

Financial Underwriting Guidelines - Life

Financial underwriting is a key component for risk assessment. It helps determine the insurance need and validates the coverage and premium amount based on the individual or corporate financial profile.

The following are guidelines to assist you when working with your clients to determine the appropriate insurance need, subsequent face amounts and premium structure to reach that goal. While most insurance needs will fit within the guidelines provided, we do appreciate that unique situations may arise and require different consideration. In those instances, we are open to reviewing and considering coverage beyond our stated guidelines when supported with additional financial evidence.

Personal Needs

Purpose	Guideline Formula	Requirements	
Income Replacement	Ages	<ul style="list-style-type: none"> Applicable application questions <p>If coverage exceeds: \$5 million – require third-party verification statements</p>	
	18-24		15 x income
	25-50		20 x income
	51-60		15 x income
	61-65		10 x income
66-75	5 x income		
Estate Conservation	Up to 50% of total net worth	<ul style="list-style-type: none"> Applicable application questions <p>If coverage exceeds: \$5 million – require third-party verification statements</p>	
	Above 50% of total net worth: We will consider additional insurance based on a reasonable growth formula for the estate per the following guidelines:		
	Age		Maximum protection
	Up to 60		15 years
	61-75		10 years
76-80	5 years		
Non-income earning spouse	Up to \$500,000	<ul style="list-style-type: none"> Applicable application questions 	
	Above \$500,000		<ul style="list-style-type: none"> Additional information required on family income and net worth and the overall insurance planning completed
Students	Up to \$500,000	<ul style="list-style-type: none"> Applicable application questions 	
	Above \$500,000		<ul style="list-style-type: none"> Additional information required on the school, course of study, and the number of years remaining until completion
Children	Up to \$250,000	<ul style="list-style-type: none"> Applicable application questions Parents should have an equal or greater amount of coverage in force Siblings should be insured for similar amounts 	
	Above \$250,000		<ul style="list-style-type: none"> Consideration given for higher amounts when supported with the family finances and rationale for the proposed coverage

Unemployment	Term insurance up to \$250,000	<ul style="list-style-type: none"> • Applicable application questions • Details of prior occupation and income
	Above \$250,000	<ul style="list-style-type: none"> • Additional information required on need for the coverage, reason for and duration of unemployment, skills/training, work history, job prospects and projected income
Bankruptcy and Consumer Proposal	Term insurance up to \$250,000 Once discharged, regular guidelines will apply	<ul style="list-style-type: none"> • Applicable application questions
Foreign net worth	Up to 30% of foreign assets to a maximum of \$5 million	<ul style="list-style-type: none"> • Applicable application questions • Financial questionnaire (NN0781)
	Up to 50% of foreign assets up to a maximum of \$5 million if held in an international financial institution and we receive copies of the account statements in English or French	
	Foreign business assets if a well-known international accounting firm provides financial statements	
	50% or more of the coverage amount and premium to be supported by Canadian income/assets	

Business Needs

Purpose	Guideline Formula	Requirements
Buy-sell	<p>Consideration given to each owner for an amount equal to their share percentage of the current fair market value (FMV)</p> <p>Additional coverage for growth at 5% per year for 5 years for established businesses</p>	<ul style="list-style-type: none"> • Applicable application questions to include business section <p>If combined coverage (all partners) exceeds: \$5 million – require corporate financial statements</p>
Key Person	<p>5-10 x compensation</p> <p>Providing details regarding how the proposed insured is key to the company's success, including experience, special skills, and the financial impact to the company should there be a sudden loss of this employee will help us understand the multiple you used to determine coverage</p>	<ul style="list-style-type: none"> • Applicable application questions <p>If coverage exceeds: \$5 million – require corporate financial statements</p>
Business Loan Collateral	<p>Coverage amount considered up to 100% of the loan</p> <p>Each owner/key person may be considered for their portion of the loan</p>	<ul style="list-style-type: none"> • Applicable application questions • Loan details including name of lender, loan amount, and purpose of the loan <p>If coverage exceeds: \$5 million – may require a copy of the loan agreement and corporate financial statements</p>
Business Value Protector (BVP)	<p>BVP Formula: Average net income after tax for the last 3 operating years x 10 x ownership share</p> <p>Net income will be adjusted for non-recurring earnings and expenses</p> <p>50% of management bonuses may be added back before averaging</p>	<ul style="list-style-type: none"> • Applicable application questions • Corporate financial statements for the last 3 operating years

Estate Planning

Purpose	Guideline Formula	Requirements
Insurance as an Investment: Personal Estate Bond/Insurance Retirement Program (IRP)	Premium deposits considered up to the greater of: <ul style="list-style-type: none"> • 30% of net worth over a 5-year period, OR • 35% of investible assets over a 5-year period, OR • 30% of annual pre-tax income These guidelines assume a minimum 3-year payment period For family situations, we will consider the total net worth and total premium for all policies Coverage amounts will be assessed based on the insurance need presented	<ul style="list-style-type: none"> • Applicable application questions • Source of premium and any additional deposits • The product and illustration must match the intended insurance purpose
Charitable Giving	Coverage amount considered based on the insurance plan presented which should include what planning has taken place to ensure personal needs are met Premium and deposits should be less than 25% of net worth	<ul style="list-style-type: none"> • Applicable application questions • Cover letter that includes the name of the charity, details of past contributions, any tax implications, and details of personal coverage
Insurance funded by an annuity	The annuity and total net worth generally determines the amount of coverage Premium deposit amounts considered are similar to the Insurance as an Investment guidelines	<ul style="list-style-type: none"> • Applicable application questions • Cover letter to include details of the annuity any special requests If coverage exceeds: \$10 million – require third-party verification of finances
Retirement Compensation Arrangements (RCA)	Coverage amount considered based on the actuarial valuation It may also be based on current income, projected retirement income, and years until retirement	<ul style="list-style-type: none"> • Applicable application questions • Copy of the actuarial evaluation • Copy of the RCA Trust Agreement If coverage exceeds: \$10 million – require third-party verification of finances
Corporate Estate Bond	Coverage amount considered based on investible assets and/or surplus cash held in the corporation along with personal net worth. Premium deposit amounts considered are similar to the personal estate bond guidelines	<ul style="list-style-type: none"> • Applicable financial questions on the application • Cover letter explaining the concept If coverage exceeds: \$5 million – require corporate financial statements \$10 million – require third-party verification of finances
Corporate Insured Retirement Program (CIRP)	Premium deposits considered up to 35% of investible assets within a 5-year period, OR 35% of annual pre-tax income These guidelines assume a minimum 3-year payment period Coverage amounts will be assessed based on the insurance need presented	<ul style="list-style-type: none"> • Applicable application questions • Cover letter explaining the concept and how the amount was determined If coverage exceeds: \$5 million – require corporate financial statements \$10 million – require third-party verification of finances
Generation Transfer Bond	Coverage amount considered based on the net worth of the donor and existing insurance on the family members	<ul style="list-style-type: none"> • Applicable application questions If coverage exceeds: \$250,000 – require cover letter that includes purpose of coverage, family net worth, and the family situation \$5 million – require third-party verification of donor finances \$10 million – require third-party verification of finances

