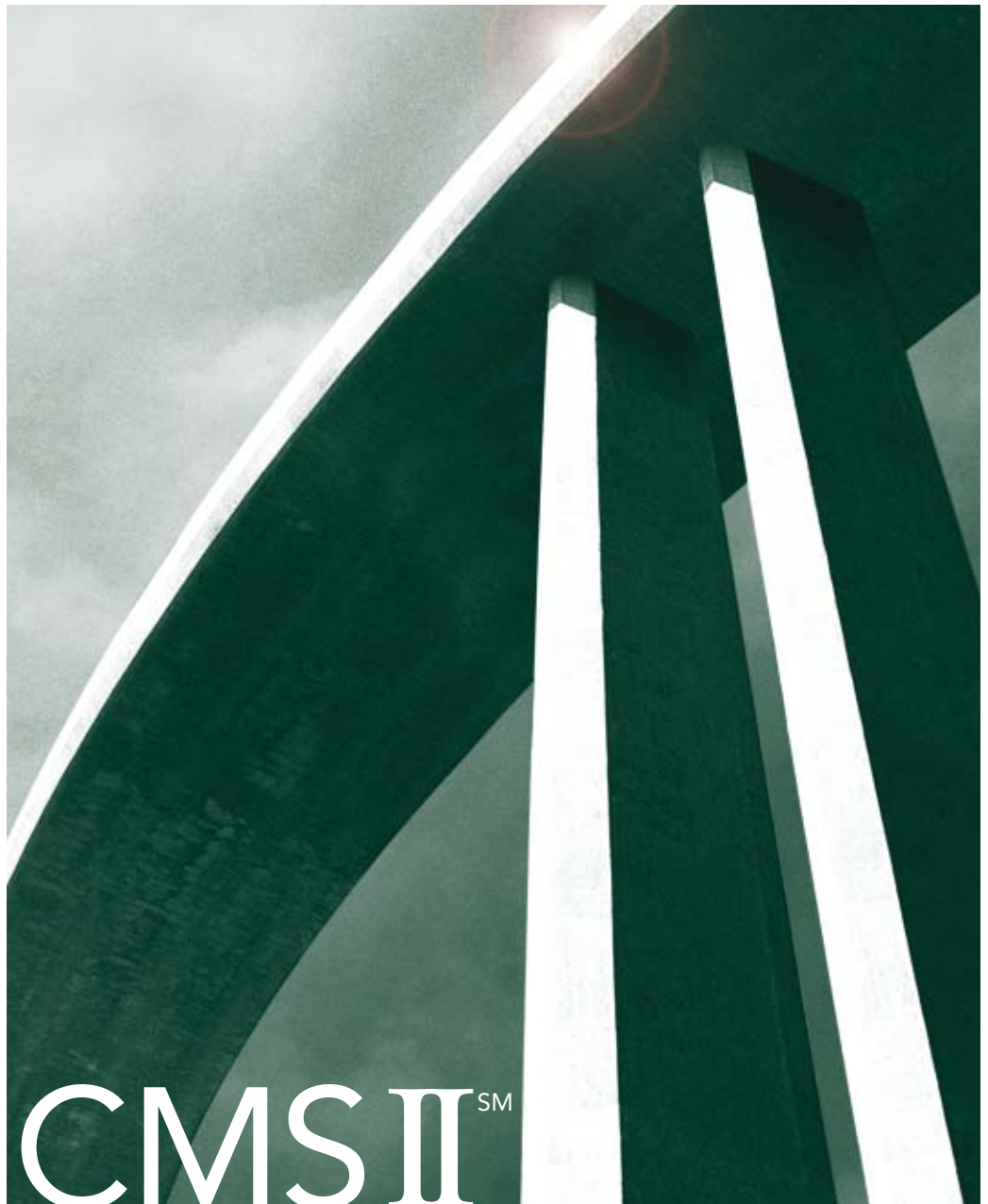


CAPITAL MAXIMIZATION  
STRATEGY II<sup>SM</sup>

PROGRAM  
HIGHLIGHTS &  
FACT FINDER



CMS II<sup>SM</sup>



THE NEXT GENERATION

 **TRANSAMERICA**  
INSURANCE & INVESTMENT GROUP

Transamerica Occidental Life Insurance Company  
Transamerica Financial Life Insurance Company

# CMS II<sup>SM</sup> PROGRAM HIGHLIGHTS

## CAPITAL MAXIMIZATION STRATEGY II<sup>SM</sup> (CMS II<sup>SM</sup>)—THE NEXT GENERATION OF PREMIUM FINANCING

Premium financing provides an excellent means for the affluent individuals to leverage their assets to purchase life insurance without having to pay the premiums out of pocket. Over the years the premium financing market has evolved, and today an attractive program called CMS II<sup>SM</sup>—which offers a lower collateral requirement than the original CMS<sup>SM</sup> premium financing program—is being made available through Transamerica Occidental Life Insurance Company, and through Transamerica Financial Life Insurance Company.



### WHAT IS CMS II<sup>SM</sup>?

CMS II provides an alternative financing arrangement that is acceptable within industry standards, and satisfies all of the requirements of the changing premium financing marketplace. CMS II allows for reduced collateral on both single life and survivorship products, while building in competitive premium structuring scenarios. For single life policies, CMS II will accept cash surrender value (CSV) as full collateral if the CSV is equal to 75% of the loan balance. If the CSV does not meet the 75% requirement, then a 25% collateral requirement must be satisfied. If a survivorship policy is to be financed, there is a 50% collateral requirement. The 50% collateral requirement may be made up of either CSV, outside collateral, or a combination of the two.

While the original CMS program remains a viable option, CMS II provides greater flexibility and control over the policy to the borrower.

## HERE'S HOW IT WORKS

An individual, trust, or corporate entity applies for a loan from A.I. Credit Corp. The borrower uses the loan proceeds to pay life insurance premiums on an insured who is part of the “older affluent” market. The goal for the policy owner and the insured is typically the same, whether it is for long-term estate liquidity, or perhaps to satisfy a more current objective, such as business succession planning.

Some of the requirements of the insured include:

- A minimum age of 62
  - When a survivorship policy is used, only one spouse must be at least 62 years old, while the other may be younger
- A minimum tangible net worth of \$10 million
- A need for a policy with a minimum first-year premium of \$200,000



A.I. Credit will issue the loan for the life of the insured, which means that upon approval the loan will not mature until the death of the insured, with the balance likely being repaid using the policy death benefit. A.I. Credit will continue to lend the annual premiums as long as the borrower remains financially healthy. To guard against a potential default on the loan, A.I. Credit will require a personal guarantee by the borrower prior to lending any money for payment of premium. Interest on the loan is due in advance each year, and the interest rate may fluctuate as it is based on the London Interbank Offered Rate (LIBOR) plus a fixed spread of 2.9%. Once the policy is in force and the premiums have been paid, the client retains full control over the policy and is free to decide down the road whether he or she wishes to keep the policy in force, or settle the policy by repaying the loan and keeping the difference between the settlement costs and the loan balance.

## WHO CAN BENEFIT FROM CMS II<sup>SM</sup>

Individuals who are members of the older affluent market make ideal candidates for premium financing strategies. Clients' control of the policy and flexibility over how the policy is owned may not be central elements to most premium financing programs, but are essential to the CMS II program. CMS II makes life easier for the client through reduced collateral requirements and competitive premium structuring which, when combined, offer one of the most attractive premium financing programs in the market.

# CMS II<sup>SM</sup> FLOWCHART



**STEP #1:** Borrower applies for loan from A.I. Credit Corp. Once approved, A.I. Credit will agree to lend premium dollars to borrower



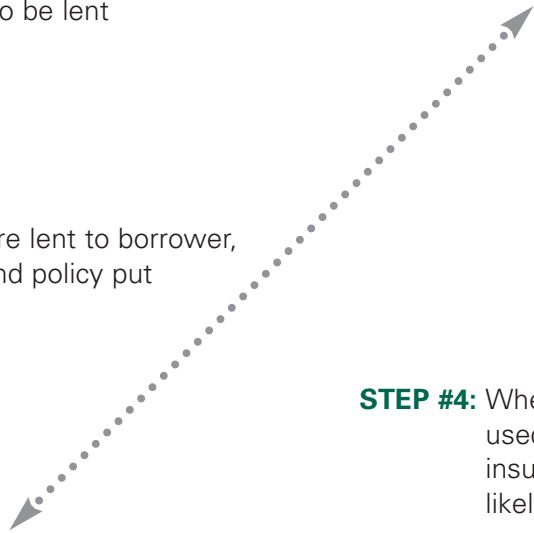
**STEP #2:** Borrower must pay interest on loan in advance in order for premium dollars to be lent



**STEP #3:** Once premium dollars are lent to borrower, premium may be paid and policy put in force



**STEP #4:** When a trust is used, grantor/insured will likely gift annual interest to trust



In utilizing the CMS II strategy, more of your assets can continue working for you than would be the case if you were to pay the premiums out of pocket. Thanks to the flexible collateral requirement, if you were not a candidate for premium financing in the past, you may be now. The ability to switch between the two CMS programs also provides the ability to increase collateral when available and decrease interest rates on the loan, and post less collateral in other years. For more information on this and other Advanced Marketing topics, please contact your Transamerica representative today.

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*If the policy utilized in this strategy is a Modified Endowment Contract (MEC) and the policy is used to collateralize the loan, the loan will be treated as a distribution taxable to the policy owner and the taxable amount may be subject to a 10% federal income tax penalty if the policy owner is not yet age 59½.*

*Transamerica Insurance & Investment Group and its representatives do not give tax or legal advice. This brochure simply reflects our understanding of the tax rules, property laws, and regulations in effect at the time of publication.*

*Life insurance policies are issued by Transamerica Occidental Life Insurance Company, Cedar Rapids, IA 52499, or Transamerica Financial Life Insurance Company, Purchase, NY 10577. Transamerica Financial Life Insurance Company is authorized to conduct business in the state of New York. Transamerica Occidental Life Insurance Company is authorized to conduct business in all other states. Policies may not be available in all jurisdictions.*



Transamerica Occidental Life Insurance Company  
Transamerica Financial Life Insurance Company

OLA 1634 1006 CMS II Program Highlights & Fact Finder



# CMS II<sup>SM</sup> FACT FINDER

Producer: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Agency Code: \_\_\_\_\_ E-mail: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Name(s) of insured(s):  
\_\_\_\_\_  
\_\_\_\_\_

Tax status (if applicable):

- C Corporation   
  S Corporation   
  LLC taxed as Corporation   
  Trust   
  Partnership  
 LLC taxed as Partnership *(Note: Single-member LLC is taxed as sole proprietor for federal income tax.)*

State of issue: \_\_\_\_\_ Available collateral amount: \_\_\_\_\_

Insured's Name	Sex (M/F)	Birth Date	Net Worth	Coverage Needed



Transamerica Occidental Life Insurance Company  
Transamerica Financial Life Insurance Company