

Financial Underwriting Guidelines

Updated February 2018

Underwriters will generally follow these guidelines but can use their own judgment and discretion in determining the appropriate amount of coverage, depending on case specifics.

Income Replacement

For non-working spouses, consider the same amount as on the working spouse

Age	Multiples of Earned Income
18-35	Up to 30x
36-45	Up to 25x
46-60	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%. The maximum number of years we use for estate growth is 25 years

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 401K, pension, or other retirement distributions.

Age	Net Worth	Allowable Maximum Face Amount
70 - 80	\$200,000 to \$ 1million	50% of net worth
70 - 80	Over \$1 million	Using $\frac{3}{4}$ of standard life expectancy apply a growth rate of 6% to current net worth. Multiply that number by 55% to arrive at the face amount
81 - 85	\$200,000 and up	50 % of net worth

Annual Income	% of Income Used for Premium	Special NOTE
\$20,000 to \$50,000	Up to 15%	<i>*Income to premium ratio exceeding 30% will require a minimum net worth of \$1 million. If income to premium ratio exceeds 40%, evidence of liquid net worth supporting a minimum of 5 times the target premium will be required.</i>
\$50,001 to \$110,000	Up to 20%	
\$110,001 and higher	*30 to 40%*	

Juvenile Insurance

All states <u>except</u> New York and 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.
New York	Under age 4 years and 6 months: The greater of \$50,000 or 25% of the amount of insurance on the person applying for coverage. Age 4 years and 6 months to age 14: The greater of \$50,000 or 50% of the amount of insurance on the person applying for coverage
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 business requires flexibility to accommodate a fast changing business 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 which 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, 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 - \$50 million	Up to 20%
\$51 million - \$100 million	Up to 30%
Greater than \$100 million	Up to 40%