

Financial Underwriting - The following information is intended to provide you with a basic overview of the most common financial situations and the methods used for calculating a justified amount of coverage. Every case should be accompanied by a detailed cover letter. The Cover letter should explain the need for coverage and how the amount was determined.

Example: Key Man coverage should be accompanied by a cover letter explaining why the client is a key person, and include total compensation and details of the employment contract. Details of coverage on other key staff should also be included.

Purpose of Insurance – Personal – replacement of income

The following guide should be considered:

Age 20–35 Factor of earned income 20 to 30

Age 36–40 Factor of earned income 15 to 25

Age 41–45 Factor of earned income 14 to 20

Age 46–50 Factor of earned income 12 to 20

Age 51–59 Factor of earned income 10 to 15

Age 60–64 Factor of earned income 7 to 10

Age 65–70 Factor of earned income 4 to 10

Age 70+ Factor of earned income 4 to 5

Non-Working Spouse - Up to 50% of working spouse coverage with a maximum of \$1 million. Some carriers are more liberal.

Children's Coverage - Up to 50% of parents' coverage. *Some carriers only offer maximum of \$250,000.

Personal Debt Protection - 100% of home loan. 50% to 75% of loan balances for other credit vehicles.

Business Debt Protection - 50% to 75% of loan balance.

Key Person - Up to 10 times annual income.

Buy/Sell - Percent of ownership multiplied by the corporate (fair market) value.

Estate Planning - Estate value appreciation at 6% for one-half the greatest life expectancy or 8 to 10 years.