

# Gateway Financial's Insurance Acquisition and Service Process

Predicated on our Commitment to Integrity, Objectivity, Competence, Fairness, Confidentiality, Professionalism & Diligence

Gateway Financial's process is comprised of seven steps predicated on our commitment to integrity, objectivity, competence, fairness, confidentiality, professionalism, and vigorous diligence:

- Information Gathering, Analysis, and Recommendations
- Underwriting
- Product Selection
- Carrier Selection
- Policy Delivery
- Periodic Reviews
- Ongoing Service/Administration

## Information Gathering, Analysis, and Recommendations

Information Gathering, Analysis, and Recommendations are components of a dynamic process that involves collaborating with the client's advisors to thoroughly assess the client's current situation and needs in order to develop appropriate recommendations based upon perspective, facts, and each client's specific objectives.

### Client Objectives

Gateway Financial devotes the time needed to help clients define their goals. We then quantify each client's financial needs and determine the strategies and/or financial products that present viable solutions.

### Advisor Consultation

With the proper consent, Gateway Financial often seeks out the client's advisors to share what they have learned from the client, solicit their observations, and collaborate on developing strategies that effectively assist in achieving the client's goals.

### Modeling Alternatives

There may be several realistic alternatives to achieve the client's goals. Gateway Financial compares the financial consequences of each strategy. In addition to financial considerations, we may point out other significant considerations in modeling the ultimate recommendation (i.e., tax, regulatory, etc.).

### Modeling Recommendations

Once a suitable recommendation has been crafted, Gateway Financial creates a presentation that is appropriate for the intended audience. In cases where there may be more than one suitable recommendation, the presentation should guide the client and help them choose the option that most appropriately suits their planning goals, objectives, and risk tolerance. We strive to make the presentations clear and concise.

## Underwriting

Underwriting offers may have a dramatic impact on the cost of insurance. Gateway Financial's process is streamlined and geared towards optimizing underwriting offers while minimizing medical and financial requirements.

### Preliminary Review of Medical Records

When a client first starts the medical underwriting process, they complete a Preliminary Insurance Questionnaire (PIQ) which allows Gateway Financial to collect the client's medical records and identify any medical disorders that may adversely impact carrier offers. We look for consistency and accuracy among all physicians' records compared to information received from the client. In some cases, discrepancies are found and Gateway Financial assists with the resolution. Should the insured(s) have a health condition or impairment, we consult with the client's physicians to get a sound understanding of the disorder/ailment in an effort to better position the case with the carrier underwriters and to get them to feel more comfortable with the risk (e.g., we provide additional

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information regarding the background and cause of any medical conditions, highlight any lifestyle credits, etc.). Through the preliminary review process, Gateway Financial identifies the carriers that are most appropriately suited for the client's profile based on current health, tobacco use, avocation, existing insurance in place, and financial data.

## Careful Market Consideration

When a client has multiple insurance agents "shopping" the market for underwriting offers from either the same insurer or from multiple insurers that share the same reinsurer, it may appear to the underwriters that the client is seeking an amount of coverage equal to two, three or as much as ten times the amount of coverage actually desired. As a result, underwriters become confused and skeptical, underwriting slows down to a "snail's pace", underwriting offers deteriorate and in extreme cases, carriers and reinsurers decline to offer coverage entirely. This is referred to as "reinsurance gridlock".

"Reinsurance gridlock" may also occur when only one agent is shopping for significant insurance capacity insuring one life, since many insurance carriers share the same reinsurers. Gateway Financial's strategic process for obtaining insurance capacity avoids "reinsurance gridlock"; in turn, the underwriting process can run more smoothly to help underwriting offers become optimized and the insurance portfolio's rate of return is potentially maximized.

## Control of Carrier Underwriting Requirements

Gateway develops guidelines for insurance carrier candidates to avoid requests for unnecessary underwriting requirements that are ancillary, yet annoying. For example, Gateway may notify carriers that to be a candidate, they must waive their right to conduct a personal interview with the insured(s) or waive their right to collect supplemental financial forms.

## Informal Submission

In most circumstances, the client's medical records and insurance exam results are submitted to various carriers on an informal basis via a centralized, confidential and secure on-line underwriting requirement depository. This portal allows invited insurance carriers to view the preliminary medical information provided, assess it; then submit a preliminary underwriting offer for our consideration. This informal submission process facilitates direct discussions between Gateway and the senior underwriters from multiple insurance carriers, allowing Gateway to negotiate optimum underwriting offers and pricing. In addition, it avoids the potential for any adverse reports about the client's underwriting results being submitted unnecessarily to the Medical Information Bureau ("MIB").

## Underwriting Advocacy

Gateway Financial has access to M Financial's dedicated underwriting advocacy team, which has decades of experience working with insurance advisory firms and carriers to overcome challenges in the risk assessment process. The team's expertise in a variety of key areas—including exam results, case presentation, carrier negotiations, and capacity management—enhances Gateway Financial's ability to simplify the underwriting experience for clients, facilitate competitive underwriting offers, and deliver effective underwriting support and service.

## Tentative Offers

Gateway Financial provides clients with a clear understanding of the medical and lifestyle assessment and the related product pricing, including any rating and/or surcharges. At this point, we often provide the client with tentative, non-binding offers which help set expectations for final pricing. These offers are dependent on the submission of formal underwriting requirements.

*Gateway Financial's informal underwriting process avoids an unintended permanent record on the MIB and facilitates negotiations to help optimize favorable insurance pricing on behalf of clients.*

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## Medical Underwriting

Gateway Financial's professional staff coordinates the scheduling of medical requirements based on age and the death benefit amount requested. A paramedical exam, lab work, and, in some cases, an EKG is required. The client is provided a pre-exam checklist to help achieve the accurate test results.

## Formal Application Process

After the carrier and products have been chosen by the client, Gateway Financial's professional staff coordinates completion and submission of all related paperwork to the insurance carrier. We serve as the client's advocate, fielding questions and assisting with obtaining outstanding requirements.

## Obtain Exam/Lab Results

Some carriers automatically send results to the client. If requested, Gateway Financial will provide the client with the required authorization to obtain copies of insurance exams and/or lab results. This enables the client to share and review medical results with their personal physician.

## Confidentiality and File Maintenance

We believe that data security (e.g., keeping clients' data, strategic plans, health records and financial information secure) is of the utmost importance. To that end, Gateway Financial has invested significant time and resources to develop work processes, update facilities and implement technology in an effort to comply with The Health Insurance Portability and Accountability Act (HIPAA). Below are a just few examples of our security measures.

- All emails (data in transit) are sent with Transaction Layer Security (TLS) encryption.
- All servers, workstations, laptops, smart phones and tablets are encrypted and password-protected pursuant to strict HIPAA standards.
- Staff access to Gateway's client database, medical records and client work-papers is on a "need to know" basis.
- Hard-copy client folders are securely locked in file cabinets when not in use.

## Product Selection

Product Selection is a subset of Case Design, in which Gateway Financial evaluates various product alternatives to determine the most competitive products and planning strategies that meet the client's needs.

### Client Profile

Once Gateway Financial confirms the client's objectives, the product design and selection process can begin. This involves reviewing client data such as age, tobacco use, known health issues, heredity, avocations, and travel, as all can have a direct impact on the final recommendation. We review existing coverage and previous underwriting offers, if available. This helps us to compile a complete client profile.

### Risk Tolerance

A client's tolerance for risk is an important consideration. Factors considered include market risk, interest rate risk, carrier financial strength, etc. For example, some clients may prefer guarantees (and consequently, lower growth) rather than products with more risk but lower guarantees.

### Complexity Tolerance

Considering the client's tolerance for complexity, Gateway Financial may recommend designs such as Family Limited Partnerships (FLPs), Intentionally Defective Grantor Irrevocable Trusts (IDGITs), Charitable Lead Trusts (CLTs), Charitable Remainder Trusts (CRTs), or other sophisticated designs.

*The broad range of products, available exclusively through M Financial Member Firms often gives Gateway Financial clients a meaningful advantage.*

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## Product Analysis and Summary of Recommendations

Once the appropriate course of action is determined, Gateway Financial completes our analysis of suitable products. An executive summary, with the overarching planning and economic implications, may be included in the recommendation presented to the client and their advisors.

## Product Differentiation

With access to proprietary products, designed and priced using M Financial's superior experience (mortality, persistency, and expense experience), Gateway Financial can create solutions others cannot. This broad range of products, available exclusively through M Financial Member Firms, often gives Gateway Financial clients a meaningful advantage.

## Carrier Selection

Carrier Selection involves identifying the appropriate company(ies) for placement of the desired financial solution. This is typically a concerted effort between the client, the client's advisors and Gateway Financial's Case Design and Underwriting teams.

## Due Care Analysis

Gateway Financial reviews all proposed insurance companies for relative financial strength, utilizing various resources, carrier documentation, industry publications, proprietary data and analysis, and other third-party reports.

## Distribution System

Gateway Financial is independent, without commitment to any one carrier, and has the freedom to choose the approved carrier and product that effectively fits client needs. Instead of being limited to one carrier and a small portfolio of products, Gateway Financial clients benefit from a line-up of leading brands in the industry and dozens of product types. This supports our ability to create, implement, and administer customized solutions.

## Proprietary Products and Dedicated Teams

Through our affiliation with M Financial, Gateway Financial has access to a variety of proprietary products designed for our corporate and high-net-worth clients. These products are developed specifically with favorable expenses and mortality charges that reflect the experience of M Financial's Member Firm client base. M Member Firms have dedicated marketing, underwriting, and service teams at all of M Financial's Partner Carriers. This provides a streamlined process for designing, issuing, and administering client policies.

## Product Niche

Over time, carriers may be more or less competitive in their product lines and risk assessments. For example, some carriers specialize in whole life insurance or universal life insurance while others may specialize in term insurance. Specialization in a particular product line may affect a carrier's competitiveness in pricing and their commitment to policyholders.

## Access to Senior Management

M Financial and Gateway Financial have developed open communication with senior level contacts at multiple carriers. Together, Gateway Financial and M Financial can speak directly with senior level underwriters during the risk assessment process, enhancing our ability to effectively negotiate underwriting decisions.

*When better-than-expected experience emerges, it is critical that pricing improvements for new products are also applied to existing policyholders.*

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## Retention and Reinsurance

The coverage amount that a carrier can issue is influenced by retention limits and the reinsurance markets. This is a dynamic component that must be factored into larger life insurance acquisitions. Gateway Financial (with the support of M Financial Re, M Financial's wholly-owned reinsurance operation) has the expertise and dedicated resources that enable us to stay abreast of current market conditions.

## Equitable Treatment of In-force Policyholders

Because M Financial invests its own capital in the coverage placed by its Member Firms, Gateway Financial's clients benefit from unique insight into the products they own. When better-than-expected experience emerges, it is critical that pricing improvements for new products are also applied to existing policyholders. M Financial seeks to establish relationships with carriers who believe in this philosophy.

## Policy Delivery

Policy Delivery includes plan implementation, policy documentation and the updating of Gateway Financial's database by staff members to assure proper tracking of clients' contact and policy information. Most importantly, this step includes the calendaring and assignment of all future pro-active service events to internal staff members. This is often a joint effort between Gateway Financial's Underwriting and Client Service teams.

## Confirmation of Policy Accuracy

Policies are reviewed to ensure that they are issued with correct names, ages, underwriting classes, product, ownership and beneficiary designations, and premium amounts.

## Client Contact, Plan, Policy and Service Event Tracking

Utilizing an exhaustive five-page checklist and a secure cloud-based Client Record Management system, Gateway Financial tracks each client's contact information, as well as the contact information for the client's key relationships (family members, tax, financial, and legal advisors, etc.). We also track plan and policy details, and calendar and assign all future service events to internal staff members using this system. These may include reminders to fund trusts for premium payments and premium billings, to perform periodic Policy Benchmark Reports, Reportable Income Reports, IRC Section 101(j) filings, etc. Gateway Financial works with the client and their advisors to clarify reporting and notification needs. We also work with the actuarial team at M Financial to monitor policy performance and assess if policies are on track to meet plan objectives.

## Policy Documentation Package

Gateway Financial prepares and presents a bound Policy Documentation Package to each client and the client's advisors (where appropriate). This package includes:

- An overview of the purpose of the coverage.
- An explanation of how the insurance product works.
- "As issued" policy projections at various assumed cash value rates/dividend scales and an explanatory summary of those projections.
- A one-page policy summary that lists the policy number, insurance carrier, insured, billing address, policy death benefit, premium, premium mode, policy owner, beneficiary, premium payor, policy date, etc.
- The policy itself.
- Copies of agreements pertaining to the policy (e.g., trust agreement, split dollar agreement, premium financing materials, etc.).
- Carrier Financial Ratings Report and listing of investable assets.

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## Plan Administrative Manual

When appropriate, Gateway Financial prepares a Plan Administrative Manual, which contains all the pertinent materials related to a plan. In these cases, we also coordinate a meeting with the client and other appropriate parties to deliver the manual, during which we review the purpose of coverage, details of the transaction, and a chronology of future service events. The manual is typically presented in a hard copy binder, as well as in electronic file format.

## Periodic Reviews

Comprehensive periodic reviews of in-force insurance policies are conducted at client-selected intervals.

### Plan Updates

Gateway Financial provides a detailed consolidated listing of policies, contacting each insurance carrier to collect current policy data (death benefit, cumulative premiums, cash values, and outstanding policy loans). We also verify contact information, owner/beneficiary designations, and policy assignments for clients.

### Carrier Due Diligence

Consistent with M Financial's commitment to due care, Gateway Financial utilizes resources to confirm carrier ratings and financial information from the major ratings agencies. On a monthly basis, Gateway Financial monitors rating-company news releases to identify any concerning rating downgrades. We confirm our concerns with M Financial and when warranted, notify affected clients.

### Policy Benchmark Reports

Every one to three policy years (depending on the policy structure and client's preference), Gateway Financial prepares and presents a Policy Benchmark Report to the client and the client's advisors. These reports summarize the policy's ownership and product structure, track premium payments, identify changes in post-issue pricing elements, project policy performance going forward based on several alternative cash value rate/dividend scale assumption scenarios, report on any changes in the carrier's financial ratings, and provide financial models and projections of recommended changes. These reports are called "Benchmark Reports" because they benchmark current projected policy performance against the policy projection provided in the Policy Documentation Package when the policy was issued (i.e., the benchmark).

### Observations and Recommendations

Gateway Financial reviews clients' changing needs, which may warrant plan or policy modifications. This may include ownership/beneficiary changes, scheduled planned premium changes, underwriting class improvements, conversion opportunities, new product developments, and additional coverage needs. The findings and recommendations are typically summarized for review. In addition, we note/calendar any future actions as a result of the analysis.

## Ongoing Service/Administration

Gateway Financial monitors clients' plans and provides administrative services, either on a proactive or reactive basis, depending on the situation.

### Reporting

Gateway Financial provides a detailed consolidated listing of policies at requested periodic intervals. We contact each insurance carrier to collect current policy data including death benefit, cumulative premiums, cash values, and outstanding policy loans, and verify contact information, owner/beneficiary designations, and policy assignments. When applicable, we also report fiscal year end values, reportable income related to split-dollar arrangements, and information required under IRC Section 101(j).

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## Premium Administration

Gateway Financial facilitates premium administration, including the coordination of the timing of payments for gift tax purposes, beneficiary withdrawal rights, and cash flow planning. This involves working closely with the client's advisors to assure planned strategies are implemented.

## Policy Changes

Gateway Financial coordinates and processes changes to policies, including address changes, premium and mode changes, dividend option changes, policy loans/withdrawals, ownership/beneficiary changes, and policy assignments.

## Future Planning Considerations

Gateway Financial reviews client's changing needs, which may warrant plan or policy modifications. We track and communicate term conversion options and period expirations, and follow up on possible underwriting-class improvements affecting existing policies. M Financial's custom suite of products often experience pricing improvements, and Gateway Financial tracks and communicates those when applicable.

## Claims

Claims are the culmination of everything Gateway Financial does for its clients. We handle all aspects of claim processing once we are notified of a claim. This includes contacting the insurance carriers, obtaining the proper claim forms and requirements, pre-completing the claim paperwork, and expediting claim processing to assure claim checks are delivered to beneficiaries as quickly as possible. This is often a difficult process for the client or the client's family to undergo, but Gateway Financial endeavors to make it as easy as possible.

## Continuity of Client Service

A disaster or the unanticipated absence of key personnel will undoubtedly trigger service challenges; however, we believe those challenges will be mitigated due to the safeguards that we have in place to assure continued service. Just a few of those safeguards include:

- Cross-training of qualified professional staff members.
- All hard-copy and virtual files (including documentation of client conversations, and client and advisor meetings) are organized in a consistent, logical manner and securely housed in one central location for easy reference by newly-assigned authorized associates and staff members.
- Processes are meticulously documented in easy to read step-by-step checklists.
- Intronis cloud backup and recovery software continuously and securely backs up our servers on a virtual basis to remote geographic locations on both coasts. This allows Intronis to perform rapid data recovery using versioning functionality when local data has been corrupted, destroyed or has otherwise proven unrecoverable.
- Agreements are in place with Gateway Financial's virtual systems administrator, Enkompas Technologies Solutions, to provide temporary replacement offices with secure operative workstations, telephones, and restored systems within five business days of a disaster.