,960
26	75	-	$50,403,020	$1,980,766	$4,500,917	-	-	-%	$949,192	$5,695,152
27	76	-	$54,191,207	$1,734,045	$4,443,606	-	-	-%	$949,192	$6,644,344
28	77	-	$58,259,552	$1,515,301	$4,428,279	-	-	-%	$949,192	$7,593,536
29	78	-	$62,627,719	$1,328,436	$4,459,822	-	-	-%	$949,192	$8,542,728
30	79	-	$67,316,654	$1,177,650	$4,543,482	-	-	-%	$949,192	$9,491,920
31	80	-	$72,348,613	$1,067,404	$4,684,835	-	-	-%	$949,192	$10,441,112
32	81	-	$77,746,710	$1,001,908	$4,889,244	-	-	-%	$949,192	$11,390,304
33	82	-	$83,535,895	$986,027	$5,162,822	-	-	-%	$949,192	$12,339,496
34	83	-	$89,742,663	$1,024,911	$5,512,044	-	-	-%	$949,192	$13,288,688
35	84	-	$96,395,093	$1,123,965	$5,943,720	-	-	-%	$949,192	$14,237,880
36	85	-	$103,520,449	$1,286,359	$6,462,382	-	-	-%	$949,192	$15,187,072
37	86	-	$111,152,188	$1,519,951	$7,077,561	-	-	-%	$949,192	$16,136,264
38	87	-	$119,323,161	$1,830,393	$7,796,551	-	-	-%	$949,192	$17,085,456
39	88	-	$128,067,142	$2,222,559	$8,625,916	-	-	-%	$949,192	$18,034,648
40	89	-	$137,419,945	$2,701,559	$9,572,556	-	-	-%	$949,192	$18,983,840
41	90	-	$147,421,711	$3,274,908	$10,645,994	-	-	-%	$949,192	$19,933,032

1. **Account Value**
   - Unaffected by policy loans – the account will continue to earn interest on this amount
   - This is not the amount available to withdraw
2. **Cash Surrender Value**
   - Gradually reduces based on the growing loan balance
   - Loan balance must repaid if policy is surrendered
3. **Insurance Benefit**
   - Gradually reduces based on the growing loan balance
   - Loan balance must be repaid before proceeds go to the beneficiary(ies)
4. **Tax-free Supplemental Retirement Income**
   - Designed as policy loans to allow tax-free status
   - Maximum policy loans allowed each year to keep policy in-force
   - Loan interest* is accrued and added to the loan balance each year
5. In Year 33, the policy reaches a turning point where the cash value begins to grow again because the indexed growth outpaces the loan interest (0.25% positive spread between crediting rate and loan interest rate)

*Assuming a constant 6.25% loan interest rate. Actual interest rates can vary each year.