

Personal coverage

Financial underwriting guidelines

Personal insurance includes coverage meant to be income replacement and/or to maintain an estate. Purposes of personal insurance include mortgage redemption, debt repayment, funds for final expenses and burial, family maintenance, estate and inheritance taxes, educational funds and charitable bequests.

Purpose of insurance	Formulas and guidelines	Information required	Maximum percentage of owner's income allowed to be paid in premium																																		
Income replacement	<p>Maximum coverage</p> <table border="1"> <thead> <tr> <th>Ages</th> <th>Factor times earned income</th> </tr> </thead> <tbody> <tr> <td>20 - 30</td> <td>30</td> </tr> <tr> <td>31 - 40</td> <td>25</td> </tr> <tr> <td>41 - 50</td> <td>20</td> </tr> <tr> <td>51 - 60</td> <td>15</td> </tr> <tr> <td>61 - 70</td> <td>10</td> </tr> <tr> <td>71 & up</td> <td>5</td> </tr> </tbody> </table>	Ages	Factor times earned income	20 - 30	30	31 - 40	25	41 - 50	20	51 - 60	15	61 - 70	10	71 & up	5	<p>Gross annual earned income*</p> <p>Risk amounts \$3,000,000 and up through age 70 and \$2,000,000 and up ages 71 and above require a financial supplement.</p> <p>Risk amounts \$10,000,001 and up requires a third-party financial verification.</p> <p>*Earned income includes salary, wages, tips, regular bonus, regular commission, deferred compensation, and other employee benefits that are the direct result of the proposed insured's effort and abilities that will cease at their death. Where income fluctuates from year to year, use a three-year average.</p>	<p>Maximum Percent of Income or Net Worth to Fund the Policy</p> <table border="1"> <thead> <tr> <th colspan="2">Maximum percent of Owner's Income allowed to be paid into premium</th> <th colspan="2">Maximum percent of net worth allowed into a policy (not including 1035x)</th> </tr> <tr> <th>Income</th> <th>Percentage</th> <th>Net Worth</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>to \$50,000</td> <td>10%</td> <td>\$250,000</td> <td>up to 30%</td> </tr> <tr> <td>\$50,001 to \$100,000</td> <td>20%</td> <td>\$250,001 to \$1,000,000</td> <td>up to 40%</td> </tr> <tr> <td>\$100,001 and up</td> <td>30%</td> <td>\$1,000,001 and up</td> <td>up to 50%</td> </tr> </tbody> </table>	Maximum percent of Owner's Income allowed to be paid into premium		Maximum percent of net worth allowed into a policy (not including 1035x)		Income	Percentage	Net Worth	Percentage	to \$50,000	10%	\$250,000	up to 30%	\$50,001 to \$100,000	20%	\$250,001 to \$1,000,000	up to 40%	\$100,001 and up	30%	\$1,000,001 and up	up to 50%
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Estate preservation	<p>Life expectancy (maximum duration 25 years), at 6% interest rate, times 50% tax rate*</p> <p>*Use this calculation for all ages and amounts.</p>	<ul style="list-style-type: none"> • Cover letter explaining the purpose of the insurance, the reason for the amount applied for, and how the proposed insurance will meet the client's needs. • A financial supplement may be required. • Risk amounts \$10,000,001 and up requires a third-party financial verification. • Higher levels of estate preservation coverage can be considered in states with state estate taxes.

Purpose of insurance	Formulas and guidelines	Information required
Juvenile coverage	<p>Death benefit guidelines</p> <ul style="list-style-type: none"> • \$250,000 total coverage with all companies for pre-high school age and younger (minimum age 15 days) • \$500,000 total coverage with all companies for high school ages. • \$1,000,000 total coverage with all companies for those attending college. • Individual consideration is available outside these amounts - please contact Underwriting. 	<ul style="list-style-type: none"> • Both parents are insured for twice the child's death benefit. • List both parent's and sibling's names and pending/in-force life insurance death benefit amounts. • All siblings are insured equally. • A parent's signature is required on the application. Please consult with the underwriter as necessary. • Applications for minors must be signed by the parent or guardian with whom the child lives on a regular basis. <p>An explanation is needed to explain:</p> <ul style="list-style-type: none"> • The reason why both parents are not insured for twice the child's death benefit. • Why all the siblings are not insured equally. • Death benefits over the above guidelines explaining the additional financial loss to the beneficiary. • For grandparent-owned insurance, list each grandchild and their death benefit as well as the parent's in-force insurance.

Washington state regulations

Under age 18: The amount should not exceed the annual household income (earned and unearned). The amount should be proportional to the amount issued on siblings and immediate family members.

Personal coverage

Purpose of insurance	Formulas and guidelines	Information required
<p>Homemaker coverage</p>	<ul style="list-style-type: none"> Typically we allow the same total in-force as the primary income earner in the family up to a face amount of 2 million. Final decisions will be made by the underwriter based on all factors of the case. Face amounts above 2 million will be reviewed on an individual consideration basis. 	<ul style="list-style-type: none"> Annual household income Household net worth Total in-force on the primary income earner in the family Cover letter for applications over 2 million to explain any estate considerations or extenuating circumstances. Please consult with the underwriter as necessary.

Business coverage

Purpose of insurance	Formulas and guidelines	Information required
<p>Key person</p>	<p>The amount of key person coverage is generally determined by one of three methods:</p> <ul style="list-style-type: none"> replacement cost contributions to earnings income multipliers <p>The amount of key person coverage allowed varies and depends on the role of the proposed insured in the business, the proposed insured's income, and value to the business.</p>	<ul style="list-style-type: none"> Business financial supplement demonstrating income derived from the business being covered. List of other key persons and their coverage in favor of the business. Risk amounts \$10,000,001 and up requires a third party financial verification. When a business is owner and payor, submit a Certification of Business Signing Authority form. A Corporate Resolution, Partner Agreement or Business License showing authorized officers (and their titles) that can sign on behalf of the business can also be accepted. Explanation regarding the purpose of the coverage and how the amount was determined.

Purpose of insurance	Formulas and guidelines	Information required
<p>Buy/sell or stock repurchase</p>	<p>Ownership percentage multiplied by the market value of the company</p>	<ul style="list-style-type: none"> Explanation regarding the purpose of the coverage and how the amount was determined. Details of buy/sell agreement and percentage of ownership in the business. Market value of the business with supporting corporate financials (at underwriter discretion). List of other associates in the buy/sell agreement and their coverage in favor of the business.

Other financial considerations

Bankruptcy guidelines		
Chapter 7	Active	Decline
	Discharged	Individual consideration. Usually acceptable depending on the current financial status. Please consult with the underwriter.
Chapter 11 and 13	Active	Individual consideration. A reasonable amount of coverage can be considered depending on the current financial status. Please include the amount owed, the monthly payment, and expected payoff month and year. Please consult with the underwriter.
	Discharged	Individual consideration. Usually acceptable depending on the current financial status. Please consult with the underwriter.

Multiple bankruptcies will be considered on a case-by-case basis, depending on the discharge dates. If there are multiple bankruptcies, we will typically consider after all the bankruptcies have been discharged for a period of 2 years.

Types of sales we do not participate in		
	<ul style="list-style-type: none"> • Premium financed sales • Qualified money sales • Sales involving reverse mortgage and refinancing • Captive insurance sales • Investment sales not supported by financial insurability guidelines 	<ul style="list-style-type: none"> • Life settlement reimbursement sales • 412E plan, 419 plans, 412i plans • Surrogate insurance/borrowing of life sales • Accounts receivable sales • Stranger owned life insurance (STOLI) • Investor owned life insurance (IOLI)

Charity-owned policies guidelines	
	<ul style="list-style-type: none"> • We will consider up to 10 times the average 5-year financial contribution. • If these guidelines are not met or the policy owner is applying for over \$500,000, a cover letter with an explanation of the financial contribution history to the charity is required.

Other financial considerations continued...

Applications involving large single premium payments

When the single premium is specified to match the face amount of the policy, **an illustration is required to be sent with the application**. The age/amount requirements will be determined by the corridor death benefit at the end of year one as listed under the tabular details section of the illustration.

Definition of requirements

APS (Attending Physicians Statement)	Generally requesting the last five years of medical and/or clinical records on the proposed insured - obtained by the administrative office.
Business financial supplement	A financial statement on the business insured, completed by the agent.
EKG	A 12-lead resting electrocardiogram (without interpretation) obtained through a preferred paramedical service.
EIR (electronic inspection)	Collection of public data through a preferred provider, which requires no phone call to the proposed insured.
SimpleSubmit®	An electronic application used to submit applications.
Labs-Blood HOS	Blood and urine specimen obtained through a preferred paramedical service and mailed to the Clinical Reference Laboratory.
MVR	Motor Vehicle Report obtained by the administrative office.
Paramed exam	A basic paramedical examination includes medical history, height, weight, blood pressure, and pulse.
Personal financial supplement	A financial statement on the proposed insured, completed by the agent.
Prescription report	A data search of prescribed medications, which is obtained by a preferred vendor. These are initiated by the administrative office.
Physical measurements	Physical measurements comprise of height, weight, blood pressure, and pulse conducted by a preferred paramedical service; please note medical history is not acquired.
Functional capacity exam	Cognitive testing must be scheduled with a preferred paramedical service.
Certification of business signing authority form	Complete this form using the information from the Corporate Resolution or other similar Business Entity documentation when the owner or payor is a business.