

The One-Minute Financial UNDERWRITING GUIDE

Purpose	Guidelines	Financial Documentation																				
<p>Key Person</p>	<p>10 x annual compensation (salary and bonus). Individual consideration above 10 x when agent can demonstrate greater loss to the business</p>	<p>Tax Return, W2, Employment Contract or Accountant's Statement to verify income. Cover letter explaining why applicant is a key person, and outlining coverage in force, applied for on other key personnel.</p> <p>Balance sheet and earnings statement for the business.</p> <p>Additional State required forms may be required.</p>																				
<p>Personal Planning Income Replacement</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Ages</th> <th style="text-align: center;">Factor x Income</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">18-30</td> <td style="text-align: center;">30</td> </tr> <tr> <td style="text-align: center;">31-35</td> <td style="text-align: center;">25</td> </tr> <tr> <td style="text-align: center;">36-40</td> <td style="text-align: center;">25</td> </tr> <tr> <td style="text-align: center;">41-45</td> <td style="text-align: center;">20</td> </tr> <tr> <td style="text-align: center;">46-50</td> <td style="text-align: center;">20</td> </tr> <tr> <td style="text-align: center;">51-55</td> <td style="text-align: center;">15</td> </tr> <tr> <td style="text-align: center;">56-60</td> <td style="text-align: center;">12</td> </tr> <tr> <td style="text-align: center;">61-65</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">66 & Over</td> <td style="text-align: center;">5</td> </tr> </tbody> </table>	Ages	Factor x Income	18-30	30	31-35	25	36-40	25	41-45	20	46-50	20	51-55	15	56-60	12	61-65	10	66 & Over	5	
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“Income” = earned income, defined as base salary and regular cash and stock bonuses. One-time or infrequent bonuses should not be factored in. Regular unearned income from rent, royalties or investments, may be included, if they are the result of the proposed insured's management expertise. If there are significant fluctuations in income from year to year use an average.

Purpose	Guidelines	Financial Documentation
Estate Tax Planning	Current net worth x tax rate, (estimated tax liabilities at death including Estate Taxes, Inheritance Taxes and Capital Gains Taxes, both Federal and State.)	Estate Analysis, third party verified list of assets, liabilities and income.
<p>When purchasing future estate tax coverage on younger clients project estate appreciation at 4%, times 50% of the life expectancy (in a joint sale use the healthier/younger life expectancy). If you don't have the means to do such a calculation, call underwriting and we'll do the calculation.</p>		
Purpose	Guidelines	Financial Documentation
412(e)(3) & Employee Benefits	Must fall within combined Income Replacement and Estate Tax Planning limits or it will be underwritten utilizing facultative reinsurance.	Pension Calculations, estate analysis, third party verified list of assets, liabilities and income. Cover letter from agent.
Buy-Sell/ Stock Redemption	Percent of ownership x business value. Number of shares owned x value per share.	Copy of Buy-Sell agreement, current accountant-verified balance sheet and earnings statement for the business. Third party verification of number of shares owned and value per share. Independent credit report. Notice and Consent requirements for corporate owned insurance.
Creditor, Debt Repayment	75 to 95% of loan amount (term of loan at least 5 years). Individual consideration depending on circumstances of loan, and whether or not loan is collateralized.	Copy of loan agreement, including interest rate on loan. Cover letter from agent.
Charitable Contribution	Amount commensurate with income, net worth and personal insurance program.	Details of donation history to the charity. Third party verified contribution record for past 3 years.
Juvenile Insurance	Up to 50% of coverage in force on parent, 25% in New York age 4 and under.	<ol style="list-style-type: none"> 1) Coverage in force on parents 2) Coverage in force or applied for on other siblings 3) Net worth of parents

The purpose of this Guide is to provide our field force with an overview of the formulas and information underwriters use when reviewing and classifying risks. The Guide focuses on financial underwriting which is just one of many factors considered when assessing an application. It is intended for use as a guide – not as a set of hard and fast rules.

The writing agent's cover letter fills out a picture of the client that the Life application has only begun to sketch. The letter introduces, explains, clarifies and, in general, provides a professional presentation that facilitates underwriting review and offsets time-consuming questions from the Home Office.

Here is a handy guide to help you think of key points when writing your cover letter:

	Business Insurance	Personal Insurance		Business Insurance	Personal Insurance
I. Cover Letter			II. Enclosures with Cover Letter:		
A. How did the sale come about?	X	X	A. Accountant-prepared balance sheet and earnings statement.	X	
B. What is purpose of proposed coverage?	X	X	B. Accountant's list of assets, liabilities, net worth.		X
C. How were face amounts determined?	X	X	C. Accountant's Statement of income or copy of most recent tax return with all schedules.		X
D. How will proceeds be used?	X	X			
E. How much will be placed inforce with us?	X	X			
With other carriers?	X	X			
F. Who are the beneficiaries and owners of inforce ins?	X	X			
Purpose of inforce ins?	X	X			
G. The business:					
1. Organizational Structure (C, S Corp, LLC Etc.?)	X				
2. What do they do?	X				
3. Number of employees?	X				
H. Are other key personnel applying/ covered for similar amounts?	X				