6 Financial Underwriting Guidelines

Financial underwriting is a key part of the underwriting process. Underwriting can go faster and more smoothly if you submit the case with a fully completed application, explanatory cover letter and documentation supporting the amount of insurance applied for. A good cover letter should include:

- Reason for the insurance
- How the amount applied for was determined
- Total amount of insurance on the insured's life with all companies
- Pending applications
- Life insurance to be replaced
- Reason for unusual or complex ownership and beneficiary designations

Please include with your cover letter the illustrations or quote used to help make the sale and financial statements that help demonstrate the need for insurance.

Our underwriters follow the guidelines below. The facts of each case will determine how much coverage we offer. You may use these guidelines to help your clients and to determine the information we need in order to evaluate the case.

Note: Applications over $10 million require 3rd party verification of financial information. Please reference the age and amount requirement chart on page 8 for more details.

Personal

Purpose	Documentation	Coverage Amounts	
Income Replacement	Gross annual earned income How the insurance need was determined You may be required to submit any or all of the following: Reason(s) for the amount of coverage requested Financial Supplement Financial Needs Analysis W-2 or Tax Returns	Proposed Insured's Age 21-40 41-50 51-60 61-70 70 and over	Maximum Factor 30 x income 20 x income 15 x income 10 x income Individual Consideration
Spouse/Domestic Partner with No Earned Income	The income-earning spouse/domestic partner gross annual earned income The total amount of personal insurance in force and pending on both spouses/domestic partners You may be required to submit a financial needs analysis	Age 70 and below: Up to 100% of the income-earning spouse/ domestic partner's coverage to a maximum of $3 million Individual consideration if over $3 million Age 71 and above: Coverage will be considered on an individual basis	
Spouse/Domestic Partner with Lesser Earned Income	Gross annual income for each spouse/domestic partner The total amount of personal coverage in force and pending on both spouses/domestic partners You may be required to submit a financial needs analysis	Age 70 and below: The greater of the amount justified by the income replacement guidelines or 100 percent of the higher income earning spouse/domestic partner's coverage, to include a maximum of $3 million Individual consideration if over $3 million Age 71 and above: Coverage will be considered on an individual basis	

Personal

Purpose	Documentation	Coverage Amounts
Juvenile (minimum age: 15 days; maximum age: 20 years; must be dependent if over 18)	All juveniles should be covered in equal amounts Amount of insurance in force on the parents (or legal guardians) and siblings Justification for the amount applied for if it exceeds coverage on either parent, legal guardian or siblings If owner is the juvenile's legal guardian, provide a copy of the guardianship papers If owner is someone other than a parent or legal guardian (e.g., grandparent), the parent or legal guardian with whom the juvenile resides must sign the application—Part I and any Part II non-medical application	Up to 50% of amount of personal coverage on the highest insured parent or legal guardian, but not more than the amount of coverage on the least insured parent or legal guardian; individual consideration for applications over $1 million
Debt Repayment		Coverage is not separately underwritten for personal debt repayment purposes
Estate Conservation	Total personal assets and liabilities, as well as additional financial documentation as required by underwriting	Usually based on projected net worth x 55%; projected net worth based on current net worth grown at 6% annual rate, for lesser of 15 years or life expectancy Coverage in excess of guideline amounts on individual consideration basis
Charitable Giving	You may be asked to provide additional financial documentation such as the proposed insured's Schedule A and Form 8283 (non-cash gifts) attached to the 1040 return and/or receipts from a charity	The average of the last 3 years' history of charitable gifts x the lesser of 50 years or remaining life expectancy Coverage in excess of guideline amounts on individual consideration basis
Special Needs	An individual with special needs generally refers to someone with a mental, emotional or physical disability—or a high risk of developing one—that impacts (or will impact) their ability to care for themselves physically and financially. The proposed insured is someone who provides personal care services and/or financial support for the person with special needs; someone whose death will result in a financial hardship for the person with special needs. The policy owner will typically be either the insured or a trust for the benefit of the person with special needs. If the amount requested exceeds what would normally be allowed by rolling up the special needs benefit allowance under other coverage purposes, the underwriter has individual discretion to offer additional coverage to the extent that the applicant can reasonably demonstrate need. Information may be required to demonstrate the need for the additional coverage amount, and to document the plan for using the death benefit to provide for the person with special needs.	Coverage will be capped at the lesser of $1million or 20% of the total amount of coverage for which the proposed insured would otherwise qualify under all other personal insurance guidelines. The amount of death benefit required to fund special needs may vary substantially depending upon a number of factors, including the nature and severity of the condition affecting the person with special needs, current and projected future costs of care specific to the condition, as well as the financial abilities and planning goals of the care provider(s). In some cases, the projected death benefit needed to cover special needs will be within what would be allowed for the proposed insured under existing income replacement and estate conservation guidelines.

Business

Purpose	Documentation	Coverage Amounts
Debt Repayment	Owner: Business must own the policy Amount of debt and remaining term of loan You may be required to submit additional documentation, which could include a copy of the loan agreement and/or mortgage document or bank commitment letter Lines of Credit: bank or lending institution statement that documents the borrowing activity over the immediately preceding 2-year period Business financial statements	Debt repayment coverage can be considered in addition to Key Person coverage, but cannot exceed 100% of the debt and cannot exceed 50% of the amount allowed by key person multipliers Lines of Credit may be insured if they have been used during the 2 years immediately preceding the application date Policy term cannot exceed remaining term of the loan by more than 10 years
Key Person	Owner and beneficiary must be the business Complete the Business portion of the Financial section of the application—Part I Provide current wage amounts, not projections	5-10 x annual wages (depending on involvement in the business operations and circumstances); higher amounts will be considered on an individual basis Up to 100% of non-wage benefits may be included, at the underwriter's discretion
Buy-Sell Business Continuation Business Succession	Owner and beneficiary must be the person or entity that will (or has the option to) buy the insured's interest in the business. Complete the Business portion of the Financial section of the Application Part 1. Complete the Financial Supplement. For amounts greater than $5million, a copy of the buy-sell agreement is required. For amounts $5million or less, in lieu of the buy-sell agreement, we may allow written confirmation that a completed buy-sell agreement is in place, and that the owner and beneficiary listed on the application are consistent with that agreement. This confirmation must be signed by the owner or their legal or tax counsel. For amounts $3million or less, if a formal agreement is not in place at the time of the application, we may allow the applicant's legal or tax counsel to verify in writing that the parties have an oral agreement, and that a buy-sell agreement is being drafted (Note we cannot accept this lesser confirmation if only attested to by the owner). For amounts $500,000 or less, if all the parties are either owners of the business or the business itself, and we have sufficient documentation to support the requested valuation, then no verification of an agreement is required unless the underwriter determines that additional documentation is needed due to the circumstances of the case.	Coverage amount will be determined based on the evaluation of the case, including ownership and business valuation.