

# DETERMINING COVERAGE AMOUNTS FOR INDIVIDUALS

PURPOSE	FORMULA		REQUIREMENTS
Income Continuation	Ages	Income Factor	<ul style="list-style-type: none"> <li>Income stated must be reasonable for the profession or occupation stated.</li> <li>Income source considered will be that of the proposed insured, not the household income or that of the owner.</li> <li>Earned income includes salary, bonuses, commissions, and deferred compensation and excludes income from investments.</li> <li>The unemployed spouse may be considered for a percentage of the employed spouse's income.</li> <li>4506-C is required on applications of \$5 million and up or at underwriter discretion. This form may be obtained through your agent portal or through iPipeline®.</li> <li>College students can be considered for up to \$1 million.</li> </ul>
	18-35 36-45 46-50 51-55 56-65 66-70 71+	Up to 30 25 20 15 10 5 individual consideration	



Electronic Inspection Report ordered for all coverage greater than \$3.5 million through \$10 million. Full Inspection Report ordered for all coverage greater than \$10 million.

**For Agent Use Only. Not for Distribution to the Public.**

# DETERMINING COVERAGE AMOUNTS FOR INDIVIDUALS

(continued)

PURPOSE	FORMULA		REQUIREMENTS
<b>Juvenile</b>	<b>Ages</b>	<b>Face Amount</b>	
Total juvenile insurance coverage with all carriers cannot exceed \$1 million. Amounts over \$1 million will not be considered.	15 days through 17 years	Amounts through \$250,000	<p><b>Underwriting Requirements</b></p> <ul style="list-style-type: none"> <li>Coverage on all siblings should be similar.</li> <li>Parent(s) or guardian(s) must witness the applications and complete the nonmedical declarations.</li> <li>The owner of the policy must be the parent, legal guardian, or grandparent. For legal guardianship where the guardian is not the parent, we require a copy of guardianship papers.</li> <li>The parent/legal guardian, juvenile, and owner must be residing in the U.S. permanently either as a U.S. citizen or a visa type that is not considered temporary or uninsurable based on our international underwriting guidelines.</li> </ul>
		\$250,001 – \$1,000,000	<p><b>All requirements for the Up to \$250,000 face amount, plus:</b></p> <ul style="list-style-type: none"> <li>Equal coverage* for parent(s) or legal guardian is allowed up to \$1,000,000**</li> </ul> <p><b>For amounts \$500,000 up:</b></p> <ul style="list-style-type: none"> <li>Underwriting will obtain the child's medical records</li> <li>Minimum household income must be \$100,000 or greater</li> </ul>
Washington State	15 days through 17 years	Total Insurance Amount, including in force coverage, cannot exceed the lesser of \$50,000 or U.S. household income.	<p>All requirements as indicated above for the appropriate face amount, plus:</p> <ul style="list-style-type: none"> <li>Juveniles 15 years or older must sign the application.</li> </ul>
New York State	Under 4½ years	Maximum Face Amount is greater of \$50,000 or 25% of the amount of insurance in force on the parent/owner.	<p>All requirements as indicated above for the appropriate face amount, plus:</p> <ul style="list-style-type: none"> <li>The parent designated as the owner must have adequate coverage as described</li> <li>Not all children from the same family will be eligible for the same face amount if they fall within the two different age brackets</li> <li>Neither accidental death and dismemberment insurance nor credit card insurance should be counted in determining whether the family head has sufficient coverage to qualify the minor for the amount of insurance requested</li> </ul>
	4½ years to 14½	Maximum face amount is the greater of \$50,000 or 50% of the amount in force on the parent/owner.	

\* Group coverage, accidental death and dismemberment insurance, and credit card insurance should not be counted in determining the parent/owner's total coverage.

\*\* Available in all states except New York and Washington State. In NY and WA, state specific laws take precedence over company guidelines.

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(continued)

PURPOSE	FORMULA	REQUIREMENTS
<b>Estate Planning</b>	Projected future estate tax liability <b>Note:</b> A 7% annual growth rate over the applicant's life expectancy is used for illustration purposes. This estate appreciation rate should be adjusted, up or down, taking under consideration what is a reasonable growth factor in the current environment. Typically this has been in the 5 - 10% range.	A cover letter must be provided that includes: <ul style="list-style-type: none"><li>• The purpose of the insurance</li><li>• A current value of the applicant's estate, which includes a personal balance sheet listing all assets and liabilities and an estate analysis</li><li>• Third party financial verification for face amounts greater than \$10 million or total line over jumbo limits</li></ul>



# PREMIUM TO INCOME GUIDELINES

While each of your clients have different financial needs, these guidelines are intended to provide a general formula to help calculate suggested maximum amounts of life insurance.

- What does the client do for a living?
- What is their annual income and net worth?
- Do they already own a life insurance policy?
- If so, what is the face amount? Is it being replaced?
- What is the purpose of the life insurance being applied for?
- Do they have any medical issues that may result in a higher premium?

PURPOSE	FORMULA		REQUIREMENTS
<b>Affordability Guidelines</b>	Below Formula – Annual premium for all policies ÷ Annual income = %. The premium to income ratio should not exceed the percentages below.		<ul style="list-style-type: none"> <li>• There should not be a significant adverse change in financial status or financial flexibility as a result of the purchase of the policy(ies).</li> <li>• For incomes less than \$15,000 (USD), details supporting the need and purpose of the insurance may be necessary. Adjustments (upwards) for family size (when known) should be considered to align with U.S. Federal Poverty Guidelines published by the U.S. Department of Health &amp; Human Services.</li> <li>• Premium affordability should be demonstrated for the total premiums being paid on all policies, by the payor(s). This includes all policies on the payor(s) life and all policies on the lives of others for which they are paying.</li> </ul>
	Annual Income	Premium to Income	
	≤ \$30,000	15%	
	> or = \$30,001	20%	

## HIGH NET WORTH APPLICANTS

In circumstances where the premiums exceed the above guidelines, such as a client with demonstrable high liquid assets and low/moderate income, further consideration beyond the guidelines may be given. A cover letter of explanation and supporting financial evidence will be required for face amounts \$3 million and higher. See page 43 for additional information on cover letters.

# DETERMINING COVERAGE AMOUNTS FOR BUSINESS PLANNING

PURPOSE	FORMULA		REQUIREMENTS
Key Person	Ages	Factor x Income	A cover letter must be provided explaining: <ul style="list-style-type: none"> <li>The key person's value to the company</li> <li>How the coverage amount was determined</li> <li>Whether the key person has ownership in the company and the percentage of ownership</li> <li>A list of all other key persons, the amount of key person coverage, and percentage ownership for each key person</li> </ul>
	To age 65 Age 66-70 Age 70+	10 5 IC	
Buy-Sell/Business Continuation	% Ownership x Corporate Value		A cover letter must be provided explaining: <ul style="list-style-type: none"> <li>The fair market value of the business and how the amount of insurance was determined</li> <li>A copy of the buy-sell agreement or the details of the buy-sell agreement</li> <li>The proposed insured's ownership percentage, the number of other partners, and their ownership percentage</li> <li>The amount of buy-sell coverage on each partner and the amount and purpose of all in force business coverage</li> </ul> All partners must apply for or have in force buy-sell coverage. The underwriter will need the last two years' corporate balance sheets and income statements, including notes.
Business Loan	An amount up to the outstanding principal of the loan.		<ul style="list-style-type: none"> <li>The business must be the owner of the policy</li> <li>Cover letter must include the purpose, duration of the loan, collateral pledged, its value, and the loan interest rate</li> <li>The term of the loan must be five years or more.</li> <li>If creditor is designated beneficiary, it should be stated "as its interest may appear" with balance of proceeds to go to another designated personal beneficiary. A collateral assignment would also be acceptable</li> </ul>

Business Beneficiary Inspection Report (BBIR) ordered for business coverage over \$2 million.

Electronic Inspection Report ordered for all coverage greater than \$3.5 million through \$10 million. Full Inspection Report ordered for all coverage greater than \$10 million.