

Financial Underwriting Guidelines

Underwriters generally follow the guidelines outlined below when determining the appropriate amount of coverage for applicants. However, they are able to use their own judgment and discretion on a case-by-case basis. Let's take a look at the underwriting criteria.

Income replacement

For nonworking spouses, consider the same amount of coverage as the working spouse.

Age	Multiples of Earned Income
18–40	Up to 35
41–50	Up to 25x
51–60	Up to 20x
61–65	Up to 10x
66 and older	Up to 5x

Under age 70: estate growth planning guidelines

Using $\frac{3}{4}$ of standard life expectancy, apply a growth rate of –6% to the current net worth. Then multiply that number by 55%.

Age 70 and older: estate planning, money purchase, wealth transfer and asset allocation guidelines

We recognize the important need for the applicant to have sufficient funds available to handle any potential emergency and have access to cash reserves. The following guidelines have been developed to allow for wealth transfer concepts while safeguarding emergency and overall living expense needs.

An insurable amount is determined by the insured's income and net worth situation. It will not be determined by what a single premium or a money purchase premium stream will buy. Single premium sales include 1035 exchanges, use of CD or other liquid instruments. Money purchase premium stream sales include concepts such as annuity distributions, RMD from an IRA or 401(k), pension, or other retirement distributions.

Age	Net Worth	Allowable Maximum Face Amount
70–80	\$200,000 to \$1 million	50% of net worth
70–75	Over \$1 million	Calculated by underwriter
76–85	\$200,000+	50% of net worth (no calculated estate growth at these ages)

Annual Income	% of Income Used for Premium
\$20,000 to \$50,000	Up to 15%
\$50,001 to \$110,000	Up to 20%
\$110,001+	30 to 40%*

*Income to premium ratio exceeding 30% will require a minimum net worth of \$1 million. For individuals with estates greater than \$1 million whose income to premium ratio exceeds 40%, evidence of liquid net worth supporting a minimum of 5 times the target premium will be required. Examples of liquid assets include stocks, bonds, cash, mutual funds, CDs and Annuities (before distributions begin).

Insurance products issued by:
The Lincoln National Life Insurance Company

Juvenile insurance

All states except Washington	Up to half the amount of life coverage that is in-force on parent, or guardian, up to a maximum of \$1 million. Amounts over \$1 million require facultative reinsurance review.
Washington	Under age 18: The amount should not exceed the annual household income (earned and unearned). The amount should be proportional to the amount issued on siblings or immediate family members.

Business insurance is important for continuity in any industry and today’s businesses require the flexibility to accommodate an ever-changing market. Lincoln remains “leading-edge” in our underwriting approach to business insurance.

Key person coverage

Will consider up to 20x income for ages **up to age 69** for established businesses that typically involve unique business/individual dynamics. Special expertise consideration can be given if documentation of proven ability to generate income or profits is provided. Stock options, bonuses and perks – such as housing and auto – will be factored into compensation.

For key persons **ages 70 and up**, may consider up to 5x income depending on information regarding how amount was determined.

Buy-sell or stock repurchase/redemption coverage

Coverage amount for each partner will be determined by his/her business or stock ownership percentage based on fair market value outlined in the buy-sell agreement or stock repurchase agreement. If there is no agreement, provide two years of business financials (balance sheet and income statements) or a third-party business valuation.

Venture capital/private equity

Allow for 25%, possibly more, of the investment amount for key person coverage. The coverage amount will depend on the financial information and detailed reason for coverage need that is provided. Copies of funding agreement and business financials will be needed to evaluate the viability of the amount applied.

Charitable gifting

With an established pattern of gifting to the charity, Lincoln can now consider allowable charitable gifting amounts that can be the greater of:

- 10x annual averaged gift amount, or
- Allow for a percentage of the individual’s net worth:

Net Worth	Percentage of Net Worth
\$10 million or less	Up to 10%
\$11 million to \$50 million	Up to 20%
\$51 million to \$100 million	Up to 30%
Greater than \$100 million	Up to 40%

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

©2021 Lincoln National Corporation

LincolnFinancial.com

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-3876900-102021
 POD 11/21 **Z02**
Order code: UW-FIN-FLI001



Life insurance issued by The Lincoln National Life Insurance Company, Fort Wayne and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. Contractual obligations are backed by the claims-paying ability of the issuing insurance company. The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Lincoln Financial Group is the marketing name of Lincoln National Corporation and its affiliates. Only Registered Representatives can sell variable products. Not for use in New York.