



# Financial Underwriting Guidelines

Effective 7/1/2022

## Personal Income Replacement

Income replacement insurance is intended to compensate for an applicant's earnings during their working years.

Earned Income Replacement	
AGE	INCOME FACTOR
18-35	35x
36-40	30x
41-45	25x
46-50	20x
51-60	15x
61-65	10x
66+	5x

Factors used to determine appropriate amounts of coverage:

- **Earned Income**—If there are wide fluctuations from year to year, use an average.
- **Unearned Income**—Can be factored in, but should not exceed 25% of total income.
- **Bonuses and/or Commissions**—Can be included using an averaging approach of recent year's figures.
- **Fringe Benefits**—Customary supplemental benefits can be considered.

## Spouses Who Do Not Work Outside of the Home

Spouses who do not work outside of the home may be insured for the same amount of coverage on the working spouse, up to \$1 million. Amounts exceeding \$1 million are capped at 50% of the working spouse.

Amounts exceeding these guidelines may be considered on an individual basis. Please include details of the need for insurance in a cover letter to the underwriter.

## Estate Preservation

Coverage levels for estate protection will be based on 50% of the projected estate growth using the maximum parameters shown in the following table. Producers should include a cover letter explaining how the amount of insurance was calculated.

## Estate Preservation Parameters

AGE	YEARS PROJECTED	% MAXIMUM GROWTH RATE
18-50	25	6%
51-60	20	5%
61-70	15	4%
71-75	10	4%
76+	5	3%

## Premium Affordability

Affordability is an important factor that must be evaluated to determine if a product recommendation is appropriate for the applicant's financial circumstances. Both annual income and liquid net worth can be considered as a part of the applicant's ability to support the product sold. On cases exceeding these guidelines, a detailed cover letter should be provided by the producer to explain:

- Need and purpose of the life insurance,
- How the face amount was determined,
- Source of premium and funding pattern, and
- How the premiums are sustainable for the client.

## Premiums Based on Income

ANNUAL INCOME	% OF INCOME USED FOR PREMIUM
\$0 to \$75,000	Up to 15%
\$75,001 to \$150,000	Up to 20%
\$150,001 to \$300,000	Up to 30%
\$300,001 and higher	Underwriter Discretion

## Premiums Based on Net Worth

NET WORTH	% OF LIQUID NET WORTH FOR TOTAL PLANNED PREMIUM
\$0 to \$500,000	Up to 20%
\$500,001 to \$2,000,000	Up to 30%
\$2,000,001 to \$5,000,000	Up to 40%
\$5,000,001 and higher	Underwriter Discretion

## Juvenile Life Insurance

The amount of insurance available on a juvenile life is based on the coverage carried by the parents and siblings.

All siblings must be treated equally, either by face amount or premium amounts.

The maximum amount of insurance we will consider on a juvenile insured is:

AMOUNTS UP TO	GUIDELINE
\$500,000	100% of the least insured parent
\$2,000,000	50% of the least insured parent
\$2,000,001	Individual consideration: Please send a cover letter to explain the need for the insurance amount.

## Grandparent Gifting Life Insurance

Grandparents may purchase up to \$100,000 of insurance on each of their grandchildren for gifting purposes. All grandchildren must be treated equally. A parent or legal guardian must answer the medical questions and sign the application (or parental authorization for coverage) on behalf of their child.

Additional insurance may be considered on an individual basis using the guidelines for Juvenile Insurance above. Please provide a cover letter to explain the need for the insurance requested.

## Charitable Gifting Life Insurance

An insured may purchase insurance equivalent to 10 times regular annual monetary gifts to the charity. The value of services provided to a charity can be considered on an individual basis. Please consult your underwriter.

If the proposed insured does not have a pattern of annual gifting to the charity, then a maximum amount of \$50,000 will be considered based on the strength of the insured's connection to the charity.

The total amount of charitable insurance shall not exceed 50% of the insured's personal insurance.

## Final Expense

Final expense coverage will be considered for a maximum of \$100,000. This amount includes the total life in force and applied for among all companies. Premium affordability rules must also be met.

## Business Life Insurance

The following table shows the various types of business insurance and the information required to consider the amount requested.

PURPOSE OF INSURANCE	GUIDELINE	INFORMATION REQUIRED FROM PRODUCER
Key Person	Ages 18-60: Up to 10x salary and bonus  Ages over 60: Up to 5x salary and bonus	Income, role in organization, specialized skills and experience.
Buy-Sell	Fair market value of ownership	5% of ownership, value of business, valuation method, and amount of insurance other partners hold.
Creditor	Up to 70% of the non-collateralized portion of the debt	Loan details, amount, purpose, duration, repayment terms.  Insured must be an owner of the company.

## Financial Documentation Requirements

### Premiums Based on Net Worth

Confidential Financial Statement	Amounts \$1,000,000 and higher
Confidential Financial Statement for Business Insurance	Business insurance cases for amounts \$1,000,000 and higher
Third Party Financial Documentation	Amounts exceeding \$5,000,000
Electronic Inspection Report	Amounts exceeding \$5,000,000
Traditional Inspection	Ages 18-70 and amounts exceeding \$10,000,000 Ages over 70 and amounts exceeding \$5,000,000

We reserve the right to request additional financial information if the applicant is outside of these parameters. For example, we may ask the applicant to fill out IRS Form 4506-C Request for Transcript of Tax Return or provide copies of financial statements that validate assets and/or net worth so that we can verify the income stated on the life application.

These guidelines are subject to change. Given that the severity of medical conditions varies among individuals, we generally base formal underwriting evaluations and pricing on the individual characteristics of each case. Subject to applicable law, we reserve the right to waive particular requirements and to underwrite based on requirements not listed.

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