



UNDERWRITING

Financial Underwriting Guidelines

| PURPOSE | GENERAL UNDERWRITING GUIDELINES | RECOMMENDED DOCUMENTATION* | COVER LETTER | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|--------|----------------|-------|----|------|------|-------|----|------|------|-------|----|------|------|-------|----|------|------|-------|----|-----|------|---|---|
| Personal Insurance (Income Replacement) for Insureds with Dependents | Individuals who are married or with dependents <table border="1"> <thead> <tr> <th>AGES</th> <th>INCOME</th> <th>FACTOR</th> <th>AMOUNT OF INS.</th> </tr> </thead> <tbody> <tr> <td>To 40</td> <td>\$</td> <td>X 35</td> <td>= \$</td> </tr> <tr> <td>41-50</td> <td>\$</td> <td>X 25</td> <td>= \$</td> </tr> <tr> <td>51-60</td> <td>\$</td> <td>X 20</td> <td>= \$</td> </tr> <tr> <td>61-70</td> <td>\$</td> <td>X 10</td> <td>= \$</td> </tr> <tr> <td>71-80</td> <td>\$</td> <td>X 5</td> <td>= \$</td> </tr> </tbody> </table> | AGES | INCOME | FACTOR | AMOUNT OF INS. | To 40 | \$ | X 35 | = \$ | 41-50 | \$ | X 25 | = \$ | 51-60 | \$ | X 20 | = \$ | 61-70 | \$ | X 10 | = \$ | 71-80 | \$ | X 5 | = \$ | <ul style="list-style-type: none"> Needs analysis whenever the amount applied for plus in force exceeds the guidelines in the table Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> Details of insurance in force and the amount applied for Details and breakdown of earned and unearned income |
| AGES | INCOME | FACTOR | AMOUNT OF INS. | | | | | | | | | | | | | | | | | | | | | | | | |
| To 40 | \$ | X 35 | = \$ | | | | | | | | | | | | | | | | | | | | | | | | |
| 41-50 | \$ | X 25 | = \$ | | | | | | | | | | | | | | | | | | | | | | | | |
| 51-60 | \$ | X 20 | = \$ | | | | | | | | | | | | | | | | | | | | | | | | |
| 61-70 | \$ | X 10 | = \$ | | | | | | | | | | | | | | | | | | | | | | | | |
| 71-80 | \$ | X 5 | = \$ | | | | | | | | | | | | | | | | | | | | | | | | |
| Estate Settlement Costs | <ul style="list-style-type: none"> Estate liquidity needs projected 8 to 10 years at a reasonable rate of growth (approximately 6%) More aggressive projections can be considered on an individual basis if supported by valid financial documentation | <ul style="list-style-type: none"> Estate planning analysis and relevant supporting documents, including financial statements Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> Details of insurance in force and the amount applied for Indicate who initiated purchase of insurance Financial advisors who have been consulted (names and phone numbers) | | | | | | | | | | | | | | | | | | | | | | | | |
| Asset Repositioning | <ul style="list-style-type: none"> Ages 50 – 85 Permanent product Current Net Worth of at least \$500,000 to \$1,000,000 with sufficient liquid assets to support the strategy Guideline maximum premium over the life of the contract should be less than or equal to 25% of liquid assets or less than or equal to 10% of net worth Asset should not be needed for day-to-day living or retirement Ultimate total line for all purposes should generally not exceed the client's total net worth Premium payer should be the proposed insured or trust Policy owner should be the proposed insured or trust | <ul style="list-style-type: none"> Stated purpose of the insurance must be given to the underwriter A financial supplement or a cover letter must be submitted containing net worth, liquid net worth, total disposable income, reasonable idea of day-to-day living expenses, and the premium to be paid Normal age/amount financial underwriting requirements will apply Additional financial information, such as a copy of a financial plan, may be requested by underwriting on a case-by-case basis, if needed to support the sale | <ul style="list-style-type: none"> Details of insurance in force and the amount applied for Reason for purchase and details of the sale Outline of required financial detail | | | | | | | | | | | | | | | | | | | | | | | | |

Continued on the next page.

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| <p>Income in Respect of a Decedent</p> | <ul style="list-style-type: none"> ▶ Estate liquidity needs projected 8 to 10 years at a reasonable rate of growth (approximately 6%) ▶ More aggressive projections can be considered on an individual basis if supported by valid financial documentation ▶ Equal to projected income taxes | <ul style="list-style-type: none"> ▶ Estate planning analysis and relevant supporting documents, including financial statements ▶ Copies of documents used in life insurance sales process (e.g., product illustration) ▶ Check the “Other” box and indicate “Income in Respect of a Decedent” in the “Purpose of Insurance” section of the Worksheet or Agent’s Report (if using the new application) | <p>Details on:</p> <ul style="list-style-type: none"> ▶ The need for the coverage and how it was determined ▶ The current value of the IRA/annuity and documentation of how assets will grow ▶ How the plan is expected to work (premiums from regular income, minimum distribution, etc.) ▶ Current income, liquid net worth, and net worth |
| <p>Debt Repayment (Business)</p> | <ul style="list-style-type: none"> ▶ Equal to non-collateralized portion of loan up to 70% of the loan amount | <ul style="list-style-type: none"> ▶ Details of loan amount (term, interest rate, amount, monthly payments, etc.) ▶ Business financial statements ▶ Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> ▶ Details of insurance in force and the amount applied for ▶ Reason for loan, use planned for proceeds, identity of lender and owners, status of loan (approved or pending) ▶ Explanation of why the proposed insured is key to the debt repayment |
| <p>Debt Repayment (Personal)</p> | <ul style="list-style-type: none"> ▶ 100% of personal home mortgage protection is usually acceptable | <ul style="list-style-type: none"> ▶ Details of loan amount (term, interest rate, amount, monthly payments, etc.) ▶ Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> ▶ Details of insurance in force and the amount applied for ▶ Reason for loan, use planned for proceeds, identity of lender and owners, status of loan (approved or pending) |
| <p>Charitable Donation</p> | <ul style="list-style-type: none"> ▶ Based on past contribution history ▶ Personal insurance needs have been satisfied | <ul style="list-style-type: none"> ▶ Contribution records ▶ Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> ▶ Details of past associations with charity ▶ Details of personal/family insurance ▶ Full description of charity, if not well known, and tax exempt number ▶ Reason for purchase ▶ Survivor needs analysis ▶ Existing life insurance coverage |

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| Charitable Trust/ Asset | <ul style="list-style-type: none"> Fair Market Value of Contributed Assets | <ul style="list-style-type: none"> Details of Charitable Trust Document Personal Financial Statement Copies of documents used in life insurance sales process (e.g., sales illustrations) | <ul style="list-style-type: none"> Details of personal/family insurance Full description of charity, if not well known Income tax basis of contributed assets Description of property and its value |
| New Corporations (Venture Capital) Investment Replacement | <ul style="list-style-type: none"> Key person value Should be a business or personal owner and beneficiary, with policy collaterally assigned to the extent of investor's interest | <ul style="list-style-type: none"> Business Financial Statements, if available Copy of prospectus, including business plan and <i>pro forma</i> report Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> Identity of investors Any information relevant to investments |
| Buy-Sell | <ul style="list-style-type: none"> Liability created under the buy-sell agreement All co-shareholders/partners should participate in the funding of the agreement | <ul style="list-style-type: none"> Details of Buy-Sell Agreement and Addendum Business Financial Statements Copies of documents used in life insurance sales process (e.g., product illustration) | <ul style="list-style-type: none"> Details of ownership Details of other owner's insurance Status of agreement |
| Key Person** | <ul style="list-style-type: none"> Five to ten times annual compensation More may be considered depending on economic value to the company | <ul style="list-style-type: none"> Proof of total compensation Employment Contract Copies of documents used in life insurance sales process (e.g., product, illustration) | <ul style="list-style-type: none"> Details of coverage on other key employees Description of why this is a key person |

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any clients or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing a client's retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional.

* For cases submitted via the new application, a Business Supplement form is required for all insurance where the purpose of the insurance is for business purposes such as buy-sell or key person coverage, or as collateral for a business loan. Submit copies of material that supplements the information requested, such as loan commitments, written buy-sell arrangements, audited financial statements, or letters.

For cases submitted via the new application, a Financial Supplement form is required for all applications with a face amount of \$5,000,000 or more.

**Refer to the Financial Underwriting Highlighter (1009564) for specific information on requirements for Key Person insurance in New York.

Life insurance is issued by The Prudential Insurance Company of America, Newark, NJ, and its affiliates.

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