

General Financial Underwriting Guidelines

PERSONAL INSURANCE

Personal Insurance

The Financial Underwriting section of this guide is intended to provide you with a basic overview of the most common financial situations and the methods used for calculating a justified amount of coverage.

INCOME REPLACEMENT*	
AGE	Multiply Earned Income by
≤40**	25
41-50	20
51-55	15
56-65	10
66-70	5
71+	Individual Consideration

* Income multiples for personal insurance are guidelines only. Consider the income multiple for each age range as the maximum amount for which an individual might qualify. The maximum income factor may not be appropriate for all applicants in a particular age range.

**Special consideration for an additional amount given to clients with special established occupations where income is expected to increase substantially

Non-Working Spouse, age 59 or less:

- Use household income to justify coverage through \$1,500,000, using income replacement multiples.
- Amounts over \$1,500,000 will be individually considered based on estate planning needs.

Non-Working Spouse, age 60-65

- If household income is less than \$25,000, we will allow up to 10 times the income of the working spouse.

Non-Working Spouse, over age 65:

- The amount of coverage must be justified using estate planning needs.

Secondary Earner, age 59 or less:

- We will match the coverage available for the secondary earner (spouse with lower earned income) to that applied and qualified for the primary earner (up to \$1,500,000)

Additional Personal Insurance Notes

Note: all amounts referenced are total line (in force and applied).

Additional amounts may be considered if justified.

- Estate Conservation need is based on the taxable value of the estate. Provide estate conservation analysis with the application. Maximum allowable growth rate is 6 percent up to a maximum limit of double the current gross estate.
- Final Expense coverage will be considered for a maximum of \$50,000 when limited financial justification is demonstrated. This amount includes total line with all carriers. If no financial justification is demonstrated, no coverage will be issued.

Juveniles

Juveniles are defined as clients age 0 to 17.

Financial Requirements:

Face amounts \$0-\$500,000

Note: Amounts requiring only a non-medical Part B (not completed by paramedical exam company)*

- At least one parent(s)/guardian will need to have the same amount being requested (unless state specific statutes apply).
- If the other parent does not have any coverage inforce, or has coverage inforce at a lesser amount than the coverage being requested for the juvenile, the agent will need to provide a cover letter detailing the circumstances surrounding the reason for 1) either the lack of any coverage inforce, or 2) coverage inforce at an amount less than the amount being requested for the juvenile (unless one is uncovered due to un-insurability - contact your home office underwriter to discuss first)
- All siblings require equal amounts of coverage

Face amounts over \$500,000

- Individual consideration (contact your home office underwriter to discuss first)

* An APS and/or inspection may be ordered for cause. Other requirements may be necessary based upon the underwriter's judgment.

General Financial Underwriting Guidelines

BUSINESS INSURANCE

| BANKRUPTCY

Business Insurance

(Financial Questionnaire required for all Business Insurance applications)

Key Person

Coverage financially protects the company from adverse financial impact if a key employee suddenly dies. The policy would provide funds to find, recruit and train a replacement, help replace any lost profits, and strengthen the balance sheet to assure creditors the business will continue.

Maximum of 10 times total compensation. In some circumstances (e.g., age, time to retirement, industry and location, etc.), 3 to 5 times compensation will be considered as an appropriate maximum.

Buy-Sell/Business Succession/Business Continuation

Coverage is limited to the market value of the proposed insured's portion of the business as detailed in the Buy-Out or Buy-Sell agreement, or third party financials.

Business Loan Coverage

Minimum 5 years remaining on the loan, coverage limited to 75 percent of loan, prorated per each owner's percent share of the business. Business will be the owner and beneficiary with collateral assignment to the debtor. Venture capital is limited to 50 percent coverage, prorated as above.

Accidental Death Benefit

A maximum of \$250,000 per life subject to filed plan limitations. See each plan for details.

Waiver Of Premium

A maximum of \$5,000,000 per life subject to filed plan limitations. See each plan for details.

Bankruptcy

Tax Return Transcript may be required at the discretion of the underwriter.

Term Insurance - Chapters 7, 11, 12, 13

Single Bankruptcy:

- We will not consider coverage until the bankruptcy has been discharged for at least 24 months (2 years), and financial data supports the total line of coverage to be in force.

Multiple Bankruptcies:

- We will not consider coverage until the most recent bankruptcy has been discharged for at least 60 months (5 years), and financial data supports the total line of coverage to be in force.

Permanent Insurance - Chapter 7

We can consider coverage immediately upon discharge of the bankruptcy:

- If the discharge was less than 12 months ago, the proposed insured must be employed full time and provide us with a current pay stub (or tax return) that documents an income appropriate for the amount of coverage in force and applied.
- For applicants that have had a Chapter 7 bankruptcy discharged more than 12 months ago, no current pay stub or tax return is required in most cases, however, financial justification for the amounts in force and applied will be required.

Permanent Insurance - Chapters 11, 12, 13

We will consider permanent insurance coverage for applicants currently in Chapter 11, 12, or 13 bankruptcy once the applicant is making regular debt payments and financial data supports the total line of coverage to be in-force.

- Note that we will reduce the amount of income we consider the applicant to make by the amount of the debt payment made, as per court direction.
- Copies of court papers directing repayment will be required for amounts of \$5 million and up.

Permanent Insurance

Multiple Bankruptcies

- No offer until discharged from last bankruptcy for at least 24 months and financial data supports the total line of coverage to be in-force.

General Financial Underwriting Guidelines

OTHER CONSIDERATIONS

Retention and Reinsurance Limits

RETENTION AGES	TERM	PERM
0 – 70	\$3,500,000	\$10,000,000
71 – 80	\$2,000,000*	\$6,000,000
81 – 90	n/a	\$4,000,000**
90+	n/a	n/a

For PERM products, consult specific product information for more detail.

AUTOMATIC LIMIT	TERM	PERM
Ages 0 – 70	\$41,000,000*	\$60,000,000*
71 – 75	\$15,500,000*	\$30,000,000*
76 – 80	\$7,500,000* \$10,500,000**	\$15,000,000* \$30,000,000**
81 – 85	n/a	\$15,000,000**
86 – 90	n/a	\$5,000,000**
90+	n/a	n/a

* Must be Table D or better

** Must be Standard or better for individual coverage

Cigar Smokers

This policy will apply only to occasional cigar users and not other forms of tobacco.

Based on current mortality information, underwriting will consider cigar use a non-factor in the risk evaluation process if:

- 1) The use is admitted at the time of application/inquiry and all case data coincides with the admitted degree of usage; and
- 2) No more than one cigar per week; and
- 3) No nicotine metabolites (cotinine) are present in the urinalysis done for AGL/US Life or any other company within the past 12 months; and
- 4) There is no use of tobacco products other than occasional cigars for at least 5 years prior to the time of application or inquiry.

Tobacco Use

A Tobacco user is considered to be anyone who has used tobacco in any form in the last 12 months. This includes:

- Cigarettes
- Cigars - Only limited cigar usage may be considered for non-tobacco rates. (See “Cigar Smokers”)
- Pipes
- Smokeless tobacco
- Chewing tobacco / Snuff
- Nicotine substitutes, including patches and gum
- Electronic (smokeless) cigarettes
- Vaping

Marijuana Use

- Adult (18+), use 8 or less days per month may qualify for best class.
- Vaping will be Standard Tobacco rates at best.
- Use 9-16 days/month: Table B tobacco at best
- Use >16 days/month or 4 days/week: Decline
- Medicinal use: APS required (decision will be based on history requiring this prescription)

Opioid Use

In light of the opioid epidemic currently being experienced in the United States, AIG has toughened its underwriting position and will be very conservative when reviewing cases involving ongoing use of prescription or non-prescription opioid medications.