

Financial underwriting guidelines

(R-5/2014)

All cases are subject to an underwriter's discretion and suitability review.

Personal Financial Statement (NB2012P) requirements

Ages 0-64¹ \$3,000,001 and greater
Ages 65 and up All face amounts

Business Financial Statement (NB2012B) requirements

- Required for any type of business insurance at \$3,000,001 and greater.
- May be requested by underwriter for smaller face amounts.

Third-party financial validation requirements

Ages 0-64¹ \$10,000,001 and greater
Ages 65 and up \$5,000,001 and greater

Supporting documentation will differ depending on the asset. See chart below. This list is not all-inclusive, but does provide examples of the types of proofs that will be required.

Type of asset	Examples of supporting documentation
Earned income	Copies of tax returns, W2s, 1099s
Cash and CDs	Current bank/CD statements, tax returns
Equities (stocks and bonds, 401(k), IRAs, or other qualified monies)	Current brokerage/account statements, tax returns
Real estate – provide listing of properties held including addresses and percentage of ownership	Current property tax statements/assessments, appraisals, title to property for proof of ownership if not on property tax statement, tax returns
Rare/valuable collection(s)	Copy of insurance policy identifying the collection and covering same, or independent formal appraisal proving ownership and value
Business interests	Copies of tax returns along with audited corporate financials, i.e., balance sheet and income statements, 10-Ks, articles of organization/incorporation proving ownership

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¹ For ages 0-17, this requirement would be for the premium payor.

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Affordability guidelines

All cases are reviewed for a needs-based selling approach and premiums must be within our affordability guidelines. The company's premium affordability guidelines are intended to ensure that the premium payments are consistent with the client's financial circumstances, taking into account the client's income, net worth, and liquidity. For individuals with higher levels of income or net worth, a larger percentage is generally allowed to be used for life insurance premium than for those at the lower end of the income/net worth scale. As a general guideline we use the following parameters:

For premium payments from income:				
Income	<= \$75,000	\$75,001-\$150,000	\$150,001-\$300,000	\$300,001 +
Minimum premium allowed	Up to 10%	Up to 15%	Up to 25%	Up to 35%
Maximum planned premium allowed ¹	10%-20%	15%-30%	25%-40%	35%-50%

¹Maximum planned premium varies by net worth on a sliding scale. To qualify for the larger amount, the client's net worth should be at least 5x income.

For premium payments from net worth (calculated on net worth, applied to liquid assets):				
Net worth	<=\$500,000	\$500,001-\$1,500,000	\$1,500,001-\$5,000,000	\$5,000,001 +
Percentage of liquid assets allowed per planned premium	20%	30%	40%	50%

Note: These premium percentages are guidelines, and there is some degree of interrelatedness between income and net worth. If your client has circumstances such as high liquid assets and low income, or the converse, or any other reason which addresses affordability of the premium, please provide a cover letter of explanation.

On cases that exceed these parameters, a detailed cover letter should be sent with the application and may be escalated for a life suitability review. At a minimum, the cover letter should include the following:

- What was the need and purpose for the life insurance?
- How was the face amount determined?
- How is it being funded (source of premium and funding pattern)?
- Is a third-party advisor other than yourself involved?
- How is this in the client's best interest (how does it meet their financial objectives, how do they benefit from the purchase of the proposed life insurance)?
- Statements indicating:
 - This sale has been discussed in detail with client
 - The client supports this higher premium and desires to move forward with the purchase of this life insurance
 - The client acknowledges that they have sufficient resources available for their other expenses and/or emergencies in addition to the premium

Additional guidelines

Purpose	Amount guidelines	Additional guidelines						
Personal/income replacement	Age bracket	Average annual bonuses and average share of business dividends may be included in the multiplier. Generally, passive income (such as pension dividends, interest royalties, lottery winnings, capital gains, and rental income) should not to be considered in the multiplier. They may, however, be considered with other assets to assess total needs.						
	Earned income factor:							
	<ul style="list-style-type: none"> • 18-35 30 • 36-40 25 • 41-45 20 • 46-50 15 • 51-60 12 • 61-65 8 • 66 and up Individual consideration 							
	Annual income multiplied by earned income factor = personal income replacement							
Estate preservation	Growth projections allowed. Percentage allowed depends upon what makes up the estate, typically between 4-6%.	<ul style="list-style-type: none"> • Include a cover letter outlining the estate planning needs. • If assets are growing at a rate greater than 5%, provide valid financial documentation for possible individual consideration. 						
	<table border="0"> <tr> <td>Up to age 40</td> <td>20 years</td> </tr> <tr> <td>Ages 41-60</td> <td>15 years</td> </tr> <tr> <td>Ages 61-70</td> <td>10 years</td> </tr> <tr> <td>Over 70</td> <td>7 years</td> </tr> </table>		Up to age 40	20 years	Ages 41-60	15 years	Ages 61-70	10 years
Up to age 40	20 years							
Ages 41-60	15 years							
Ages 61-70	10 years							
Over 70	7 years							
Wealth transfer	Normal guidelines apply.	Provide a cover letter outlining how the death benefit amount was determined, including details of how the income and/or assets will be used to fund the life insurance purchase. Clearly explain any tax implications of implementing (or not implementing) this insurance recommendation.						

Purpose	Amount guidelines	Additional guidelines
Charitable giving	<ul style="list-style-type: none"> Generally, individual's needs should be accommodated prior to gift. Client should have a past history of charitable giving. 	<ul style="list-style-type: none"> For death benefits \$1,000,000 and up, provide records of past contributions (e.g., income tax returns, etc.). In all cases, provide a cover letter explaining the relationship between the applicant and the charity.
Juvenile coverage	<ul style="list-style-type: none"> The maximum death benefit on a child should not exceed 50% of the parents' total coverage. For \$250,000 or more, secure the payor's income and net worth. 	<ul style="list-style-type: none"> Provide a cover letter outlining amount of coverage in force or applied for on each parent, even when this coverage is being purchased by grandparents. Include amounts applied for and in force on all siblings. All siblings should be insured for like amounts (defined as same or similar death benefits, or same premium amount). Agent must see each child personally. Parents or legal guardians need to sign the application for a minor child.
Creditor/personal	100% of personal home mortgage protection may be acceptable.	<ul style="list-style-type: none"> Provide a copy of the personal guaranteed loan agreement. Provide a cover letter with details as to the amount and terms of the loan. Is the loan pending or approved?
Executive bonus or nonqualified deferred compensation (NQDC)	<ul style="list-style-type: none"> Typically based on personal needs The amount needed to fund the benefits as written in the deferred compensation agreement 	<ul style="list-style-type: none"> Provide a copy of the deferred compensation agreement. Secure the salary average (including bonus) for the last two years.
Key person	Typically 5-10 x income. Greater or smaller death benefit amounts may be warranted, based on the case details.	<ul style="list-style-type: none"> A cover letter should accompany all cases, especially new corporations, highlighting the individual's talents, education, and experience. Identify what losses the company will experience without this key individual. Provide list of names of all key persons, with their positions in the company; for each, provide amounts of insurance in force (and applied for) with all companies.
Business continuation	<ul style="list-style-type: none"> Death benefits should be calculated by % of ownership multiplied by fair market value, with room for growth. 	<ul style="list-style-type: none"> Third-party validation of business financials and, depending on payor, may require validation of personal earned income. List names of all owners and their positions in the company; for each, provide amount of insurance in force (and applied for) with all insurance companies.
Creditor/business loan	<ul style="list-style-type: none"> Minimum loan term should be five years. 	<ul style="list-style-type: none"> Third-party validation of business financials. A copy of the loan agreement is required. Provide a cover letter with details as to the amount and terms of the loan.
Premium finance	<ul style="list-style-type: none"> Proposed insured net worth must be over \$5,000,000 Earned income must be greater than \$200,000. Full recourse loans only 	<ul style="list-style-type: none"> Premium finance vendors require home office approval prior to submission of an application. Contact your sales director/RVP for more details. If approved, will require a signed and dated premium finance agreement from agent and client.
Trust	Normal guidelines apply.	If owner is a trust, a copy of the signed, dated, and notarized trust agreement and a Trust Certification form (NB2290) is required.

Some cases may fall outside of our guidelines and merit special consideration. If you have a case you would like to discuss, please call the Life Case Design Team at 800.950.7372 (press 1 for Sales Support, then 2 for Life) and ask to speak directly to an underwriter.

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