

Financial Underwriting Guidelines - Life

Financial underwriting is a key component for risk assessment. It helps determine the insurance need and validates the coverage and premium amount based on the individual or corporate financial profile.

The following are guidelines to assist you when working with your clients to determine the appropriate insurance need, face amounts and premium structure to reach that goal. While most insurance needs will fit within the guidelines provided, we do appreciate that unique situations may arise and require different consideration. In those instances, we are open to reviewing and considering coverage beyond our stated guidelines when supported with additional financial evidence and a cover letter explaining the concept(s) used and how the amount of insurance was determined.

Personal Needs – Generally used to calculate basic insurance amounts

Purpose	Guideline Formula		Requirements	
Income Replacement	Ages	Factor	• Applicable application questions	
	18-30	30 x income	If coverage exceeds: \$5 million Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required	
	31-40	25 x income		
	41-50	20 x income		
	51- 60	15 x income		
	61-69	10 x income		
	70-75	5 x income		
Premiums plus deposits considered up to the greater of 30% of annual pre-tax income (see chart in Premium Affordability section)		\$10 million	Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures	
If no or little income is available:				
Non-income earning spouse	Up to \$500,000		• Applicable application questions	
	Above \$500,000		• Additional information required on family income and net worth and the overall insurance planning completed	
Students age 18+	Up to \$500,000		• Applicable application questions	
	Above \$500,000		• Additional information required on the school, course of study, and the number of years remaining until completion	
Children ages 0 - 17	Up to \$250,000		• Applicable application questions • Parents should have an equal or greater amount of coverage in force • Siblings should be insured for similar amounts	
	Above \$250,000		• Consideration given for higher amounts when supported with the family finances and rationale for the proposed coverage	
Unemployed – Term coverage only	Up to \$250,000		• Applicable application questions • Details of prior occupation and income	
	Above \$250,000		• Additional information required on need for the coverage, reason for and duration of unemployment, skills/training, work history, job prospects and projected income	
Bankruptcy and Consumer Proposal – Term coverage only	Up to \$250,000		• Applicable application questions	
	Once discharged, regular guidelines will apply			

Business Needs

Purpose	Guideline Formula	Requirements
Buy-sell	Consideration given to each owner for an amount equal to their share percentage of the current fair market value (FMV)	<ul style="list-style-type: none"> Applicable application questions to include business section If combined coverage (all partners) exceeds:
	Additional coverage for growth at 5% per year for 5 years for established businesses	<div> <div>\$5 million</div> <div> Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required </div> </div> <hr/> <div> <div>\$10 million</div> <div> Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures </div> </div>
Key Person	Up to 10X compensation	<ul style="list-style-type: none"> Applicable application questions If coverage exceeds:
	Providing details regarding how the proposed insured is key to the company's success, including experience, special skills, and the financial impact to the company should there be a sudden loss of this employee will help us understand the multiple you used to determine coverage	<div> <div>\$5 million</div> <div> Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required </div> </div> <hr/> <div> <div>\$10 million</div> <div> Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures </div> </div>
Business Loan Collateral	Coverage amount considered up to 100% of the loan	<ul style="list-style-type: none"> Applicable application questions Loan details including name of lender, loan amount, and purpose of the loan If coverage exceeds:
	Each owner/key person may be considered for their portion of the loan	<div> <div>\$5 million</div> <div> Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required </div> </div> <hr/> <div> <div>\$10 million</div> <div> Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures </div> </div>
Business Value Protector (BVP)	BVP Formula: Average net income after tax for the last 3 operating years x 10 x ownership share Net income will be adjusted for non-recurring earnings and expenses 50% of management bonuses may be added back before averaging Maximum BVP is \$3,333,333 (exercising 3x = \$9,999,999 ultimate)	<ul style="list-style-type: none"> Applicable application questions Corporate financial statements for the last 3 operating years

Estate Planning

Purpose	Guideline Formula	Requirements				
Estate Conservation Personal Estate Bond/Insurance Retirement Program (IRP) Corporate Estate Bond Corporate Insured Retirement Program (CIRP)	<p>Total coverage amounts will be based on the insured's anticipated estate taxes</p> <p>For family situations, we will consider the total net worth and premium for all policies</p> <p>For assets outside Canada, please see Foreign net worth below</p> <p>Coverage amounts and death benefit payable at life expectancy will be assessed based on the insurance need presented.</p> <p>Premium deposits considered up to the greater of:</p> <ul style="list-style-type: none">• 30% of net worth over a 5-year period, OR• 35% of investible assets over a 5-year period, OR• 30% of annual pre-tax income <p>These guidelines assume a minimum of 3-year payment period.</p>	<ul style="list-style-type: none">• Financial section of the application• Source of premium and any additional deposits• The product and illustration must match the intended insurance purpose• Please submit the information that was presented to the client to generate the insurance sale. <p>If coverage exceeds:</p> <table><tr><td>\$5 million</td><td>Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required</td></tr><tr><td>\$10 million</td><td>Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures</td></tr></table>	\$5 million	Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required	\$10 million	Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures
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Charitable Giving	<p>Coverage amount considered based on the insurance plan presented which should include what planning has taken place to ensure personal needs are met</p> <p>Premium and deposits should be less than 25% of net worth</p> <p>Amounts outside these guidelines will be considered with supporting financial documentation.</p>	<ul style="list-style-type: none">• Applicable application questions• Cover letter that includes the name of the charity, details of past contributions, any tax implications, and details of personal coverage				
Generation Transfer Bond	<p>Coverage amount considered based on the net worth of the donor and existing insurance on the family members</p>	<ul style="list-style-type: none">• Applicable application questions• Cover letter explaining the concept and how the amount was determined <p>If coverage exceeds:</p> <table><tr><td>\$5 million</td><td>Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required</td></tr><tr><td>\$10 million</td><td>Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures</td></tr></table>	\$5 million	Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required	\$10 million	Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures
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Foreign net worth	<p>There must be a Canadian need for insurance.</p> <p>Total net worth may include:</p> <ul style="list-style-type: none">• Up to 25% of foreign net worth will be considered without supporting documents• Up to 50% of foreign net worth will be considered with supporting documents• 100% of Canadian net worth <p>Foreign assets held with verifiable bank or investment firms outside of Canada will be considered with statements in English or French</p>	<ul style="list-style-type: none">• Applicable application questions <p>If coverage exceeds:</p> <table><tr><td>\$5 million</td><td>Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required</td></tr><tr><td>\$10 million</td><td>Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures</td></tr></table>	\$5 million	Cover letter Confidential Financial Questionnaire completed and signed by the client Supporting financial documents such as Corporate Financial Statements, Statements from a Canadian Financial Institution (bank, investments), Notice of Assessments (NOA) from CRA may be required	\$10 million	Supporting financial documents as above, or Confidential Financial Questionnaire with Accountant signature, or Letter from Accountant containing full financial disclosures
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Premium Affordability

Premiums should reasonably reflect the income and net worth of the insured. The client must demonstrate that they can afford to pay premiums for all in force policies and the requested coverage, now and during the life of the contract. The chart below is a guideline. We are open to reviewing and considering coverage beyond these guidelines depending upon the individual circumstances of the insured and owner with supporting financial documentation.

Income	Total Annual Premium/Annual Income %
≤\$50,000	5% - 10%
\$50,000 - \$100,000	10% - 15%
\$100,001 - \$250,000	15% - 20%
\$250,001 +	20% - 30%