



A Guide to Life Insurance for Non-U.S. Residents and Foreign Nationals



Life Insurance



THE OPPORTUNITY

The foreign-born population in the United States has been increasing in size and as a percentage of the total population since 1970. There are approximately 17.8 million U.S. children under 18 who live with at least one immigrant parent. This represents 26% of the children under 18 in the U.S., with the majority coming from Latin America and Asia.

Source: Migration Policy Institute, Feb 11, 2021.

When residents of other countries come to live or work in the U.S., unique financial challenges can arise. But with these unique challenges also come new opportunities.

This guide can help you understand the challenges and opportunities associated with the foreign national market. Specifically, we'll examine two groups of foreign nationals, the financial challenges they face, and how life insurance can be a potential solution. Finally, we'll review the parameters and processes for working with these groups, provide solutions, and help them achieve their goals.

AN OVERVIEW OF FOREIGN NATIONALS AND THEIR CHALLENGES

The foreign national market can be divided into two groups:

- ▶ Nonresident aliens.
- ▶ Resident aliens.

SIMILARITIES

These groups are very similar in their life insurance needs and have many of the same needs as U.S. citizens living in the U.S., including:

- ▶ Income replacement.
- ▶ Salary continuation.
- ▶ Legacy for heirs.
- ▶ College funding for dependents.
- ▶ Debt cancellation.
- ▶ Liquidity for estate tax liabilities.

DIFFERENCES

Considerable variations can exist among different country-of-birth groups in many characteristics and in feelings about financial services. For example, when it comes to life insurance, some cultures embrace it or are familiar with it while others are less aware of it, especially as part of a wealth protection strategy. Also, the status as nonresident or resident alien can cause differences in economic factors, risks, and tax concerns. We explore those in the pages that follow.

NONRESIDENT ALIENS

Nonresident aliens are neither U.S. citizens nor domiciled in the U.S. They may own homes, businesses, or other investments in the U.S. These physical and economic ties can create meaningful financial challenges like potential U.S. federal estate taxation.

Economic risks: High-net-worth and affluent nonresident aliens (and their financial professionals) typically know the risks of their home country's economy and the corresponding risk of currency fluctuations. They may even know the capacity, product, or claim limits of their local life insurance carriers.

Tax concerns: U.S. assets like bank accounts, homes, cars, or other investments in the U.S. could be subject to U.S. transfer taxes. These taxes are imposed far more harshly on nonresident aliens than on U.S. citizens and resident aliens.

EXAMPLE

Christina, a nonresident alien, is an executive domiciled in Germany. She comes to the U.S. periodically to visit family and college friends, and for business trips. Several years ago, she established a bank account in the U.S. and purchased a condominium in New York City. Christina's assets in the U.S. may be subject to U.S. federal estate tax. With proper planning, she may be able to purchase life insurance that will be available upon her death to offset any federal estate taxes.

RESIDENT ALIENS

Resident aliens are domiciled and live in the U.S. but are not U.S. citizens. They likely own a bank account, home, real estate, cars, or other investments in the U.S. They may also own assets in another country, like their country of birth.

Tax concerns: Worldwide assets—those owned in the U.S. and owned outside the U.S.—may be subject to U.S. federal estate tax.

EXAMPLE

Marco, a resident alien, was born in Italy and is a citizen of that country. Eight years ago, he relocated to the U.S. to start a new job as an executive in Miami, where he continues to live and work year-round. Marco now owns a home, real estate, cars, and other investments in the Miami area. He also owns a home in Italy. Marco's worldwide assets (in this case, assets in the U.S. and in Italy) may be subject to the U.S. federal estate tax. He can purchase life insurance that, with proper planning, could be used upon his death to offset any U.S. federal estate taxes.

TAXES

Different tests are used for income and estate and gift tax law purposes. Income tax laws base residency on a substantially mechanical test.

U.S. INCOME TAX

A non-U.S. citizen who becomes a resident under the income rules described below will be taxed essentially the same as any U.S. citizen.

THE “SUBSTANTIAL PRESENCE TEST”

Under income tax law, a person is generally considered to be a resident alien—and subject to U.S. income tax laws—if he or she is “substantially present” in this country. The physical presence of the individual is the key. Substantial presence exists if the individual is in the U.S. for at least:

- ▶ 183 days during the three-year period that includes the current year and the two years immediately before that, counting:
 - ▶ All the days you were present in the current year, and
 - ▶ 1/3 of the days you were present in the first year before the current year, and
 - ▶ 1/6 of the days you were present in the second year before the current year.
- ▶ 31 days during any calendar year.

Exceptions are made for certain “exempt” individuals such as:

- ▶ Foreign government-related individuals.
- ▶ Teachers, students, and athletes.
- ▶ Those in the U.S. and unable to leave because of medical problems occurring while in the country.
- ▶ Individuals who maintain a tax home in a foreign country, are in the U.S. for fewer than 183 days, and have a “closer connection” to that foreign country than to the U.S.

VISAS AND RESIDENCY¹

If a non-U.S. citizen holds a permanent U.S. visa, he or she will most likely be subject to U.S. income tax. Likewise, a non-U.S. citizen who is engaged in a U.S. business or owns a home in the U.S. will also find themselves subject to federal income tax.

A non-U.S. citizen who does not have a permanent U.S. visa will not be considered a U.S. resident if he or she stays out of the U.S. for more than 120 days during any three calendar years. To avoid the income tax, the non-U.S. citizen must:

- ▶ Be present in the U.S. for no more than 182 days a year.
- ▶ Maintain a principal place of business outside the U.S.
- ▶ File a declaration each year with the IRS proving a “closer connection” with a foreign government other than with the U.S.

A client who is a resident alien will be subject to U.S. income tax no matter where in the world the property generating the income is based or where he or she is located when earning the income.

U.S. INCOME TAX TREATIES WITH FOREIGN COUNTRIES

The U.S. has income tax treaties with a number of foreign countries. For a list of these countries and details on the treaties, refer to IRS Publication 901, U.S. Tax Treaties.

¹ IRS Publication 519, U.S. Tax Guide for Aliens.

U.S. ESTATE AND GIFT TAX

Estate tax rules differ considerably in many respects from income tax rules. A non-U.S. citizen will be considered a U.S. resident for federal estate tax purposes only if he or she is considered to be “domiciled” in the U.S.

DOMICILE

Domicile for these purposes is defined as the place where a noncitizen lives as long as he or she has no present intention of moving elsewhere. This is obviously a subjective test but ultimately determined by the examination of objective factors that are used to ascertain the person’s “intent.”

Domicile is determined under state law and usually based on the jurisdiction with which an individual has the most significant contacts. Officials will examine many factors to determine intent. Among them are the size, nature, and location of residences (including those of family members).

Factors indicating domicile, other than homes and days spent in the U.S., include:

- | | | |
|---------------------------------|--|--|
| ▶ Voting registration. | ▶ Passport. | ▶ Declarations of domicile and recitations in wills or deeds of trust (given less credibility because they are self-serving but they are still factors that are examined). |
| ▶ Place of business. | ▶ Bank and brokerage accounts. | |
| ▶ Filing of income tax returns. | ▶ Registration of personal property such as cars, boats, and planes. | |
| ▶ Automobile registration. | | |
| ▶ Driver’s license. | ▶ Club and religious memberships. | |
| ▶ Social Security information. | | |
| ▶ Credit cards. | | |

For U.S. gift and estate taxes, domicile considers only the 50 states and the District of Columbia. Noncitizens domiciled in a U.S. possession, like Puerto Rico, are treated as nonresident aliens.

Note that a person holding a “green card,” a document that evidences that the U.S. has granted an immigrant lawful permanent residency in the U.S., is likely to be considered a domiciliary for estate or gift tax purposes. This is the so-called “green card test.”

PROPERTY

Nonresident aliens are subject to federal estate and gift taxes on property located inside the U.S. but can avoid federal estate and gift taxes by never holding direct ownership of any U.S. property or business interests. Property situated in the U.S. is subject to federal estate tax and may be subject to the generation-skipping transfer tax as well (subject to legal or regulatory changes).

U.S. ESTATE AND GIFT TAX TREATIES WITH FOREIGN COUNTRIES

The U.S. has income, estate, and gift tax treaties with many countries to avoid double taxation, expand deductions, and exchange information (subject to change).

- ▶ Estate Tax Treaties: The U.S. has estate tax treaties with Australia, Austria, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Norway, South Africa, Switzerland, and the United Kingdom.
- ▶ Gift Tax Treaties: The U.S. has gift tax treaties with Australia, Austria, Denmark, France, Germany, Japan, and the United Kingdom.

TRANSFER TAX BASICS FOR NONCITIZENS

This is a general summary of the estate and gift tax rules. Treaty agreements between the U.S. and the noncitizen's home country may alter or replace the general rules discussed here.

THE SIGNIFICANCE OF PROPERTY SITUS

If a noncitizen is a resident of the U.S., the U.S. transfer tax rules apply to his or her worldwide assets. In contrast, property of a nonresident alien is subject to the U.S. transfer tax rules only if it has a situs (where the property is treated as being located for legal purposes) in the U.S. The application of the situs rules depends on the type of property transferred and whether the transfer is for gift or estate tax purposes. The charts below summarize the situs rules.

GENERAL OVERVIEW OF U.S. ESTATE AND GIFT SITUS RULES

Type of Property	U.S. Citizen	U.S. Resident	Nonresident Alien
Gift Tax	Worldwide gifts subject to U.S. gift tax.	Worldwide gifts subject to U.S. gift tax.	Gifts of real and tangible personal U.S. situs property subject to U.S. gift tax. Gifts of intangible U.S. situs property (e.g., stocks, certain deposits, and life insurance) and gifts of non-U.S. situs property not subject to U.S. gift tax.
Estate Tax	Worldwide property owned by a decedent subject to U.S. estate tax.	Worldwide property owned by a decedent subject to U.S. estate tax.	U.S. situs property owned by a decedent subject to U.S. estate tax.

GENERAL U.S. GIFT TAX SITUS GUIDELINES FOR NONRESIDENT ALIENS BY TYPE OF PROPERTY

Type of Property	Included in the Taxable Estate	Not Included in the Taxable Estate (or exceptions to the rule)
General Rule	Real and tangible personal property with situs in the U.S. at time of transfer.	Property with no situs within the U.S., even if the gift is to a U.S. citizen or resident. All intangible personal property, regardless of its situs.
Real Property	Real property (e.g., land, buildings, fixtures, and improvements) located in the U.S.	Real property outside the U.S.
Tangible Personal Property	Property physically in the U.S. NOTE: Cash/currency, whether in U.S. dollars or foreign currency, is treated as tangible property and will incur gift tax on gifts made within the U.S.	Property outside the U.S.

GENERAL U.S. GIFT TAX SITUS GUIDELINES FOR NONRESIDENT ALIENS BY TYPE OF PROPERTY (CONTINUED)

Type of Property	Included in the Taxable Estate	Not Included in the Taxable Estate (or exceptions to the rule)
Intangible Personal Property	None. NOTE: This is in contrast with estate tax where such property located in the U.S. is subject to estate tax.	Intangible personal property (e.g., stocks, mutual funds, and bank, brokerage, and fiduciary accounts), even if located in the U.S.
Life Insurance	Gifts of cash by a nonresident alien to make premium payments are gifts of cash and subject to gift tax (unless limited to the annual gift tax exclusion).	Policy insuring a nonresident alien or another can be transferred without gift tax.

GENERAL U.S. ESTATE TAX SITUS GUIDELINES FOR NONRESIDENT ALIENS BY TYPE OF PROPERTY

Type of Property	Included in the Taxable Estate	Not Included in the Taxable Estate (or exceptions to the rule)
General Rule	Assets situated within the U.S. or titled therein must be fully disclosed on Form 706 NA.	Assets not situated within the U.S. generally do not have to be disclosed.
Real Property	Real property (e.g., land, buildings, fixtures, and improvements) located in the U.S.	Real property located outside the U.S.
Tangible Personal Property	Property physically in the U.S. NOTE: Cash/currency is considered tangible property (although most forms of monetary instruments are not) and is taxable if in the U.S.	Tangible property in the possession of the nonresident alien if only temporarily visiting the U.S.
Bank, Brokerage, & Fiduciary Accounts	Funds held by U.S. banks or other financial institutions if used in conjunction with a U.S. trade or business and funds are held in brokerage accounts. Deposits with domestic branches of foreign banks are also subject to this trade or business requirement.	Savings accounts, checking accounts, or certificates of deposit issued by a U.S. bank if not used in conjunction with a U.S. trade or business; funds held in a U.S. bank custody account; funds deposited in a foreign branch of a U.S. bank.
Qualified Retirement Plans	Assets held by plan administrators representing work for a U.S. company.	Assets not situated within the U.S. generally do not have to be disclosed.
Stock	Shares issued by a U.S. corporation, regardless of situs.	Shares issued by a foreign corporation, regardless of situs.
Life Insurance	The value of a policy on the life of another person (i.e., the interpolated terminal reserve) issued by a U.S.-licensed insurance company and owned by a decedent.	The death proceeds from an insurance policy on the life of the nonresident, owned by the nonresident, regardless of the insurance company's country of origin. ²
Annuities	The value of any annuity issued by a U.S. insurance company on the life of another.	Annuities where issued by foreign insurance companies.

CERTIFICATES OF DEPOSIT (CDs)

Be aware that many nonresident aliens will own CDs in the U.S. since they are an intangible asset and excluded from U.S. estate taxation. Be careful to note whether they have purchased CDs through a brokerage firm. These instruments are generally tradeable on an exchange, not issued “directly” from a U.S. bank, and potentially estate taxable in the U.S.

U.S. ESTATE AND GIFT TAX DIFFERENCES

Transfer taxes are imposed on nonresident aliens far more harshly than on U.S. citizens and resident aliens. For example, nonresident aliens are entitled to a federal estate tax credit that exempts only the first \$60,000 of U.S. assets from federal estate tax, while U.S. citizens and resident aliens are allowed an estate tax credit that exempts \$11,700,000 (indexed annually for inflation) of property. Refer to the chart below for other differences.

SUMMARY OF U.S. ESTATE AND GIFT TAX DIFFERENCES

Decedent/Surviving Spouse	Decedent's Estate Tax Applicable Exclusion Amount ³	Estate Tax Marital Deduction	Decedent's Interest in Property Held Jointly with Spouse ⁴	Annual Marital Gift Tax Exclusion ⁵	Availability of Gift Splitting to a Third Party	Availability of Gift Tax Annual Exclusion
U.S. Citizen/U.S. Citizen	\$11,700,000 ³	Unlimited	50%	Unlimited	Available	Available
U.S. Citizen/Resident Alien	\$11,700,000 ³	Only with a QDOT ⁶	100%	\$159,000	Available	Available
U.S. Citizen/Nonresident Alien	\$11,700,000 ³	Only with a QDOT	100%	\$159,000	Not Available	Available
Resident Alien/U.S. Citizen	\$11,700,000 ³	Unlimited	50%	Unlimited	Available	Available
Resident Alien/Resident Alien	\$11,700,000 ³	Only with a QDOT	100%	\$159,000	Available	Available
Resident Alien/Nonresident Alien	\$11,700,000 ³	Only with a QDOT	100%	\$159,000	Not Available	Available
Nonresident Alien/U.S. Citizen	\$60,000	Unlimited	50%	Unlimited	Not Available	Available
Nonresident Alien/Resident Alien	\$60,000	Only with a QDOT	100%	\$159,000	Not Available	Available
Nonresident Alien/Nonresident Alien	\$60,000	Only with a QDOT	100%	\$159,000	Not Available	Available

³ Applicable for 2021 as indexed for inflation. Current exclusion amounts will sunset after 12/31/2025. Estate, gift, and GST tax exemptions and federal credit are estimated amounts until the IRS computes using chained CPI.

⁴ Unless considerations can be substantiated for the noncitizen surviving spouse's portion.

⁵ Rates for 2021; amounts are indexed for inflation.

⁶ A qualified domestic trust (QDOT) is a marital deduction trust used when an individual wants to leave assets to his or her surviving spouse and qualify for the unlimited marital deduction when the spouse is not a U.S. citizen. More information on QDOTs can be found on page 8.

NONCITIZENS MARRIED TO U.S. CITIZENS

For U.S. citizens married to non-U.S. citizens, specific rules may apply. As the chart in the previous section outlines, the marital deduction may not be available on asset transfers to a spouse. To qualify for the marital deduction, the transfer must either be to a spouse who is a U.S. citizen or through a qualified domestic trust (QDOT). Transfers to noncitizen spouses, made both during life and at death, that exceed the federal gift and estate tax exemption could result in a tax liability. However, U.S. tax law does allow for U.S. citizens to make tax-free lifetime gifts to noncitizen spouses up to an annual exclusion amount of \$159,000 (in 2021).

THE USE OF QUALIFIED DOMESTIC TRUSTS (QDOTs)

A QDOT is a marital deduction trust used when an individual wants to leave assets to his or her surviving spouse and qualify for the unlimited marital deduction when the spouse is not a U.S. citizen.

IRC §2056(a) and its regulations specify the rules of a QDOT. Some include:

- ▶ All income must be paid to the spouse for life.
- ▶ One trustee must be a U.S. citizen or domestic corporation.
- ▶ The U.S. trustee must be able to withhold QDOT tax on any distributions of trust principal.
- ▶ The executor of the estate must make the QDOT election on a timely filed federal estate tax return.
- ▶ A QDOT must also satisfy other marital deduction rules.

FEDERAL TAXATION OF QDOTs

Once the QDOT is funded with assets from the decedent spouse, certain distributions or events will trigger the imposition of a QDOT tax. QDOT tax is imposed:

- ▶ **Upon lifetime distributions of trust principal.** These assets are taxed at the federal estate tax amount that would have been imposed on the estate of the decedent spouse had the decedent's taxable estate been increased by the amount of the distribution.
- ▶ **Upon the death of the surviving spouse.** The assets remaining in the QDOT are valued as of the date of death of the surviving spouse and taxed as if the assets were included in the estate of the original decedent spouse.
- ▶ **If the trust ceases to qualify as a QDOT.** The fair market value of the QDOT assets on the date of disqualification is taxed as if the assets were included in the estate of the decedent spouse.

QDOT distributions exempt from federal estate tax include:

- ▶ Distributions from income.
- ▶ Distributions on account of hardship. There is no formal definition of hardship for QDOTs. In general, it may qualify as a hardship if the distribution is in response to an immediate and substantial financial need relating to the spouse or someone the spouse has a legal obligation to support for health, education, or maintenance. The distribution will not qualify as a hardship if the amount distributed could have been obtained from other sources reasonably available to the spouse.

THE ROLE OF LIFE INSURANCE

As more nonresident aliens travel and establish physical and economic ties to the U.S., these individuals are faced with new financial challenges. U.S. life insurance policies can be an effective solution for these challenges. By purchasing a life insurance policy from a U.S.-based life insurance company, a nonresident alien will have the ability to take advantage of the favorable tax treatment given to life insurance.

The favorable tax treatment of U.S. life insurance policies purchased by a nonresident alien includes:

- ▶ The death benefit or proceeds of a life insurance policy are carved out of a nonresident alien's U.S. gross estate (as stated in IRC §2105(a)), enabling loved ones to inherit the money without paying the significant estate tax.
- ▶ In addition to being estate tax-free, the death benefit is also passed to heirs without incurring U.S. federal income tax.
- ▶ Under U.S. income tax law, cash value accumulates on a tax-deferred basis within the life insurance policy. Nonresident aliens are then able to access the cash value on an income-tax-free basis via loans and withdrawals.

PRUDENTIAL'S APPROACH TO THE MARKET

When underwriting insurance policies, life insurance companies evaluate the amount of time a proposed insured spends outside of the U.S. Prudential's underwriting generally takes into account the increased mortality risks that non-U.S. residents who travel to foreign countries experience.

DEFINING A NON-U.S. RESIDENT

For Prudential's life insurance underwriting purposes, citizenship is not a defining factor in defining a non-U.S. resident. For Prudential's underwriting purposes, a non-U.S. resident is an individual who:

- ▶ Spends more than six months a year outside of the U.S.
- ▶ May also maintain dual residency in the U.S. and another country.
- ▶ Visits the U.S. for business or pleasure but maintains permanent residence outside of the U.S. For example, a U.S. citizen who has moved to Germany but returns to the U.S. periodically to visit family.
- ▶ Does not declare full-time, permanent U.S. residence. For example, a Swedish citizen who owns a home in Sweden and lives in the U.S. for less than six months a year for business purposes.
- ▶ Is an immigrant from a foreign country, residing in the U.S., with intent to stay, but who does not have a green card and has been in the U.S. for less than one year.

LOCATION OF TRANSACTION

All aspects of the insurance transaction must be completed in the U.S., including solicitation, completion of the application, medical examination, inspection, and contract delivery. Make sure to allow adequate time to complete the underwriting process and handle policy delivery in the U.S.

TIES TO THE U.S.

The proposed insured must also have at least one meaningful tie or connection (aka nexus) to the U.S. Examples of this U.S. nexus include:

- ▶ U.S. citizenship.
- ▶ Spouse who is a U.S. citizen and/or U.S. resident.
- ▶ Ownership of real estate in the U.S.*
- ▶ Ownership of a business in the U.S.* or employment by a U.S. company.
- ▶ Verifiable U.S. tax liability that will support the need for insurance.
- ▶ Ownership of verifiable U.S. assets for a minimum of six months and equal to 25% of total net worth **or** a minimum of \$500,000.

NOTE: U.S. residence of a family member other than a spouse, by itself, is not considered a meaningful tie.

** Possession by the proposed insured of an EB-5 visa can be considered a significant nexus to the U.S. The visa must be approved, issued, and a copy provided with the application for consideration.*

Specific Case Guidelines

A case must have an issue age of 25 to 75 (70 for fully retained cases) and:

- ▶ The proposed insured must be a business owner or professional individual working in medical, engineering, scientific, technological, or similar fields. Immediate family members may also be acceptable.
- ▶ The minimum policy face amount is \$250,000.
- ▶ The maximum special rating class is Class E (Class D for fully retained cases).

TO INITIATE THE PROCESS

Make sure to complete/consider the following:

- ▶ The proposed insured must have a minimum global net worth of U.S. \$2 million.
- ▶ The proposed insured must also have at least one meaningful tie/connection to the U.S., as listed previously.
- ▶ If either the proposed insured or proposed policyowner (including a trust and other entity) is not a resident of the U.S., the Non-U.S. Resident Disclosure Form (ORD 115136) must be completed. This form must be completed at the point of sale. The purpose of this form is to confirm sales activity locations. (Remember: All aspects of the insurance transaction must be completed in the U.S., including solicitation, completion of the application, medical examination, inspection, and contract delivery.)
- ▶ For face amounts of \$1,000,000 or more, the required third-party financial documentation, no more than one year old, must be supplied.
- ▶ The required copy of the individual's passport must be supplied. U.S. references are required, if available.
- ▶ For those individuals who cannot provide a Social Security number to complete the tax certification, supply the required version of Form W-8 (BEN, ECI, EXP, IMY). Usually, Form W-8BEN is used.

IMPORTANT TIPS

- ▶ There should be enough time spent in the U.S. to facilitate information gathering and adequate time to complete the underwriting and policy delivery process.
- ▶ Individuals must have a record of ongoing health maintenance with the most recent visit having taken place within three years of the date on which the application was completed.
- ▶ Attending physician's statement (APS) records, including foreign APS records, should be secured. An APS is required at ages 50 and up.
- ▶ All applicants must be medically examined. Blood tests and ECGs will be required based on normal age and amount rules.
- ▶ A data verification report (DVR) will be requested in ALL cases.
- ▶ Motor vehicle reports (MVRs) will be requested if the applicant has or previously had a U.S. driver's license.

- ▶ Additional special considerations for residents of mainland China:
 - ▶ A copy of their U.S. Consulate exam, if completed within the last two years.
 - ▶ A copy of financial information presented to U.S. Consulate, if within the last two years.
 - ▶ Third-party financial documentation, regardless of the face amount for which they have applied.
 - ▶ A copy of the individual's National ID card.
- ▶ Expect delays in obtaining information. Obtaining information on a non-U.S. resident applying for insurance may be difficult, but every effort must be made to secure the required information. The closer the ties to the U.S., the better the chances of obtaining meaningful medical and financial information in a timely fashion.
- ▶ Senior Assessment Exam and Financial Underwriting Requirements for applicants over the age of 70 are fully automated.
- ▶ All travel patterns will be carefully reviewed. Additional ratings may be assessed for travel outside the resident country.
- ▶ Contracts to be owned by third-party foreign persons or entities will seldom be acceptable since all aspects of the insurance transaction must be completed in the U.S.
- ▶ Once approval is granted by Underwriting, the application/worksheet should be submitted on a cash-on-delivery basis.
- ▶ Individuals will not be considered for life insurance coverage if they are currently active in foreign military, police, government, or judicial services within their resident country. In addition, political or union leaders may be excluded as well.
- ▶ Before submitting an application/worksheet, place an inquiry or advance phone call to your Prudential underwriting contact. This will help you determine if there are any particular underwriting considerations you should be aware of and the type of client information you need to provide. For example, some supplementary riders or benefits may not be available to residents of all countries.

AVAILABLE COVERAGE AMOUNTS

The minimum policy face amount for non-U.S. residents is \$250,000. The full Automatic Issue limit for individuals residing in acceptable countries may be considered depending on all facts of the case, including the age and health status of the proposed insured, product applied for, reinsurance arrangement, in-force coverage, and available reinsurance.

FOREIGN RESIDENT LIMITS

INTERNAL RETENTION LIMIT

The maximum amount of coverage that Prudential can keep on any life. Prudential can issue higher amounts of coverage, as long as the amount after reinsurance is not more than the retention limit.

ISSUE AGES 25 – 70	No Substandard Rating	Rating Class A – D	Rating Class E – H
“C” REGION RESIDENTS	–	–	Not Available
“B” REGION RESIDENTS	\$5,000,000	\$5,000,000	Not Available
“A” REGION RESIDENTS OF CHINA	\$5,000,000	\$5,000,000	Not Available
ALL OTHER “A” REGION RESIDENTS	\$10,000,000	\$10,000,000	Not Available

ISSUE AGES 71 – 75	No Substandard Rating	Rating Class A – D	Rating Class E – H
“A,” “B,” “C” REGIONS	–	–	Not Available

JUMBO LIMIT—ALL PRODUCTS

The maximum amount of coverage in force and applied for in all companies that allows the policy applied for to continue to qualify for automatic reinsurance. The jumbo amount is the total amount of coverage in force and applied for with all companies.

ISSUE AGES 25 – 70	No Substandard Rating	Rating Class A – D	Rating Class E – H
“C” REGION RESIDENTS	–	–	Not Available
“B” REGION RESIDENTS	\$35,000,000	\$35,000,000	Not Available
“A” REGION RESIDENTS	\$35,000,000	\$35,000,000	Not Available

AUTOMATIC ISSUE LIMIT

The maximum amount of coverage that may be issued under a policy which is to be ceded to the reinsurers on an automatic basis. The maximum limit for foreign residents for most single-life and second-to-die policies is about \$28,000,000. Please contact Underwriting for the product-specific automatic issue amount.

NOTES (FOR ALL CASES)

- ▶ Efforts will be made to utilize reinsurance in all cases.
- ▶ Use of full Prudential retention is available only as determined by a Prudential underwriter. You must receive approval from an underwriter prior to committing to full retention.
- ▶ Amounts available are subject to underwriting and may be reduced based on other in-force or applied-for policies. Limits may be graded down for celebrities, sports figures, private pilots, non-U.S. residents, foreign travel, and juveniles.

GROWING YOUR BUSINESS WITH FOREIGN NATIONALS

If you’re not already working in this market, as with any other group of potential clients, you’re more likely to see results when you make time and put in the effort to prospect and connect with foreign nationals. Here are some ideas to get you started:

- ▶ Research where specific groups of foreign nationals live in your geographic area. Many foreign nationals, when they first settle in the U.S., start small businesses. Beyond identifying foreign national communities in your area, also focus your research to locate any centers of influence, including professional associations or community groups.

- ▶ Connect with your network to see if they have foreign national clients; include real estate agents and the tax advisors and attorneys you work with. Also consider any other professionals you know well and who would be happy to make an introduction on your behalf. Consider those you might know in real estate or other types of business.
- ▶ Learn what the top challenges are for this group (income continuation, estate planning, tax liquidity, etc.) and use available marketing resources to reach out. Think beyond letters and emails. Are there community events you could sponsor and speak at?
- ▶ The first few clients can be the hardest to obtain, but once you've started doing business with these first few, ask if these clients have friends or family members who could benefit from your services. A personal recommendation and/or referral can go a long way toward your continued growth in this market.

EXAMPLE

Andrew, a financial professional in Los Angeles, after researching, learns of a nearby neighborhood where many immigrants are from Singapore. At a community event, a real estate agent he knows introduces him to Jeanette, whose primary residence is in Singapore; she plans to live in the U.S. for about four months per year and has been talking to the real estate agent. With Jeanette are her son Thomas and his family, who live in the Los Angeles area full time. Andrew learns that Jeanette is a successful business owner and is purchasing a technology business in the U.S. Andrew sets up a meeting for the next week with Jeanette.

WE'RE HERE TO SUPPORT YOUR GROWTH

As you start to expand your business into this unique market, Prudential is here to support you every step of the way.

Start a conversation with your Prudential representative on how we can support your entry into this market.

HAVE A CASE YOU'D LIKE TO DISCUSS?

Contact Advanced Planning at 800-800-2738, option 4, for an individual consultation and policy design.

This material is provided for informational purposes only and does not constitute tax or legal advice. Clients always should seek independent tax counsel regarding their personal tax situation.

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UNDERWRITING

Non-U.S. Resident Guidelines

Non-U.S. Residents are defined as individuals who:

- Do not have a full-time, permanent U.S. residence.
- Reside outside the U.S. for six months or more annually (even if maintaining dual residences in the U.S. and another country).
- Are immigrants from a foreign country, residing in the U.S. with intent to stay, but who do not have green cards and have been in the U.S. for less than one year.

An Example:

A U.S. citizen who has moved to Germany but returns to the U.S. periodically to visit family.

NOTE: Citizenship is not a determining factor in defining a non-U.S. resident.

A case must meet these conditions:

- ☐ Have an issue age of 25 – 75 (70 for fully retained cases).
- ☐ Proposed insured must be a business owner or professional individual working in medical, engineering, scientific, technological, or similar fields. Immediate family members may also be acceptable.
- ☐ Minimum policy face amount is \$250,000.
- ☐ The maximum special rating class is Class E (Class D for fully retained cases).

To initiate the process, make sure to complete/consider:

- ☐ The proposed insured must have a minimum global net worth of U.S. \$2 million.
- ☐ The proposed insured must also have at least one meaningful tie/connection to the U.S. Examples of this U.S. nexus are:
 - ▶ U.S. citizenship
 - ▶ Spouse is a U.S. citizen and/or U.S. resident (*U.S. residence of a family member other than a spouse, by itself, is not considered a meaningful tie*).
 - ▶ Ownership of real estate in the U.S.
 - ▶ Ownership of a business in the U.S. or employment by a U.S. company
 - ▶ Verifiable U.S. tax liability that will support the need for life insurance
 - ▶ Ownership of verifiable U.S. assets for a minimum of 6 months and:
 - equal to 25% of total net worth **or**
 - minimum of \$500,000
- ☐ Completing the Non-U.S. Resident Disclosure Form (ORD 115136): This form must be completed at the point of sale if either the proposed insured or proposed policyowner (including a trust and other entity) is not a resident of the U.S. The purpose of this form is to confirm sales activity locations.
 - ▶ All aspects of the insurance transaction must be completed in the U.S. including solicitation, completion of the application, medical examination, inspection, and contract delivery.
- ☐ For face amounts of \$1,000,000 or more: The required third-party financial documentation, no more than one year old, is supplied.*
- ☐ The required copy of the individual's visa, passport, and national ID card (or other similar document) is supplied. U.S. references are required, if available.
- ☐ For those individuals who cannot provide a Social Security number for the purposes of completing the tax certification, the required version of Form W-8 (BEN, ECI, EXP, IMY) is to be supplied. Usually Form W-8BEN is used.

*A letter of reference from a major international financial institution with all account values or a detailed bank statement is acceptable as proof of financial information.



Important Tips:

- There should be enough time spent in the U.S. to facilitate information gathering and adequate time to complete the underwriting and policy delivery process.
- Individuals must have a record of ongoing health maintenance, with the most recent visit having taken place within three years of the date on which the application was completed.
- Attending Physician's Statement (APS) records, including foreign APS records, should be secured. An APS is required at ages 50 and over.
- All applicants must be medically examined. Blood tests and ECGs will be required, based on normal age and amount rules.
- A Data Verification Report (DVR) will be requested in ALL cases.
- Motor Vehicle Reports (MVRs) will be requested if the applicant has or previously had a U.S. driver's license.
- Additional special considerations for residents of mainland China:
 - ▶ A copy of their U.S. Consulate exam, if completed within the last two years.
 - ▶ A copy of financial information presented to U.S. Consulate, if within the last two years.
 - ▶ Third-party financial documentation, regardless of the face amount for which they have applied.
 - ▶ A copy of the individual's National ID card.
- Expect delays in obtaining information. Obtaining information on a non-U.S. resident applying for life insurance may be difficult, but every effort must be made to secure the required information. The closer the ties to the U.S. the better the chances of obtaining meaningful medical and financial information in a timely fashion.
- Senior Assessment Exam and Financial Underwriting Requirements for applicants over the age of 70 are fully automated.
- All travel patterns will be carefully reviewed. Additional ratings may be assessed for travel outside the resident country.
- Contracts to be owned by third-party foreign persons or entities will seldom be acceptable since all aspects of the insurance transaction must be completed in the U.S.
- Once approval is granted by Underwriting, the application/worksheet should be submitted on a cash-on-delivery basis.
- Individuals will not be considered for life insurance coverage if they are currently active in foreign military, police, government, or judicial services within their resident countries. In addition, political or union leaders may be excluded, as well.
- Before submitting an application/worksheet, an inquiry or advance phone call should be made to your Prudential underwriting contact. This will help you determine if there are any particular underwriting considerations you should be aware of and the type of client information you need to provide. For example, some supplementary benefits (e.g., Living Needs Benefit¹) may not be available to residents of all countries.

Available Coverage Amounts

Automatic issue limits of about \$28 million on individuals residing in acceptable countries may be considered depending on all facts of the case, including the age and health status of the proposed insured, product applied for, the reinsurance arrangement, in-force coverage, and available reinsurance. Please contact Underwriting for the product-specific automatic issue amount. The minimum policy face amount for Non-U.S. Residents is \$250,000.

¹The Living Needs BenefitSM is an accelerated death benefit and is not a health, nursing home, or long-term care insurance benefit and is not designed to eliminate the need for insurance of these types. There is no charge for this rider but, when a claim is paid under this rider, the death benefit is reduced for early payment, and a \$150 processing fee (\$100 in Florida) is deducted. If more than one policy is used for the claim, each policy will have a processing fee of up to \$150 (\$100 in Florida) deducted. Portions of the Living Needs Benefit payment may be taxable, and receiving an accelerated death benefit may affect eligibility for public assistance programs. The federal income tax treatment of payments made under this rider depends upon whether the insured is considered "terminally ill" or "chronically ill" and, if the policy is business related, whether the insured is receiving the benefits. We suggest that clients seek assistance from a personal tax advisor regarding the implications of receiving Living Needs Benefit payments. This rider is not available in Minnesota to new purchasers over age 65 until the policy has been in force for one year, and the nursing home option is not available in California, Connecticut, Florida, Massachusetts, New York, or the District of Columbia. This rider is not available in Washington state. In Oregon, term policies must include the waiver of premium benefit to be eligible for this rider.

Additional information may be required depending on the facts of the case. There may also be U.S. government restrictions regarding life insurance sales with residents of some countries. The countries with which we cannot conduct life insurance business include, but are not limited to, *Myanmar, Cuba, Iran, North Korea, and Sudan*.*

For some countries, while there may not be legal or government restrictions preventing us from selling life insurance to their residents, the risks presented by those countries (e.g., crime, health and safety standards, political or economic instability, etc.) are considered too significant to price. These countries include, but are not limited to, *Afghanistan, Colombia, Cambodia, Haiti, Iraq, Lebanon, and Russia*.*

While acceptable from a risk perspective, other countries have legal restrictions for the sale of insurance to their residents. Restrictions include product limitations and ownership limitations. These countries include, but are not limited to, *Argentina, Canada, Japan, France, and Switzerland*.*

There are many other countries whose residents may be underwritten in the U.S. The underwriting category for individuals who reside in these countries will vary depending upon the risks involved. Refer to the *Non-U.S. Foreign Residence Guidelines Chart (1002950)* for the most up-to-date country list and rating information. Applications for Green and Yellow countries will be accepted. Preferred rates may be available for Green countries. Non-Smoker Plus may be available for Yellow countries. Applications for Red countries will not be accepted. If the resident country is not listed on the chart, contact Underwriting BEFORE taking an application. The classifications were determined based on research conducted from a variety of government, travel, and reinsurance information sources.

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Life insurance is issued by The Prudential Insurance Company of America, Pruco Life Insurance Company (except in NY), and Pruco Life Insurance Company of New Jersey (in NY). All are Prudential Financial companies located in Newark, NJ.

*All country listings are subject to change.

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UNDERWRITING

Non-U.S. Foreign Residence Guidelines

EFFECTIVE JUNE 2019

For any country not listed contact Underwriting BEFORE taking an application. Ratings assigned for each country are based on an analysis of government, travel services, and industry data, and may change depending on current conditions in the country. Guidelines may also vary depending on the application state.



COUNTRIES WITH AN ACCEPTABLE RISK FOR RESIDENCE:

“A” category countries, Preferred Best available with a verified U.S. nexus.

Australia	Curacao	New Zealand	Sweden
Austria	Germany	Northern Marianas Islands	Taiwan
Bermuda	Guam	Qatar	United Kingdom
Brazil	Hong Kong	Saipan	(England, Scotland, Wales, and N. Ireland)
Brunei	Israel	South Korea	
Chile	Malaysia		

“B” category countries, Non-Smoker Plus available with a verified U.S. nexus.

Aruba	Grenada	Paraguay	Thailand
Belize	Indonesia	Peru	Trinidad and Tobago
Dominican Republic	Jamaica	Sint Maarten (St. Maarten)	

Countries with multiple categories:

China	Beijing, Shanghai, Shenzhen, and Zhuhai regions are considered “A” locations. Other major metropolitan cities comparable to those in the West such as Chongqing, Guangzhou, Shenyang, Tianjin, and others are considered “B” regions. The remaining rural areas of the People’s Republic of China are “C” regions and are not acceptable.
Colombia	Urban and metropolitan areas of Colombia are considered “B” regions. Rural areas of Colombia and any area within 100 miles of the Venezuela border are “C” regions.
India	Bangalore, Calcutta, Chennai, Delhi, Hyderabad, Mangalore, Mumbai, and Surat are considered “B” regions. The remaining rural areas of the country are “C” regions and are not acceptable.
Mexico	The cities of Cancun, Ciudad Juárez, Guadalajara, León, Mexicali, Mexico City, Monterrey, Puebla, Puerto Vallarta, San Miguel de Allende, San Pedro Garza Garcia, and Zihuatanejo, and their surrounding suburban areas, will be considered “A” regions. The remaining areas of Mexico are “B” regions.
Philippines	Metro Manila will be considered a “B” region. The remaining areas of the country are “C” regions and are not acceptable.





COUNTRIES WITH SALES RESTRICTIONS DUE TO INSURANCE REGULATIONS:

To determine the specific restrictions applicable, please contact your Prudential Wholesaler **BEFORE** taking an application for residents of any of these countries:

Argentina	France	Luxembourg	Singapore
Belgium	Greece	Malta	Spain
Canada ¹	Hungary	Monaco	Switzerland
Canary Islands	Ireland	Netherlands	U.S. Virgin Islands
Costa Rica	Italy	Portugal	United Arab Emirates
Czech Republic	Japan	Puerto Rico	Uruguay
Bahamas	Cayman Islands	Panama	Saint Barthelemy
Saint-Kitts & Nevis	South Africa	Turkey	



“C” CATEGORY COUNTRIES WITH AN UNACCEPTABLE RISK FOR RESIDENCE:

Sales to residents of these countries are NOT allowed.

Afghanistan	Equatorial Guinea	Madagascar	Serbia
Albania	Eritrea	Malawi	Seychelles
Algeria	Ethiopia	Maldives	Sierra Leone
Angola	Fiji	Mali	Solomon Islands
Armenia	French Polynesia	Mauritania	Somalia
Azerbaijan	Gabon	Mauritius	South Sudan
Bahrain	Gambia	Micronesia, Federated	Republic of
Bangladesh	Gaza Strip (Palestinian Authority)	States of	Sri Lanka
Belarus*	Georgia	Moldova	Sudan*
Benin	Ghana	Mongolia	Suriname
Bhutan	Guatemala	Montenegro	Swaziland
Bolivia	Guinea	Montserrat	Syria*
Bosnia & Herzegovina	Guinea Bissau	Morocco	Tajikistan
Botswana	Guyana	Mozambique	Tanzania
Burkina Faso	Haiti	Namibia	Togo
Burma (Myanmar)*	Honduras	Nauru	Tonga
Burundi	Iran*	Nepal	Tunisia
Cambodia	Iraq	New Caledonia	Turkish Republic of N. Cyprus
Cameroon	Ivory Coast (Cote d'Ivoire)	Nicaragua	Turkmenistan
Cape Verde	Jordan	Niger	Turks & Caicos Islands
Central African Republic	Kazakhstan	Nigeria	Tuvalu
Chad	Kenya	Niue	Uganda
Colombia	Kiribati	North Korea*	Ukraine
Comoros	Kosovo	Oman	Uzbekistan
Congo	Kuwait	Pakistan	Vanuatu
Congo, Democratic Republic of the	Kyrgyzstan (Kyrgyz Republic)	Palau	Venezuela
Croatia	Laos	Papua New Guinea	Vietnam
Cuba*	Lebanon	Russia	West Bank (Palestinian Authority)
Djibouti	Lesotho	Rwanda	Western Sahara
East Timor	Liberia	Samoa	Yemen
Egypt	Libya	Sao Tome and Principe	Zambia
El Salvador	Macedonia, Yugoslav	Saudi Arabia	Zimbabwe
	Republic of	Senegal	

* OFAC Restrictions: U.S Government restrictions prohibit life insurance sales to residents.

¹Variable products are not available.

Availability of insurance and rates will vary based on the satisfaction of underwriting criteria. Underwriting rules are subject to change at our discretion.

Automatic and jumbo limits are graded down by age, rating, and special risks (e.g., foreign residence and travel, entertainers, professional athletes, etc.).

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