



# Financial Underwriting Guidelines

Updated October 2011

Underwriters will generally follow these guidelines but can use their own judgment and discretion in determining the appropriate amount of coverage, depending on case specifics.

**Income Replacement** - For non-working spouses, consider the same amount as on the working spouse

Age	Multiples of Earned Income
18-35	Up to 30x
36-45	Up to 25x
46-60	Up to 20x
61-65	Up to 10x
66 and older	Up to 5x

## Under Age 70 – Estate Growth Planning Guidelines

Using  $\frac{3}{4}$  of standard life expectancy, apply a growth rate of 6% to the current net worth. Then multiply that number by 55%. The maximum number of years we use for estate growth is 25 years.

## Age 70 and Older – Estate Planning, Money Purchase, Wealth Transfer and Asset Allocation Guidelines

We recognize the important need for the applicant to have sufficient funds available to handle any potential emergency and have access to cash reserves. The following guidelines have been developed to allow for wealth transfer concepts while safeguarding emergency and overall living expense needs.

An insurable amount is determined by the **insured's** income and net worth situation. It will not be determined by what a single premium or a money purchase premium stream will buy. Single premium sales include 1035 exchanges, use of CD or other liquid instruments. Money purchase premium stream sales include concepts such as Annuity distributions, RMD from an IRA or 401K, pension, or other retirement distributions.

Age	Net Worth	Allowable Maximum Face Amount
70 - 80	\$200,000 to \$ 1million	50% of net worth
70 - 80	Over \$1 million	Using $\frac{3}{4}$ of standard life expectancy apply a growth rate of 6% to current net worth. Multiply that number by 55% to arrive at the face amount
81 - 85	\$200,000 and up	50 % of net worth

Annual Income	% of Income Used for Premium	Special NOTE
\$20,000 to \$50,000	Up to 15%	<i>*Income to premium ratio exceeding 30% will require a minimum net worth of \$1 million. If income to premium ratio exceeds 40%, evidence of liquid net worth supporting a minimum of 5 times the target premium will be required.</i>
\$50,001 to \$110,000	Up to 20%	
\$110,001 and higher	*30 to 40%*	

## Key Person

Will consider up to 10x income for established businesses. Stock options, bonuses, perks such as housing and auto will be factored into compensation. We may reduce the factor for key persons over 60 based on the hours worked or years to retirement.

## Buy-Sell Or Stock Redemption

Amount of coverage will equal business or stock ownership percentage based on fair market value outlined in Buy-Sell Agreement. If Buy-Sell agreement is not created, provide information on how fair market value was determined and provide 2 years of Income Statement and Balance Sheet information or third party business evaluation.

## Juvenile Coverage

<b>All states except New York and Washington</b>	Up to the same face amount of life coverage that is on the parent to a maximum of \$10 million depending on case specific circumstances. Amounts over \$10 million require facultative reinsurance review.
<b>New York</b>	<b>Under age 4 years and 6 months:</b> The greater of \$25,000 or 25% of the amount of insurance on the person applying for coverage. <b>Age 4 years and 6 months to age 14:</b> The greater of \$25,000 or 25% of the amount of insurance on the person applying for coverage
<b>Washington</b>	<b>Under age 18:</b> The amount should not exceed the annual household income (earned and unearned). The amount should be proportional to the amount issued on siblings or immediate family members.