

Financial Underwriting

The purpose of the coverage should be included in a cover memo or stated in the remarks section of the application.

Personal Coverage

- **Income replacement** – use the income multiples below to determine maximum face amount.
 - Verification of income may be required if the amount appears excessive in relationship to the overall financial picture.
 - Spouse/homemaker face amount is generally limited to 50% of working spouse coverage up to a maximum of \$1 million.
 - An equal amount of coverage up to \$1 million can be considered for mortgage protection, young families or other needs.

Ages	Income Multiples
To age 40	30x
41 – 50	20x
51 – 60	15x
61 – 65	10x
66 and over	6x

- **Estate Tax/Liquidity** – traditional estate tax and liquidity planning sales
 - Third-party verification of assets and income required.
- **Asset Maximization** – IRA Maximization/Legacy/Asset and Wealth Transfer Sales
 - The maximum total line with all companies is based on only the value of the investment assets (mutual funds, stock, bonds, IRA, cash, etc.) and value of equity in the personal residence. See underwriting guideline below.
 - **The last quarterly statements for all investment assets should be included with the application along with a cover letter outlining the sales concept and purpose for the coverage.**
- **Maximum Face Amount Guidelines**
 - Asset Value = investment assets + market value of personal residence
 - Asset value x 50% – in-force coverage = maximum face amount for Asset Maximization sales
- **Charitable Sales** – the amount of coverage is generally based on a documented pattern of giving, but when there are significant investment assets, the Asset Maximization guidelines may apply as well.

Business Coverage

- **Key-Man Coverage** – the face amount allowed is based on the income of the key person being insured and is generally limited to 5x – 10x salary.
 - Verification of income may be required.
- **Buy-Sell Coverage** – the face amount should reflect the insured's percentage ownership in the business and be in line with the market value of the business.
- **Collateral Assignment for Loan** – the percentage of the loan that will be covered may be limited to 70% of the loan amount for corporate coverage.
 - Personal coverage for up to 100% of the loan amount may be allowed for small business loans, but loans backed by the SBA for new startup businesses are generally limited to the loan amount up to a maximum face amount of \$500,000.
 - A copy of the loan agreement is required for all loan collateral assignment cases.

Confidential Financial Statement (CFS)

Ages 0 – 70	Face Amounts \$5,000,001+
Ages 71+	Face Amounts \$3,000,001+

- A CFS should be submitted for all estate tax/liquidity, asset maximization and charitable giving cases.
- Any bankruptcy in the last 3 years.

Third-Party Verification of Assets

- Third-party verification of assets is required for all face amounts over \$5 million and may be required for face amounts under \$5 million depending on the purpose of the coverage. Asset verification may include CPA statements, quarterly investment statements, tax returns, public record checks, etc.
- At the producer's request, Protective will accept tax transcripts in lieu of tax returns with a properly completed form 4506-T for face amounts \$5,000,001 – \$10,000,000.

Bankruptcy

- **Chapter 7** – Applicants can be considered at one year from the date the bankruptcy is discharged if salaried employee or two years if self-employed.
- **Chapter 11** – Applicants can be considered one year from the date of discharge.
- **Chapter 13** – Applicants can be considered one year from the date the reorganization is approved for salaried applicants, or two years if self-employed.
- Confidential Financial Statement (CFS) and verification of income (tax returns or paystub) will be required for any bankruptcy within the last 3 years. In addition, the Home Office will order a Credit Report.