

SAFEGUARDING THE FUTURE

FIELD GUIDE TO FOREIGN
NATIONAL MARKET UNDERWRITING

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TRANSAMERICA®

As the global economy expands, so does the need for U.S.-dollar-denominated life insurance products. This is particularly true for Foreign Nationals with assets in the United States.





MARKET OVERVIEW

Different rules apply to these Foreign Nationals (non-U.S. citizens) under current estate tax law. These differences could result in substantial transfer taxes when these individuals either gift assets during their lifetime or bequeath them upon death.

TAXATION OF FOREIGN NATIONALS

Foreign Nationals are taxed differently, depending on whether they are classified as Resident Foreign National or Non-Resident Foreign National.

A Resident Alien is one who has established a legal domicile in the U.S.; that is, one who lives in the U.S., for even a brief period of time, with no present intention of permanently leaving the U.S.¹ Resident Foreign Nationals generally receive the same transfer tax treatment as U.S. citizens, including a full U.S. estate tax exemption. In other words, a Resident Foreign National's worldwide assets will be subject

to U.S. estate and gift tax. There is no unlimited marital estate tax deduction for transfers to a non-U.S. citizen spouse, so a surviving resident Foreign Nationals spouse may face a substantial tax burden.

Those who have not established domicile in the U.S. are classified as Non-Resident Foreign Nationals and are subject to a special set of transfer tax rules if they have assets in the U.S. Generally, only a Non-Resident Foreign National's assets that are considered located in the U.S. will be subject to U.S. federal estate and gift tax. Non-Resident Foreign Nationals are allowed a U.S. estate tax credit of \$13,000, which is not indexed for inflation.² This credit shields only the first \$60,000 of the estate from estate taxes.

¹ Treas. Reg. § 20.0-1(b)(1)

² IRC § 2102(b)(1)



U.S. CITIZEN MARRIED TO A FOREIGN NATIONAL MUST PLAN CAREFULLY TO MINIMIZE TAXES

Generally, a married couple may make unlimited gifts between spouses — during life or upon death — on a federal gift and estate tax-free basis. This is not true if one of the spouses is a foreign national.

The unlimited marital deduction only applies to U.S. citizen spouses. In some cases, a similar advantage may be afforded to a foreign national spouse by a treaty. Married couples with at least one Foreign National should consider estate planning if they are not covered by a treaty and if their estate is large enough to trigger estate tax liability. Estate tax bills, when applicable, are due within nine months of a death. Furthermore, lifetime gifting strategies between

such spouses must consider these and other limitations that apply to Foreign Nationals. These strategies are facilitated by the annual gift tax exemption for gifts to non-citizen spouses.

In addition, assets owned by spouses as joint tenants will not be treated as being owned 50% by each spouse. In other words, the entire value of the jointly-owned property is included in the estate of the U.S. citizen if he/she is the first to die, unless the surviving Foreign National spouse can demonstrate that he/she contributed to the purchase price. The effects of these rules should be addressed in a couple's comprehensive estate plan.



LIFE INSURANCE... FOR WHAT WE VALUE MOST

A Non-Resident Foreign National may own a life insurance policy insuring his or her own life and — unlike a U.S. citizen — the death benefit will not be subject to U.S. estate tax.³ In addition, cash value life insurance offers Non-Resident Foreign Nationals and Resident Foreign Nationals the same tax advantages available to U.S. citizens; namely, tax-deferred growth of cash values and a U.S. federal income tax-free death benefit.

QUALIFYING FOR COVERAGE

In some cases the amount of insurance coverage available should be based on income replacement, since many foreign countries do not impose estate taxes. However, when a Non-Resident Foreign National owns U.S. based assets, estate tax liquidity may be considered to justify additional coverage.

Life insurance can be one of the best options for providing liquidity to pay estate taxes on U.S. based property.

³ IRC § 2105(a); Treas. Reg. § 20.2105-1(g)

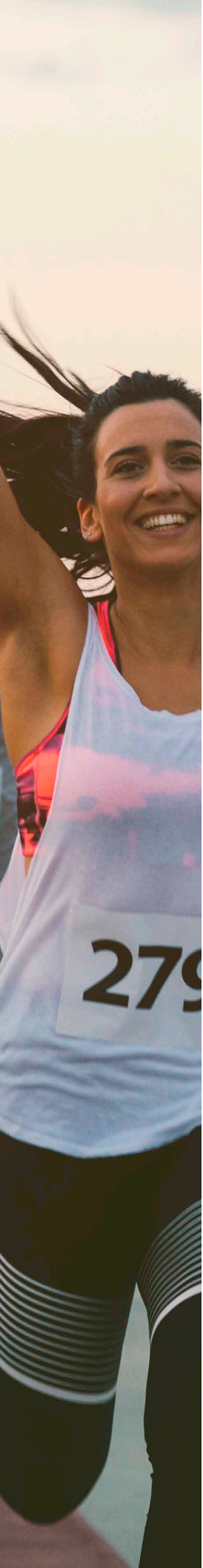


EVERY EFFORT, EVERY SMILE

To be eligible for coverage, non-resident Foreign Nationals should demonstrate a regular travel pattern to the U.S., in addition to one of the following ties:

- Liquid or non-liquid U.S. assets (e.g., insurance policies, property, accounts, U.S.-issued credit cards.)
- Immediate family residing legally in the U.S.
- Employment by, or ownership in, a U.S.-domiciled company.
- Ownership of a U.S.-domiciled trust or other legal entity (e.g. LLC).

Documentation may be required at Underwriter discretion.



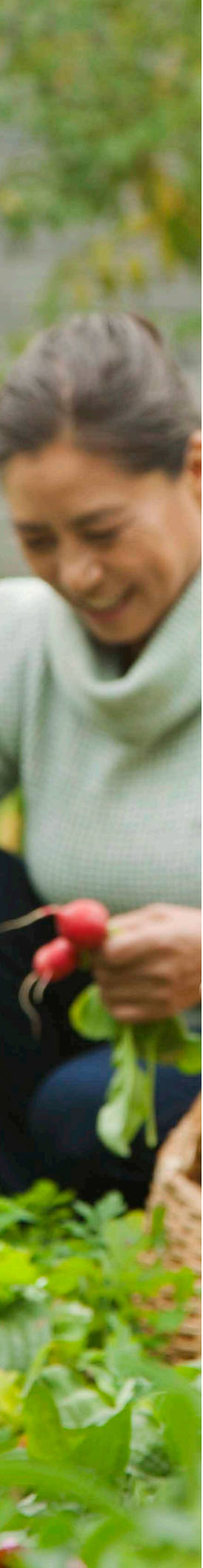
NON-RESIDENT FOREIGN NATIONALS NOT ELIGIBLE FOR CONSIDERATION

- Judges, journalists, private pilots and/or crew members, politicians or government employees, public or private police personnel, missionaries or proselytizers, military personnel, trade union officials, celebrities, prominent, famous or public figures, individuals listed on the Treasury Department's Office of Foreign Assets Control (OFAC) list, or professional athletes.
- Any individual who does not have a meaningful connection to the U.S.

Additionally, individuals who are citizens of or who spend time in countries with above average risk may not be eligible.

Examples include:

- Any country on the United States State Department (USSD) Travel Warnings list http://travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html.
- Any country at war or in open conflict (declared or undeclared).
- Any country with increased risk of terrorism, uprising, or political instability.
- Any country experiencing famine, endemic (e.g., Ebola), epidemic, or pandemic disease(s).
- Any country where access to at least routine medical care is limited or nonexistent.
- For potentially volatile medical risks (e.g., coronary disease, diabetes, respiratory disorders), we may decline travel to any country where access to emergency medical care is limited or nonexistent.
- We also regularly monitor Financial Action Task Force (FATF) and Anti Money-Laundering (AML) sites that may impose additional prohibitions.



WHY TRANSAMERICA?

1

PROCESS BUSINESS QUICKLY WITH DEDICATED UNDERWRITING TEAM

Transamerica has an international underwriting team dedicated to providing expedited service for Foreign National applicants. With over a century of combined underwriting experience, the team has a deep understanding of the nuances inherent in the global market. Team members have the unique advantage of translation skills in several languages as well as extensive experience in the large case market.

2

CLOSE MORE SALES

Transamerica offers competitive premiums, and the best preferred rates may be available in certain situations.

3

BROAD PRODUCT AVAILABILITY

Transamerica offers both term and permanent life products to non-resident foreign nationals.



SOLICITATION RULES

All solicitation and communication (including marketing materials) concerning the sale of life insurance products, including all telephone, fax, email or other electronic or delivered correspondence to a foreign national must take place in the U.S. while the Proposed Insured (and/or Owner, if different) is/are legally and physically present in the U.S.

Solicitation and communication includes, but is not limited to, all activity related to completing the application and the medical and exam/lab requirements, marketing materials or letters soliciting the purchase of insurance, meeting with clients or potential clients to discuss life insurance products, and other similar prospecting activities.

Transamerica requires that producers sign an acknowledgment of no foreign solicitation (“Producer Statement”) that is submitted with the policy application.



APPLICATION PROCESS AND POLICY DELIVERY

1

The application must be completed and signed by the owner and insured in a state or territory of the U.S. where the agent is properly licensed and appointed.

2

- This applications should include complete details as to travel and residency. Only TLIC and TFLIC products require use of the Travel Questionnaire. [TLIC products require (Travel and Residency Questionnaire" form # MPQ161008T.)]
- For trust owned policies, a Verification of Trust Agreement (U.S. situs trust or foreign situs trust) is required. For entity owned policies, an entity certification form is required.

3

All delivery requirements must be signed in the U.S. and the policy must be delivered to the client in the U.S. while the Proposed Insured (and/or Owner, if different) is/are legally and physically present in the U.S. Policies may be delivered to an individual authorized with a limited power of attorney to accept delivery of the policy.

Note: a limited power of attorney is an underwriting requirement and not a delivery requirement.

SPECIAL RULES FOR MEXICAN NATIONALS

Currently, all solicitations, writing of applications, performing of exams, and obtaining of lab specimens must be completed outside of Mexico and in a jurisdiction where Transamerica is licensed to conduct business. A U.S. Billing address is required.

Anyone — including an agent, solicitor for agent, a prospect, a doctor, or a nurse — involved in the solicitation or completion of an exam or application for life insurance in Mexico on behalf of a non-licensed foreign company may be subject to a jail term of six (6) months to ten (10) years as well as stiff fines.



WEALTH, HEALTH, HAPPINESS... PASS THEM ON

MEDICAL EXAMS

All medical exams performed for Transamerica must be completed in the U.S.

TRANSLATIONS NECESSARY

All medical declarations on applications must be completed in English. All medical records must be in English or translated into English. If a translation occurs during any part of the application or Exam process(es), and the translator was not the writing agent or the examiner the translation questionnaire is required.

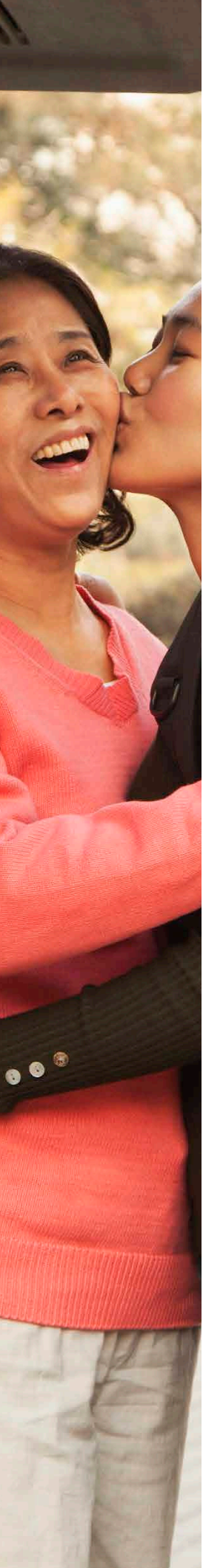
RESTRICTIONS ON COVERAGE

Coverage availability is subject to change without notice.

RETENTION

Based on different age groups, we have several levels of retention.*

*Retention limits are dependent on country code classifications. Please refer to the Foreign National Underwriting Risk Classes by Country chart.



SPECIAL RULES OR RESTRICTIONS FOR NON-RESIDENT FOREIGN NATIONAL

- Older Age (age 76+) risks require individual consideration.
- Riders⁴ — with the exception of Waiver of Premium — are not available. However, even Waiver of Premium will be assessed on an “Individual Consideration” basis, and in all cases will be available only for coverage that is within our retention.* Riders are not available. This includes child riders and living benefits riders. For cases within our retention Waiver of premium may be available on an “individual consideration” basis.

Coverage programs, such as Transamerica Opportunity Programs (TOP), automated underwriting, or other special underwriting programs, are not available.
- Foreign Nationals who do not reside in the U.S. are not eligible for special programs such as the Transamerica Opportunity Programs.
- No aviation coverage is allowed. Aviation exclusion is available only to private pilots.
- Medical risks above Table D (or its flat extra equivalent) will be considered on international risk cases on an “Individual Consideration” basis only, and only where the medical risk(s) in question are not volatile in nature. Examples of volatile medical risks include, but are not limited to, vascular diseases, cancer, diabetes, etc. On any specific case, “volatile” will be determined at the sole discretion of International Underwriting.
- Inspection reports may be required at certain amounts, or at the Underwriter’s discretion. The Proposed Insured must be legally and physically present in the U.S. to complete an inspection report or any other requirement (e.g. cognitive screening) that involves telephone contact. Otherwise, regular New Business Underwriting Requirements apply. Transamerica follows normal age and amount guidelines in determining underwriting requirements. All pertinent underwriting data must be available, including Attending Physician Statements (APS).
- A conditional receipt cannot be issued. An agent cannot conditionally bind the application. No cash should be taken with an application.
- All policy forms and applications used should be the English version (see “Translations Necessary” section on Page 11).
- All communications and premium payments made by the insured or the policy owner must be directed from an address within the United States. Premium payments must be in U.S. currency from a U.S. account. Credit card payments must be from a U.S. issued credit card.

⁴ Not all riders are available on all products.



ANTI-MONEY LAUNDERING. KNOW YOUR CLIENT.

Enhanced due diligence procedures. Transamerica may order third party inspection reports and require additional documentation.



TIPS TO EXPEDITE FOREIGN NATIONAL UNDERWRITING

- For non-resident foreign nationals and U.S. expatriates, primary foreign address[es] are to be listed as the primary address on the application. A U.S. billing address is required [cannot be an address of the agent or GA], and should be listed as the secondary address. [Include all the required forms with the application.]
- Include complete travel and residency details. Encourage the proposed insured to be as specific as possible when describing his or her travel (specific country/ies and city/ies, frequency, duration) or the location of a foreign residence. Ambiguous responses, such as “South America” or “Africa” will generate a follow-up inquiry.
- When collecting copies of the visa/passport, remember to collect a copy of Proof of Entry to the U.S. [passport stamp or I-94.]
- Submission of a cover letter is highly recommended. A well-constructed cover letter should include:
 1. How you know the customer.
 2. Overview of the customer’s business affairs and financial picture.
 3. What financial objectives, benefitting the customer, are being met with the coverage. Include what potential future financial loss is being protected.
 4. How the face amount and premiums were determined.
 5. How the policy will be funded (source and pattern of funding.)



TOGETHER WE ARE MORE

Life insurance planning for foreign nationals is a growing market with exciting opportunities to expand your insurance sales and grow your business.

Likewise you will be able to provide value to clients by highlighting some potential estate tax risks that they might not be aware of and that life insurance can help mitigate. Transamerica is well-qualified to help you become more successful by providing you with the winning combination of advanced marketing expertise, dedicated underwriting and support, and competitive products and premiums.



TRANSAMERICA®

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