MINNESOTA LIFE | SECURIAN®

How we look at financials

When it comes to financial underwriting, Minnesota Life and Securian Life, a New York authorized insurer, specialize in large death benefit applications, ranking among the industry leaders in average policy size. We have widespread expertise with aggressive financial guidelines to manage cases well beyond our retention limits. This translates to competitive, timely decisions made by professional and experienced underwriters.

Financial underwriting

- Financial underwriting verifies a valid, insurable interest exists and justifies the amount of life insurance applied for. It maintains an acceptable level of persistency for all parties.

Insurable interest

- The death benefit must approximate the financial loss of the beneficiary created by the death of the insured.
- The amount of insurance is based on the financial details of the sale, not by the affordability of the premium.
- Insurable interest is usually straightforward. If you have an unusual situation, call your underwriter.

Cover letters

- The writing producer is the key source of financial information in the underwriting process.
- A cover letter explaining the sale's circumstances provides important information to help speed applications.
- The cover letter should include:
  - Background information on how the life insurance sale developed.
  - Purpose and need for life insurance coverage.
  - Income and net worth of the proposed insured or business.
  - Amount of insurance currently in force.
  - Applications submitted to other companies, their intended purposes and if you are the representative of record.
  - Amount of any coverage being replaced. State the reason for the replacement.
  - The total amount of coverage (from all sources).
  - Whether the sale involves premium financing.

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Coverage amount guidelines

- The chart below outlines general coverage amounts for various insurance purposes. If you have an unusual case, call your underwriter.

Personal coverage/Income replacement

Age	Factor times income
<30	30x
31-40	25x
41-50	20x
51-55	15x
55-65	10x
>65	Individual consideration

Estate conservation

In general, we consider an amount equal to the taxable estate value multiplied by the estate tax rate.

Estate planning projection

- We offer single-life and second-to-die coverage (using younger insured's age).
- The chart below outlines our projected estate growth rates, at various ages.

Age	Years projected	Annual growth rate
41-50	20	6%
51-65	15	6%
66-70	10	6%
71-75	8	6%
Over 75	Individual case basis	

Personal loans

- We allow up to 70 percent of the outstanding balance of the loan to creditor. Loans must be a minimum of five years.
- We require the details of loan amount, purpose, repayment schedule, interest rate charged.

Juveniles

- We allow up to 50 percent of amount of insurance in force on an income-earning parent. (The non-income earning parent should also be adequately insured.)
- We require a cover letter and an Attending Physician's Statement (APS) if the amount exceeds $500,000.

Charitable contributions

- The average contribution record for the past three years multiplied by 10 if age 65 or younger; or by five if over age 65 (may require third party financial verification).

  Considerations

  - Do you have a third party verified contribution record for the past three years?
  - Is the charity an irrevocable beneficiary?
  - Who is the owner of the policy and the premium payer?
  - Does adequate personal and estate planning coverage already exist?
  - Have you verified through tax documents that the organization is an incorporated charitable entity?
  - **No Premium Financing allowed.**

Financial suitability of premium

When the client is paying premium from earnings, annual premium should not be in excess of 20 percent of annual income.

When the client is paying premium from asset transfer, aggregate premium and liquid net worth consideration should generally be capped as follows:

- **Under age 59½**: Up to 40 percent aggregate premium/liquid net worth. Do not allow qualified plans (401(k), 403(b), 457, IRA or Roth) to be used as a funding source, nor factor them into the liquid net worth.
- **Ages 60-69**: Up to 30 percent aggregate premium/liquid net worth and consider qualified plans to be factored into the net worth and utilized.
- **Ages 70+**: Up to 20 percent aggregate premium/liquid net worth and consider qualified plans to be factored into the net worth and utilized.

In cases where client uses qualified plans as a current income stream, consideration of the use of these plans to pay premium may not be appropriate and needs to be viewed on a case by case basis.

Older ages

Below are underwriting guidelines for ages 70 and above, when amount is applied for reasons other than income replacement or estate planning needs.

- Face amounts over $1 million at age 70 and above require third party financial documentation. See F58854-4 for more detailed information about third party financials.
- Death benefit: Up to one times net worth.
- Premium: Affordability is a key factor. We can consider premium up to 20 percent of income.
- If children are owners and/or premium payers, please provide additional details and further explanation.

Non-income earning spouse

- We allow $1 million face amount on a non-income earning spouse.
  - As long as the income-earning spouse qualifies and has $1 million or more in-force coverage.
- For face amounts above $1 million on a non-income earning spouse, we allow 50 percent of the income-earning spouse's in-force coverage.
  - Up to a maximum of $5 million, and up to age 50 on the non-income earning spouse.
- If the amount requested is outside these guidelines, call your underwriter.

Buy-sell, partnership buyout, stock redemption

- We multiply the percentage of ownership by the market value of corporation.

Key person

- Annual income (salary plus bonus) multiplied by the factor below. Factor will vary depending on circumstances.
- The chart below outlines the amount of coverage available in key person sales at various ages.

Ages	Factor
<50	up to 12x
51-60	up to 9x
>60	up to 5x

Business loan collateral

We consider face amounts up to 70 percent of a business loan amount as collateral.

Deferred compensation

- Premium amounts paid toward deferred compensation coverage can be considered part of income when determining amounts for multiples of income guidelines.
- We consider face amounts up to 18 times the proposed insured's income.

TO LEARN MORE
about our financial guidelines, call your underwriter today.

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