

Financial Underwriting Guide & Requirements

The financial guidelines are used by underwriting to determine the maximum amount of coverage that is to be considered based on the proposed insured's financial status.

Financial underwriting is necessary on all applications to screen for adverse selection and to determine if the amount of insurance is reasonable. Some cases may require additional financial information depending on the circumstances of the case.

If the total underwriting amount (all companies) falls outside of the guidelines, a cover letter from the financial professional explaining the purpose of the insurance and how the underwriting amount was determined will help to expedite the underwriting process.

Confidential Financial Statement and 3rd Party Financial Documentation

Underwriting Amount (US \$)	Ages		
	20-69	70-80	81+
\$1,000,000 - \$4,999,999	N/A	N/A	CFS Part 1
\$5,000,000	N/A	CFS Part 1	CFS Part 1
\$5,000,001 - \$9,999,999	N/A	CFS Part 1 3rd Party	CFS Part 1 3rd Party
\$10,000,000	CFS Part 1	CFS Part 1 3rd Party	CFS Part 1 3rd Party
\$10,000,001 and higher*	CFS Part 1 3rd Party	CFS Part 1 3rd Party	CFS Part 1 3rd Party

*For business coverage at or above \$10 million, CFS Part 2 is also required for all ages.

Definitions

CFS Part 1 (Confidential Financial Statement): Form that captures personal coverage financial details for income, assets and liabilities.

CFS Part 2 (Confidential Financial Statement): Form that captures business coverage financial details for income, assets and liabilities.

3rd Party: 3rd Party Financial Documentation

3rd Party Financial Documentation

All Premium Financing cases require 3rd party financial documentation and may have additional information required for advanced case designs. (Premium Financing is not available in New York.)

Asset	Examples of 3rd Party Financial Documents		
Income	• W2s/Tax returns	• 1099s/K-1s	• CPA letter
Business Interests	• Business financial statements (balance sheet and income statement)	• Tax returns	• 10-Ks
Cash Equivalents (checking, CDs, money markets)	• Bank statements	• CPA letter	
Investments and Qualified Plans (stocks, bonds, IRAs, 401(k))	• Account or brokerage statements	• CPA letter	
Real Estate	• Appraisals • CPA letter	• Property listing (including all addresses and ownership stake)	• Property tax statements/assessments

Personal Coverage Guidelines

The below outlines the requirements for personal coverage, however, additional information may be requested at Underwriting discretion.

Income Replacement

The following table represents the factor to be applied to the Proposed Insured's annual gross income to determine the maximum amount of death benefit available:

Ages	Factor
18-40	30x
41-45	25x
46-55	20x
56-60	15x
61-70	10x
71+	Individual consideration

Estate Planning

Formula: Net worth (x) Growth Factor (up to 7%) (-) Unified Credit(s) (x) tax rates (federal and state) (+) other final expenses.

Higher growth rates are subject to individual consideration. See the table below for the maximum specified projection period. For survivorship cases, the age of the younger life is used. Substandard lives will lower the projection period.

Ages	Factor
Up to age 55	30 years
56-65	20 years
66-75	15 years
76-80	7 years
Over age 80	Individual consideration

A cover letter is recommended explaining how the total underwriting amount was determined, description of existing estate plan and explanation of policy ownership.

Legacy Planning

Legacy Planning involves parents funding the purchase of a permanent life insurance on their own life or lives to benefit their children and future generations. The parent's assets cannot exceed \$5,000,000 (single and/or married).

Amount of death benefit available is based upon 1x the parent's net worth to a maximum of \$5,000,000.

A cover letter is recommended providing financial information for the parents including income, net worth, and breakdown of liquid assets, current amount and purpose of life insurance in force on parents, the purpose of this sale and the financial objectives.

For more information on Legacy Planning please contact your field office or the Advanced Sales Department at 1-800-818-8184.

Personal Coverage Guidelines (continued)

Creditor Debt Protection

Maximum of 100% of the loan amount within income replacement parameters; otherwise, 90% of the loan amount. Loan duration must be a minimum of 5 years.

A cover letter is recommended providing the source and loan amount, duration, purpose, repayment schedule, interest rate and collateralization information or copy of the loan agreement.

Non-Working Spouse or Non-Working Domestic Partner

Consideration of the death benefit of an equal amount on working spouse or domestic partner.

The total risk amount should be in line with household finances and estate planning objectives, and will be evaluated on an individual consideration basis.

A cover letter is recommended providing the amount of insurance on working spouse or domestic partner, total household income and net worth.

Charitable Giving

The proposed insured's personal insurance needs should be addressed before a charitable policy is considered. Insured should have a meaningful relationship with the charity and an established pattern of giving for at least 3 years. If the annual donation is increasing each of the past 3 years, an average will be used.

The death benefit should be based on the following multiple of the annual gift amount.

Charitable contribution multiples:

Ages	Factor
18-40	30x
41-45	25x
46-55	20x
56-60	15x
61-70	10x or remaining LE
Age 71+	IC – consider LE

A cover letter is recommended providing details of the relationship between the charity and the proposed insured and premium payor, if different. Also include a letter from the charity that confirms the annual giving pattern of the proposed insured over the past 3 years (i.e. contribution record). Additional information may be requested at Underwriting discretion.

Personal Coverage Guidelines (continued)

Juvenile

Total death benefit amount up to 75% of coverage on the highest insured parent (or legal guardian) per juvenile. Total coverage on all juveniles should be in line with the family's financial situation and will be evaluated on an individual consideration basis.

All siblings should be insured for similar death benefit or premium amounts. If not, an explanation is needed.

Certain states place specific restrictions on the maximum allowed for juveniles. Please consult with Underwriting for details.

A cover letter is recommended explaining the purpose of insurance, amount of coverage on parents and siblings and how the death benefit amount was determined. Additional information may be requested at Underwriting discretion.

Documentation to parent's income and net worth or, if a gift, financial statements of person making the gift may be requested at Underwriting discretion.

Submit an illustration reflective of case design and premium structure.

Business Coverage Guidelines

The below outlines the requirements for business coverage, however, additional information may be requested at Underwriting discretion.

Key Person

Businesses frequently purchase a policy on the life of a key employee to protect against a financial loss in the event of the key employee's death.

The amount of death benefit is based on a multiplier of 10x total compensation (salary plus bonus).

A cover letter is recommended providing role in organization, responsibilities, specialized skills and other value-added contributions.

Include information on other key persons and amounts of coverage on each.

Buy-Sell and Stock Redemption

Buy-sell arrangements are frequently utilized to facilitate the transfer of a business interest to another individual(s) in the event of retirement, disability or death. Buy-sell agreements are generally in the form of a redemption agreement (i.e., entity purchase) or a cross purchase agreement.

Amount of death benefit available is based on the fair market value of the business with a reasonable growth rate substantiated by the business model and an individual's share of business ownership.

A cover letter is recommended providing background information on the company involved, how long the company has been in business, what valuation method was used and company website information.

For more information on Buy-sell and Stock Redemption please contact your field office or the Advanced Sales Department at 1-800-818-8184, option 8.

Deferred Compensation

A nonqualified deferred compensation plan provides highly compensated employees with a beneficial tax-deferred retirement savings vehicle provided by an employer.

Death benefit amount is a formula multiple of deferrable income not to exceed 25x income per plan participant.

A cover letter is recommended providing a description of the business entity, name and title of each covered key employee, their amount of individual coverage, criteria used in selecting the group of key employees and explanation of the plan benefits outlined in the plan documents.

For more information on Deferred Compensation, please contact your field office or the Advanced Sales Department at 1-800-818-8184, option 8.

Business Coverage Guidelines (continued)

Split Dollar

Split dollar is an arrangement between two parties (the owner and the non-owner) to share the costs and benefits of a permanent life insurance policy.

If the purpose is to provide income to employee, follow Executive Bonus guidelines.

If the purpose is to provide for estate planning needs, follow Estate Planning guidelines.

A cover letter is recommended providing background information on purpose of the coverage (income or estate), company involved, description of the plan design, name and title of covered employee(s) and individual amount of coverage for each covered employee.

For more information on Split Dollar, please contact your field office or the Advanced Sales Department at 1-800-818-8184, option 8.

Executive Bonus

An Executive Bonus Plan, also known as a Section 162 plan, is a non-qualified employee benefit plan in which the business pays all or part of the premiums on a life insurance policy for the key employee as a "bonus." The key employee is the insured and the owner of the policy.

Death benefit is based on total key employee compensation and follows the Personal Coverage, Income Replacement Guidelines.

A cover letter is recommended providing plan design, name and title of the covered key employee(s) and individual amount of coverage for each employee.

For more information on Executive Bonus, please contact your field office or the Advanced Sales Department at 1-800-818-8184, option 8.