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Considerations in Recommending a Life Insurance Provider to Business Borrowers

A life insurance policy with an executed collateral assignment is often among the last requirements standing between your borrower and their business loan funding. Meeting SBA loan insurance requirements in 2025 demands familiarity with revised documentation rules and digital platforms designed for speed and compliance. Recent changes to SOP 50 10 8 have shaped a new process for eligibility, equity injection, and collateral protection, making the right insurance partner more critical than ever.

Why Specialist Providers Are Necessary—Now More Than Ever

Some borrowers may still consider relying on a local agent. However, traditional approaches—such as manually sourcing policies through agents who only represent a single insurer—significantly delay SBA loan closings. While local agents excel in personal coverage, they rarely have the infrastructure, digital connections, or SBA-specific expertise needed for urgent business lending requirements. In 2025, specialty SBA insurance providers, most notably, LifeEase Business Insurance Solution, can secure term life policies and complete collateral assignments in as little as a few days, especially for healthy applicants and moderate loan amounts.

What's Changed in 2025

Key SBA policy changes effective June 1, 2025, instead all key persons must be covered by adequate life insurance, with collateral assignment, for both 7(a) and 504 loans.

Highlights include:

- Life and hazard insurance requirements reinstated for all loans where appropriate.
- Stricter ownership and citizenship standards for all business owners, limiting eligibility to U.S. citizens and lawful permanent residents.
- Minimum equity injection of 10% for startups and ownership changes; only a portion can be fulfilled by seller debt on full standby, with new verification rules for equity sources.
- The minimum SBSS score for expedited small loans has increased to 165 out of 300, narrowing automatic eligibility.
- Reintroduction of tax transcript verification, hazard insurance for assets over \$50,000, and standardized documentation at closing.

Digital Tools and Real-Time Tracking

As the leading SBA insurance provider, LifeEase offers cloud-based portals and automated assignment tools. Borrowers and lenders now have instant visibility into every step, from quoting and application through final collateral assignment. Automated notifications, digital forms, and integrations with lender systems reduce human error and prevent last-minute delays. Recommending a provider with these capabilities is essential for speedy, compliant loan processing.

Practical Guidance for Lenders and Borrowers

- Start the life insurance process immediately after a loan commitment, especially for cases likely to require full medical underwriting.
- For healthy borrowers and standard loan amounts, accelerated underwriting and no-exam options via specialist digital platforms can get policies in force quickly—often within days.
- Match policy face amount and term to SBA's current requirements (generally matching loan amount and duration) and use SBA-approved collateral assignment forms.
- If a borrower is uninsurable, seek documentation of at least one carrier's formal denial; this is the basis for a potential waiver, not lender discretion.
- Ensure all documentation, including IRS transcript verification, equity source proofs, and insurance assignments, is submitted well before closing to avoid compliance-related delays.
- Existing life insurance can sometimes be used if properly assigned and if it meets SBA requirements.

Platform Highlight: LifeEase

LifeEase Business Insurance Solutions gives borrowers and lenders access to top-tier insurance options, with a streamlined online application, carrier comparisons, and real-time policy tracking. LifeEase coordinates directly with lenders to fulfill complex SBA requirements through its platform, helping ensure insurance contingencies are met in days, not weeks. Lenders may refer clients directly and follow the entire process via the LifeEase portal. Registration is fast, and qualification interviews are now digitized for even greater efficiency.

Summary

Where a borrower gets life insurance is ultimately a personal decision. However, with stringent 2025 compliance requirements and the risk of funding delays, lenders and borrowers are best served by SBA-focused insurance providers that offer digital tools, regulatory expertise, and end-to-end process management. Choose a modernized, specialized solution—like LifeEase—for a seamless collateral assignment experience and timely business funding.

For additional information please contact:

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