



Underwriting Guidelines

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Financial Underwriting Requirements and Reviews

Financial underwriting is a critical part of the underwriting process which examines the economic feasibility of the case at hand, and allows the underwriters to consider the insurable interest at the time of the application.

At John Hancock, we take a “purpose-driven” approach to financial underwriting. We recognize that life insurance may be purchased to cover many different needs. These needs can be broadly separated into personal (income replacement, estate planning, charitable giving, etc.) and business related (buy-sell, key person, etc.). Our underwriters use the following tools and approaches — among others — during the underwriting process to consider the purpose of the coverage and insurable interest. In all instances, our underwriters have the discretion to request additional financial requirements as they deem necessary.

Financial Underwriting Requirements

1) Telephone Interview

What is it?

An interview with the proposed life insured where questions related to the life insurance application, such as occupation, health history and avocations are asked.

When is it required?

Age	Face Amount
80-90	\$1,000,000 and up

A team of dedicated John Hancock underwriting specialists schedule and perform the telephone interview with the applicant. Our underwriters are experienced in handling the sensitive information shared during the interview.

Please note: A telephone interview may be requested at any age and amount at the underwriter's discretion.

2) Financial Verification Supplements

What is it?

The *Financial Supplement* is a form required by John Hancock that asks for a detailed breakdown of assets and liabilities and must be signed by both the proposed insured and the agent. Select and submit a *Financial Supplement* that is applicable to the sale. John Hancock's underwriters will handle the rest of the financial verification process.¹

When is it required?

Personal	
Age	Face Amount
Up to 65	\$7,500,001 and up
66-79	\$5,000,000 and up
80-90	\$1,000,000 and up
Business	
All Ages	All Amounts

For any asset type representing more than 25% of total assets, copies of the latest statements of values are required, e.g., copies of insurance policies for jewelry or art, or quarterly statements for investment portfolios.

1. In some scenarios, additional information to support the representation of assets and income may be required, such as brokerage statements.



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3) Request for Tax Transcript – *IRS Form 4506T-EZ*

In some cases, our underwriters may require additional documentation to verify the financial information disclosed in the life application. While not a routine requirement, in cases where the underwriter is unable to obtain this verification through other sources, the submission of a completed *IRS Form 4506T-EZ* may be requested. In cases where a signed 4506T-EZ is requested and submitted, John Hancock will use this signed authorization to request the IRS tax returns via a secure and confidential interface and will receive this information within 24–48 hours.

IRS Form 4506T-EZ is available as an optional form in our application kits. If requested by the underwriter, please have your client enter the last two years (i.e., tax period to be filled in) in Section 6 on this form.

Financial Underwriting Reviews

In addition to the above requirements, the underwriter also takes into account the following:

1) Insurable Interest/Insurable Loss

The first consideration in financial underwriting is to establish that an insurable interest exists. The concept of insurable interest is fundamental to ensuring that the insurance applied for makes economic sense. We consider insurable interest as existing when the owner (if other than the insured) and the designated beneficiary have a financial interest in the continued life of the insured and are able to demonstrate a measurable financial loss should the insured die prematurely. The loss should equal or exceed the requested insurance amount.

The underwriter will examine the amount of potential loss suffered by an owner/beneficiary in the context of the requested death benefit, purpose of coverage and financial profile (including the ability to pay ongoing premiums). It is the risk of loss that helps the underwriter quantify the amount of insurable interest and ultimately justify the requested death benefit.

2) Ability to Pay/Affordability

As part of the financial review of a case, an underwriter must determine if the applicant can afford to pay the premiums for the requested coverage and all inforce policies. This is usually established by reviewing the proposed insured's application statement as to the source of the premium and the appropriate illustration. If the source is other than income, the proposed insured is encouraged to present the specific source of funding and an explanation of why this source is being used. Premiums generally are not expected to exceed 10–25% of gross income. In general, the higher the available disposable income, the greater premium to gross income ratio that would be acceptable.

In cases where the source of the premium is other than the insured on personal applications, a letter of explanation to include the reason for the third-party funding and the source of the funds is required. Additional details regarding the third-party source may be requested at the discretion of the underwriter.

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3) Inforce and Settled Policies

Understanding the complete picture of the inforce and applied for coverage on the proposed insured is an important part of the financial underwriting process. Inforce coverage disclosed on the application must include any settled or sold policies. Our underwriters include settled policies in determining justification of the total amount of insurance in force and the ability to pay, as well as the Jumbo Limit for reinsurance requirements. Providing incorrect or incomplete information in an application for life insurance, even if it is unintentional, is misrepresentation.

Our underwriters consider several factors when there are existing settled policies on the life of the proposed insured:

- The overall financial status of the proposed insured.
- The duration of the policies at the time they were settled or sold, or are currently being settled. John Hancock will not participate in new applications for life insurance associated with concurrent early duration settlements, or where a history of frequent settlement activities exists. For these purposes, "early duration" is defined as less than five years from policy issue date.

4) Trust Documents

Reviewing trust documentation can assist us in determining the presence of insurable interest.

The following documents are required during the trust review process:

- For any case where a trust is identified as being the owner/beneficiary, we need a completed **Trust Certification Form**, regardless of whether a properly executed trust agreement has been submitted or not.
- In addition, for all applications on proposed insureds age 70 and older², a copy of the executed trust document is required for our review.
 - Please note that on cases age 70 or older where the funding is to be accomplished via a **1035 Absolute Assignment** or the trust has been executed prior to January 1, 2005, we do not require a copy of the executed trust, but will require a completed **Trust Certification Form**.
- Prior to policy issue, our underwriters also review documents on certain policies including – but not limited to – trust, family partnership and LLC agreements.

2. Please note that John Hancock reserves the right to request a fully executed copy of the trust regardless of the proposed insured's age.



Case Positioning Tips

Since you — as the agent — know your clients best, you are a key source of their financial information. A cover letter is recommended with all applications; it is your chance to explain the background of the sale, including:

- ✓ **The specific purpose of coverage and how that amount was determined** relative to the proposed insured's finances, including premium-paying ability (demonstrating premium to income relationship and/or premium to liquid net worth relationship).
- ✓ **Clarification of any points** that may not be obvious in the application including both medical and non-medical factors that the client or producer want to bring to the underwriter's attention.
- ✓ **Total insurance:** inforce (including any settled or sold policies), all pending coverage applied for, replacement details and the ultimate total line.
- ✓ **See Important Notes to determine if there are any specific details about your case that you should include in your cover letter.** The underwriter uses this information to justify the amount of coverage requested, and to make the most competitive decision right from the outset. Providing this information up front can streamline the underwriting process by reducing the need for additional information about the sale.

Personal and Business Insurance

The guidelines that follow provide an outline of some of the financial purposes and methods used by our underwriters in arriving at acceptable amounts of insurance. Please note that these are general guidelines; if you have questions about a specific case, contact your John Hancock underwriter.

Personal Life Insurance

Please note: all formulas and calculators provided are to be considered solely as a guide and are non-binding.

Purpose of Insurance	Underwriting Formula	Important Notes		
Annuity Maximization	Coverage should not significantly exceed income and estate conservation guidelines	<ul style="list-style-type: none"> Require details of annuity or other asset being replaced. Amounts to be considered must fit within guidelines for overall total line. 		
Bequest to Charity (Charitable Contribution)	<p>If the proposed insured has a historical pattern of monetary gifts to the charity, then the maximum death benefit considered will be:</p> <ul style="list-style-type: none"> 25x any regular, recurring annual historical charitable gifts (i.e., a demonstrated pattern of giving) Up to a maximum of 40% of existing personal coverage — an extension of the donor's personal insurance planning 	<p>If the proposed insured does not have a historical pattern of gifting to the charity, the maximum death benefit considered will be:</p> <ul style="list-style-type: none"> Individual consideration based on the strength of the connection to charity Up to a maximum of 40% of existing personal coverage 	Provide contribution record to establish pattern of support and involvement in the charity. Also, include details of any volunteer work with the charity to demonstrate the strength of the relationship.	
Charitable Remainder Trust with Wealth (asset) Replacement Trust	Value of donated assets	Confirmation of actual value of assets is required.		
Dependent Spouse	Individual consideration	Each case will have to stand on its own merits. Require details of current in-force coverage amount on employed spouse and household income, net worth.		
Employee Benefits — Deferred Compensation	<p>Insurable value = amount required to fund the benefits for each executive</p> <ul style="list-style-type: none"> Must correlate with insured's profile 	Provide rules for participation, formulas used to determine individual amounts of coverage.		
Estate Conservation	<p>Usually based on Projected Net Worth x Estate Tax Rate (55%)</p> <p>Maximum Projections: Based on a growth rate of 5–7% based on historical growth – higher or lower growth rates subject to individual consideration</p> <p>General Guidelines</p> <table border="0"> <tr> <td> <p>Individual:</p> <ul style="list-style-type: none"> Up to 75% of life expectancy to a maximum of 20 years </td> <td> <p>Survivorship:</p> <ul style="list-style-type: none"> Based on the younger or healthier life Up to 75% of life expectancy up to a maximum of 20 years </td> </tr> </table>	<p>Individual:</p> <ul style="list-style-type: none"> Up to 75% of life expectancy to a maximum of 20 years 	<p>Survivorship:</p> <ul style="list-style-type: none"> Based on the younger or healthier life Up to 75% of life expectancy up to a maximum of 20 years 	N/A
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Personal Life Insurance, continued

Please note: all formulas and calculators provided are to be considered solely as a guide and are non-binding.

Purpose of Insurance	Underwriting Formula	Important Notes								
Estate Equalization	<ul style="list-style-type: none"> • Insurable value = up to 100% of the transferred asset subject to ability to pay • For retroactive cases, insurable value = asset value at time of transfer indexed at a growth rate of 5% per year 	<ul style="list-style-type: none"> • Value of total estate and value of asset transferred is required. • For retroactive cases, proof of asset transfer and current value is required. 								
Future Inheritance (Adult)	<ul style="list-style-type: none"> • Value of inheritance including a growth rate of up to 5% per year for a maximum of 10 years, subject to the insured's ability to pay • Underwriters consider the insured's ability-to-pay requirements to be satisfied by many intra-family or loan scenarios³ 	<ul style="list-style-type: none"> • Cover letter is required with complete details, including age and coverage in force on benefactor(s) as well as in force and pending coverage on all siblings and information to support the insured's ability to pay and source of premiums. 								
Income Replacement	<p>Age Factor x Earned Income</p> <table border="0"> <tr> <td>18-30: 30x</td> <td>41-50: 20x</td> <td>61-65: 10x</td> <td>75+-: individual consideration</td> </tr> <tr> <td>31-40: 25x</td> <td>51-60: 15x</td> <td>66-74: 5x</td> <td></td> </tr> </table>	18-30: 30x	41-50: 20x	61-65: 10x	75+-: individual consideration	31-40: 25x	51-60: 15x	66-74: 5x		<ul style="list-style-type: none"> • For individuals whose personal income is low but future earnings' potential is high, it may be possible to consider higher amounts. • Social Security, pensions and annuities are not considered earned income.
18-30: 30x	41-50: 20x	61-65: 10x	75+-: individual consideration							
31-40: 25x	51-60: 15x	66-74: 5x								
Juvenile Insurance	<ul style="list-style-type: none"> • Coverage should not usually exceed 50% of amount on parents • Amount requested should be reasonable relative to insurance on parents and siblings (similar coverage) • For face amounts over \$100,000 or those related to estate planning needs, gifting, or inheritance, approval will be on individual consideration basis taking into account all financial details • Application must be signed by a parent or guardian with whom the child resides 	<ul style="list-style-type: none"> • New York has legal restrictions on the amount of life insurance allowed on juveniles. Specifically, Section 3207 of the New York Insurance Law states that when a juvenile is dependent on the person(s) effectuating the insurance, i.e., parent/guardian, then the maximum amount that can be written is: <ul style="list-style-type: none"> - Ages Under 4.5 – maximum \$50,000 or 25% of the amount inforce on the parent effectuating the insurance, whichever is greater - Ages 4.5 to 14.5 – maximum \$50,000 or 50% of the amount inforce on the parent effectuating the insurance, whichever is greater • Washington has special legal restrictions for juveniles. Please contact your underwriter for details. • Please contact your underwriter for other special rules. 								
Personal Loan	100% of outstanding loan balance to creditor with remainder to life insured's estate subject to collateral assignment	Require details of loan which include source, amount, purpose, repayment schedule and interest rate.								

3. A detailed cover letter must be provided, and growth rates/factors are applied at the underwriter's discretion.

Business Insurance

Please note: all formulas and calculators provided are to be considered solely as a guide and are non-binding.

Purpose of Insurance	Underwriting Formula	Important Notes
Buy-Sell	Underwriters will consider the percentage ownership x fair market value of the business, plus a growth factor as high as 5% over 10 years. ³	Require percent ownership, fair market value of business, information as to whether other partners are insured.
Creditor — Business	Usually cover a percentage of outstanding debt equal to non-collateralized portion of debt up to 70%	<ul style="list-style-type: none"> Insured must be a key person. Require loan details: source, amount, purpose, duration, repayment terms.
Key Person	Generally, underwriters will consider a death benefit of 5-10 x income, but for key employees of well-established businesses, underwriters may consider 15-20 x total compensation. ³	<ul style="list-style-type: none"> Following information may be required: income, role in organization, specialized skills, experience. For the state of New York, please contact your underwriter for special requirements.
Line of Credit Coverage	May be considered up to 70% of documented line of credit (LOC)	Require role of insured, source of LOC, details of LOC including amount, average amount utilized, purpose, repayment terms, interest rate.
Sole Proprietor	Fair market value of the business plus a modest growth factor	Require confirmation of ownership, fair market value of business, copy of buyout agreement for some cases.
Venture Capital and Start Up Companies	Individual Consideration Generally, face amount should not exceed key person limits when key person is the primary purpose. If loan, use creditor guidelines	Each case will stand on its own merits. Requires confirmation that capital has been obtained. May also require, profitability projections, product/service descriptions, product cost/pricing, salability, and experience/skills of management team.

3. A detailed cover letter must be provided, and growth rates/factors are applied at the underwriter's discretion.



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