

Financial underwriting guidelines

(R-4/2017)

All cases are subject to an underwriter's discretion and suitability review.

Personal Financial Statement (NB2012P) requirements

Ages 0-64 ¹	\$3,000,001 and greater
Ages 65 and up	All face amounts

Third-party financial validation requirements

Ages 0-64 ¹	\$10,000,001 and greater
Ages 65 and up	\$5,000,001 and greater

Business Financial Statement (NB2012B) requirements

- Required for any type of business insurance at \$3,000,001 and greater.
- May be requested by underwriter for smaller face amounts.

Supporting documentation will differ depending on the asset. See chart below. This list is not all-inclusive, but does provide examples of the types of proofs that will be required.

Type of asset	Examples of supporting documentation
Earned income	Copies of tax returns, W2s, 1099s
Cash and CDs	Current bank/CD statements, tax returns
Equities (stocks and bonds, 401(k), IRAs, or other qualified monies)	Current brokerage/account statements, tax returns
Real estate – provide listing of properties held including addresses and percentage of ownership	Current property tax statements/assessments, appraisals, title to property for proof of ownership if not on property tax statement, tax returns
Rare/valuable collection(s)	Copy of insurance policy identifying the collection and covering same, or independent formal appraisal proving ownership and value
Business interests	Copies of tax returns along with audited corporate financials, i.e., balance sheet and income statements, 10-Ks, articles of organization/incorporation proving ownership

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¹ For ages 0-17, this requirement would be for the premium payor.

Affordability guidelines

All cases are reviewed for a needs-based selling approach and premiums should be within our affordability guidelines. The company's premium affordability guidelines are intended to ensure that the premium payments are consistent with the client's financial circumstances, taking into account the client's income, net worth, and liquidity. For individuals with higher levels of income or net worth, a larger percentage is generally allowed to be used for life insurance premium than for those at the lower end of the income/net worth scale. As a general guideline we use the following parameters:

For premium payments from income:				
Income	<= \$75,000 ¹	\$75,001-\$149,999	\$150,000-\$199,999	\$200,000 +
Maximum total planned premium allowed ²	10%-20% (plus minimum premium requirement)	15%-30%	25%-40%	Underwriter discretion

¹ For incomes of \$75,000 or less, the annual minimum premium required on the client's policy may not exceed 10% of their annual income.

² Maximum planned premium varies by net worth on a sliding scale. To qualify for the larger amount, the client's net worth should be at least 5x income.

For premium payments from net worth (calculated on net worth, applied to liquid assets):				
Net worth	<= \$500,000	\$500,001-\$1,499,999	\$1,500,000-\$1,999,999	\$2,000,000 +
Percentage of liquid assets allowed for total planned premium	20%	30%	40%	Underwriter discretion

For premium payments from net worth (calculated on net worth):	
Net worth	\$2,000,000+
Percentage of net worth allowed for total planned premium	Underwriter discretion

For premium payments from windfall:	
Percentage of windfall allowed for total planned premium	Underwriter discretion

To expedite the application we require an illustration where the client is 65 or older and loans or withdrawals are desired.

These premium percentages are guidelines, and there is some degree of interrelatedness between income and net worth. On cases that exceed the guidelines above, a detailed cover letter and illustration that appropriately reflects the sale should be sent with the application and may be escalated for a life suitability review. At a minimum, the cover letter should include the following:

- What was the need and purpose for the life insurance?
- How was the face amount determined?
- How is it being funded (source of premium and funding pattern)?
- Is a third-party advisor other than yourself involved?
- How is this in the client's best interest (how does it meet their financial objectives, how do they benefit from the purchase of the proposed life insurance)?
- Statements indicating:
 - This sale has been discussed in detail with client
 - The client supports this higher premium and desires to move forward with the purchase of this life insurance
 - The client acknowledges that they have sufficient resources available for their other expenses and/or emergencies in addition to the premium

Additional guidelines

Purpose	Amount guidelines	Additional guidelines
Personal needs multiplier	<p>Age bracket Earned income factor:</p> <ul style="list-style-type: none"> • 18-35 35x • 36-60 Subtract current age from 70 for your multiplier, minimum of 12x • 61-65 10x • 66-70 5x • 71 and up Individual consideration 	Average annual bonuses and average share of business dividends may be included in the multiplier. Generally, passive income (such as pension dividends, interest royalties, lottery winnings, capital gains, and rental income) should not to be considered in the multiplier. They may, however, be considered with other assets to assess total needs.
	Annual income multiplied by earned income factor = personal needs	
Estate preservation	<p>Growth projections allowed. Growth percentage will vary; typically 5%-8% is allowed.</p> <p>Allow up to 55% of projected net worth based on the following:</p> <p>Up to age 40 20 years of growth Ages 41-60 15 years Ages 61-70 10 years Over 70 Up to 75% of life expectancy</p>	<ul style="list-style-type: none"> • Include a cover letter outlining the estate planning needs. • If assets are growing at a rate greater than the typical 5%-8% allowed, provide valid documentation for possible individual consideration.
Secondary wage-earner/ non-employed spouse	<ul style="list-style-type: none"> • If primary wage-earner has \$2,000,000 currently in force, allow up to 100% match. • If primary wage-earner has \$2,000,001-\$5,000,000 currently in force, allow up to \$2,000,000 or 50% (whichever is more) with a maximum of \$2,500,000. • If primary wage-earner has >\$5,000,000 currently in force, allow up to 50% with a maximum of \$5,000,000. 	
Wealth transfer	Allow a specific portion (based on affordability) of the client's assets to be repositioned to purchase life insurance at a minimum face/maximum accumulation.	Provide a cover letter outlining how the death benefit amount was determined, including details of how the income and/or assets will be used to fund the life insurance purchase. Clearly explain any tax implications of implementing (or not implementing) this insurance recommendation.
Charitable giving	<ul style="list-style-type: none"> • Average contributions for the past three years multiplied by 10 or use average annual contribution as the annual planned premium. 	<ul style="list-style-type: none"> • Must have an established pattern of giving; records of past contributions may be requested. • Personal needs should be met. • Provide a cover letter explaining the relationship between the applicant and the charity.
Juvenile coverage	<ul style="list-style-type: none"> • Ages 0-17: allow up to half of the parent's combined death benefit. • For face amounts greater than \$1,000,000, both parents should be insured and the need for this coverage should be explained in a detailed cover letter and based on household financials. 	<ul style="list-style-type: none"> • Provide a cover letter outlining amount of coverage in force or applied for on each parent, even when this coverage is being purchased by grandparents. • Include amounts applied for and in force on all siblings. All siblings should be insured for equitable amounts (defined as same or similar death benefits or same premium amount). • Agent must see each child personally. • Ages 15 and up need to sign the worksheet/application. • Parents or legal guardians need to sign the application for minor children. • Secure the payor's income and net worth.
Creditor/ personal	<ul style="list-style-type: none"> • Up to 100% of the loan amount • Minimum term should be five years. 	<ul style="list-style-type: none"> • Loan documents may be required.. • Provide a cover letter with details as to the amount and terms of the loan. • Is the loan pending or approved?
Retirement planning	Up to the personal needs multiplier or wealth transfer depending on the individuals circumstances	Should be a need for the death benefit

Additional guidelines (continued)

Purpose	Amount guidelines	Additional guidelines
Executive bonus or nonqualified deferred compensation (NQDC)	Based on personal needs. See personal needs multiplier.	<ul style="list-style-type: none"> Secure the salary average (including bonus if paid annually) for the last two years. May require a copy of the deferred compensation agreement or executive bonus plan.
Key person	Typically 5-10 x income. Greater or smaller death benefit amounts may be warranted, based on the case details.	<ul style="list-style-type: none"> A cover letter should accompany all cases, especially new corporations, highlighting the individual's talents, education, and experience. Identify what losses the company will experience without this key individual. Provide list of names of all key persons, with their positions in the company; for each, provide amounts of insurance in force (and applied for) with all companies.
Business continuation	<ul style="list-style-type: none"> Death benefits should be calculated by % of ownership multiplied by fair market value, with room for growth. 	<ul style="list-style-type: none"> May require third-party validation of business financials and, depending on payor, may require validation of personal earned income. List names of all owners and their positions in the company; for each, provide amount of insurance in force (and applied for) with all insurance companies.
Creditor/business loan	<ul style="list-style-type: none"> Minimum loan term should be five years. 	<ul style="list-style-type: none"> May require third-party validation of business financials. A copy of the loan agreement is required. Provide a cover letter with details as to the amount and terms of the loan.
Trust	Normal guidelines apply.	<ul style="list-style-type: none"> If owner is a trust a Trust Certification form (NB2290) is required. A copy of the signed, dated, and notarized trust agreement may be requested depending on individual circumstances.

Some cases may fall outside of our guidelines and merit special consideration. If you have a case you would like to discuss, please call the Life Case Design Team at 800.950.7372 and ask to speak directly to an underwriter.

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