

# Financial Underwriting Guidelines

Underwriters generally follow the guidelines outlined below when determining the appropriate amount of coverage for applicants. However, they are able to use their own judgment and discretion on a case-by-case basis. Let's take a look at the underwriting criteria.

## Income replacement

For nonworking spouses, consider the same amount of coverage as the working spouse.

Age	Multiples of Earned Income
18–35	Up to 30x
36–45	Up to 25x
46–60	Up to 20x
61–65	Up to 10x
66 and older	Up to 5x

## Under age 70: estate growth planning guidelines

Using  $\frac{3}{4}$  of standard life expectancy, apply a growth rate of 6% to the current net worth. Then multiply that number by 55%. The maximum number of years we use for estate growth is 25 years.

## Age 70 and older: estate planning, money purchase, wealth transfer and asset allocation guidelines

We recognize the important need for the applicant to have sufficient funds available to handle any potential emergency and have access to cash reserves. The following guidelines have been developed to allow for wealth transfer concepts while safeguarding emergency and overall living expense needs.

An insurable amount is determined by the insured's income and net worth situation. It will not be determined by what a single premium or a money purchase premium stream will buy. Single premium sales include 1035 exchanges, use of CD or other liquid instruments. Money purchase premium stream sales include concepts such as annuity distributions, RMD from an IRA or 401(k), pension, or other retirement distributions.

Age	Net Worth	Allowable Maximum Face Amount
70–80	\$200,000 to \$1 million	50% of net worth
70–80	Over \$1 million	Using $\frac{3}{4}$ of standard life expectancy, apply a growth rate of 6% to current net worth. Multiply that number by 55% to arrive at the face amount
81–85	\$200,000 and up	50% of net worth

Annual Income	% of Income Used for Premium
\$20,000 to \$50,000	Up to 15%
\$50,001 to \$110,000	Up to 20%
\$110,001 and higher	30 to 40%*

\*Income to premium ratio exceeding 30% will require a minimum net worth of \$1 million. If income to premium ratio exceeds 40%, evidence of liquid net worth supporting a minimum of 5 times the target premium will be required.

Insurance products issued by:  
 The Lincoln National Life Insurance Company  
 Lincoln Life & Annuity Company of New York

## Juvenile insurance

<b>All states except New York and Washington</b>	Up to half the amount of life coverage that is in-force on parent, or guardian, up to a maximum of \$1 million. Amounts over \$1 million require facultative reinsurance review.
<b>New York</b>	<p><b>Under age 4 years and 6 months:</b> The greater of \$50,000 or 25% of the amount of insurance on the person applying for coverage.</p> <p><b>Age 4 years and 6 months to age 14:</b> The greater of \$50,000 or 50% of the amount of insurance on the person applying for coverage.</p>
<b>Washington</b>	<b>Under age 18:</b> The amount should not exceed the annual household income (earned and unearned). The amount should be proportional to the amount issued on siblings or immediate family members.

Business insurance is important for continuity in any industry and today's businesses require the flexibility to accommodate an ever-changing market. Lincoln remains "Leading-Edge" in our underwriting approach to business insurance.

### Key person coverage

Will consider up to 20x income for ages **up to age 69** for established businesses that typically involve unique business/individual dynamics. Special expertise consideration can be given if documentation of proven ability to generate income or profits is provided. Stock options, bonuses and perks — such as housing and auto — will be factored into compensation.

For key persons **ages 70 and up**, may consider up to 5x income depending on information regarding how amount was determined.

### Buy-sell or stock repurchase/redemption coverage

Coverage amount for each partner will be determined by his/her business or stock ownership percentage based on fair market value outlined in the buy-sell agreement or stock repurchase agreement. If there is no agreement, provide two years of business financials (balance sheet and income statements) or a third-party business valuation.

### Venture capital/private equity

Allow for 25%, possibly more, of the investment amount for key person coverage. The coverage amount will depend on the financial information and detailed reason for coverage need that is provided. Copies of funding agreement and business financials will be needed to evaluate the viability of the amount applied.

### Charitable gifting

With an established pattern of gifting to the charity, Lincoln can now consider allowable charitable gifting amounts that can be the greater of:

- 10x annual averaged gift amount, or
- Allow for a percentage of the individual's net worth:

Net Worth	Percentage of Net Worth
\$10 million or less	Up to 10%
\$11 million to \$50 million	Up to 20%
\$51 million to \$100 million	Up to 30%
Greater than \$100 million	Up to 40%

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates, including The Lincoln National Life Insurance Company, Fort Wayne, IN, and Lincoln Life & Annuity Company of New York, Syracuse, NY. Variable products distributed by broker-dealer/affiliate Lincoln Financial Distributors, Inc., Radnor, PA. Securities and investment advisory services offered through other affiliates. Affiliates are separately responsible for their own financial and contractual obligations.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

©2020 Lincoln National Corporation

[LincolnFinancial.com](http://LincolnFinancial.com)

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-3189903-080420  
POD 9/20 **Z01**

**Order code: UW-FIN-FLI001**

