

Financial Underwriting Guidelines

Personal Coverage – Income Replacement and Estate Preservation

Earned Income Replacement Table

Age	Income Factor
18–40	20–30 x
41–50	15–20 x
51–60	10–15 x
61–65	8 x
>65	5 x

Estate Preservation Calculation

1. Assess value of net worth.
2. Apply reasonable factors for growth and years compounding to determine future value. See “Growth Rates and Years Projected for Estate Preservation” below.
3. Multiply future value by 50% (estate tax rate) = Total amount needed for estate preservation.
Subtract any personal life insurance coverage not being replaced.

Growth Rates and Years Projected for Estate Preservation

Use higher annual growth rates when asset allocation/situation indicates that higher rates of return could be reasonably expected:

Age	Years Projected	Annual Growth Rate
50 or less	25 years	6% (10% max)
51 to 60	20 years	4% (8% Max)
61 to 70	15 years	3% (6% Max)
71 to 75	10 years	3% (5% Max)
Over 75	5 years	3% Max

Special Financial Requirements

Personal Coverage – Income Replacement and Estate Preservation

Ages	PFS Personal Financial Statement (Form Series 4165)	EIR Electronic Inspection Report (Ordered by Home Office Only)	IR Traditional Phone Inspection	TPF Third Party Financials
Under 66	>\$3,000,000	\$1,000,001 – \$5,000,000	>\$5,000,000	>\$5,000,000
66–70	>\$1,000,000	\$1,000,001 – \$3,000,000	>\$3,000,000	>\$3,000,000
71+	>\$500,000	N/A	>\$500,000	>\$1,000,000

Notes:

For amounts requiring third party financials, the inspection company will attempt to obtain this information from client's CPA. If the agent, or client, prefers to obtain this information instead of the inspection company, please provide at time of application.

Acceptable 3rd Party Financials:

- Tax returns from past two years.
- W-2s from past two years.
- Personal Financial Statement outlining income and signed by CPA (credentials will be confirmed)

For Estate Preservation cases, net worth may need to be confirmed if the income doesn't justify total line of coverage. In these situations, net worth can be confirmed by the following sources:

- Personal Financial Statement documenting net worth and income signed by CPA (credentials will be confirmed).
- Personal Financial Statement signed by proposed insured with supporting documentation: Bank Statements, Tax Returns, Property Tax Assessment or Appraisal, Brokerage statements.

	Gross Income	% of income available for Life Insurance Premium
Premium to Income Ratio	<\$50,000 \$50,001–75,000 \$75,001–100,000 >\$100,000	Up to 10% 10–15% 15–20% 20–25%
Non-Income Earning Spouses	<ul style="list-style-type: none"> • Allow up to 100% of insurance in force on the employed spouse up to \$1,000,000 if no dependent children (and up to \$2,000,000 if there are dependent children) as long as household income justifies the amount on the wage earning spouse. • Amounts exceeding these guidelines would need a detailed cover letter explaining reason for face amount (estate planning needs, for example). 	
Personal Loans	<ul style="list-style-type: none"> • Term of loan must be five years or more. • Generally up a maximum of 75% of the loan. • Loans between individuals will typically not be considered. 	
Juvenile Coverage	<ul style="list-style-type: none"> • There must be equal coverage on all siblings. • For amounts up to \$249,999 there must be equal coverage for at least one parent. For \$250,000 to \$500,000 both parents must have equal coverage. For amounts over \$500,000 both parents should have at least twice the amount of life coverage. • Amounts of \$500,000+ require facultative reinsurance. <p>NOTE: Guidelines may differ for states that have specific guidelines for juvenile coverage.</p>	

Charitable Coverage	<ul style="list-style-type: none"> • Multiply amount of annual giving by 10 for typical maximum face amount (average amount from the past three years x 10). • Should have adequate personal coverage already in force. • Cover letter explaining how face amount determined. • For amounts over \$250,000 will require documentation of prior giving. Underwriter discretion below \$250,000.
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Special Financial Requirements

Business Coverage

When a business is listed as the owner of a contract, the Employer Owned Life Insurance form (10244) will be required.

The following will be requirements, based on the face amount that is requested:	
Amounts up to \$1,000,000	<ul style="list-style-type: none"> • Business Financial Questionnaire (BFQ) provided by agent.
\$1,000,000 – \$3,000,000	<ul style="list-style-type: none"> • Business Financial Questionnaire (BFQ) provided by agent. • Electronic Inspection Report (EIR) to be ordered by home office.
Amounts Over \$3,000,000	<ul style="list-style-type: none"> • Business Financial Questionnaire (BFQ) provided by agent. • Inspection Report with Business Beneficiary Report (BBR) to include 3rd party business financials from the past two years (preferably balance and income statements). Home office will order. <p>If the inspection does not include 3rd party financials, the underwriter will request this documentation from agent. Note: If the agent prefers to provide business financials, please advise in cover letter.</p> <p>For Key Person coverage, Inspection report will verify income/salary by obtaining tax returns or W-2s from the past two years. Note: If the agent prefers to provide tax returns or W-2s from the past two years, please advise in cover letter.</p> <ul style="list-style-type: none"> • Cover letter detailing the purpose of coverage and how the face amount was determined is strongly encouraged.

Requirements for Special Business Situations	
Buy/Sell	<ul style="list-style-type: none"> • Fair Market Value of company multiplied by percent of ownership to determine maximum face amount.
Key Person	<ul style="list-style-type: none"> • 10 x annual income to determine typical maximum face amount.
Business Loan or Creditor Coverage	<ul style="list-style-type: none"> • Typically cover face amounts up to 75% of the loan. • Terms of loan typically must be five years or more. • Proposed Insured must be a key person.
New Business/ Start Up Companies	<ul style="list-style-type: none"> • Considered on case-by-case basis. • Total line of coverage not to exceed 50% of the loan or investment. • Cover letter explaining amount and source of funding, experience of the owners in the field and their prior success strongly encouraged. • Balance sheet and income/expense statements, pro-forma statements and business plans should be submitted with the application.