

## Financial requirements

Here are some guidelines to help you understand the amount of coverage that's appropriate for your client and the key factors underwriters consider in making their decisions.

Required for \$5,000,001 and over, using age nearest and total life coverage amount

Ages	\$5,000,001 - \$10,000,000	\$10,000,000 and over
0-17	<ul style="list-style-type: none"> <li>Cover letter</li> </ul>	<ul style="list-style-type: none"> <li>Cover letter</li> <li>Inspection report or third-party verification of family net worth</li> </ul>
18 and over	<ul style="list-style-type: none"> <li>Cover letter</li> <li>Supporting financial documents or a <i>Financial supplement for insurance</i> (form 17-8951) completed by client</li> </ul>	<ul style="list-style-type: none"> <li>Cover letter</li> <li>Supporting financial documents</li> <li>Inspection report/business beneficiary report or a <i>Financial supplement for insurance</i> (form 17-8951) completed by client's accountant or letter from accountant</li> </ul>

- **Third-party verification** confirms financial details through an independent party such as a letter from an accountant, corporate financial statements, investment account summaries and municipal property valuations.
- **Cover letters** should include relevant financial details such as purpose of insurance and how the amount of insurance was determined.
- **Required supporting financial documents** are based on the purpose of insurance, as follows:

Purpose of insurance	Supporting financial documents
Income replacement and key person	Tax returns
Estate planning	Third-party verification
Debt and loan protection	Copy of loan agreement
Buy-sell	Two years of corporate financial statements or a business valuation by an accounting firm

## Personal needs

Need or insured person	Requirements	We consider (guidelines)
Income replacement	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$5,000,001, see <a href="#">Financial requirements</a></li> </ul>	<ul style="list-style-type: none"> <li>• Age (income multiplier)                             <ul style="list-style-type: none"> <li>– 18-35 (30x)</li> <li>– 36-40 (25x)</li> <li>– 41-50 (20x)</li> <li>– 51-60 (15x)</li> <li>– 61-69 (10x)</li> <li>– 70+ (individual consideration)</li> </ul> </li> <li>• Sources of income may include salary, commissions and bonuses                             <ul style="list-style-type: none"> <li>– Generally not rental, pension, interest or investment income</li> </ul> </li> </ul>
Estate preservation	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$5,000,001, see <a href="#">Financial requirements</a></li> </ul>	<ul style="list-style-type: none"> <li>• Maximum coverage equal to the insured person's future estate tax and long-term debt liabilities based on their current financial position</li> </ul>
Non-income earning spouse	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> </ul>	<ul style="list-style-type: none"> <li>• Up to \$500,000: maximum coverage equal to 100% of insurance on spouse who earns income</li> <li>• Over \$500,000: family net worth and completed overall insurance planning for the family</li> </ul>
University or college student or recent graduate	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$1,500,000, include cover letter</li> </ul>	<ul style="list-style-type: none"> <li>• Generally restricted to \$1,500,000</li> <li>• Over \$1,500,000:                             <ul style="list-style-type: none"> <li>– Details of educational institution</li> <li>– Area of study</li> <li>– Expected graduation date</li> </ul> </li> </ul>

Need or insured person	Requirements	We consider (guidelines)
Child	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$500,000, cover letter with:                             <ul style="list-style-type: none"> <li>– Purpose</li> <li>– Family net worth</li> <li>– Income</li> <li>– Coverage</li> <li>– Situation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Assume all children are equally insured</li> <li>• Over \$250,000: family’s net worth and reason for coverage</li> <li>• Parents should have significantly more in-force coverage than the child</li> <li>• If coverage is to protect future insurability, see our guaranteed insurance rider, additional deposit and paid-up additional coverage dividend options</li> </ul>
Unemployed	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Prior occupation and income</li> <li>• Over \$500,000, cover letter with:                             <ul style="list-style-type: none"> <li>– Purpose of coverage</li> <li>– Reason for and length of unemployment</li> <li>– Skills and professional background</li> <li>– Future plans for employment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Accept coverage up to \$500,000</li> <li>• Over \$500,000:                             <ul style="list-style-type: none"> <li>– Purpose of coverage</li> <li>– Reason for and length of unemployment</li> <li>– Skills and professional background</li> <li>– Future plans for employment</li> </ul> </li> </ul>
Bankruptcy	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum \$250,000 until discharged</li> </ul>
Charitable giving	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Cover letter with:                             <ul style="list-style-type: none"> <li>– Plan to cover personal needs</li> <li>– Name of the charity</li> <li>– Insured person’s relationship to the charity and past pattern of giving</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Amount applied for as part of the overall estate plan</li> <li>• Demonstrated affiliation with the charity</li> </ul>

## Business needs

Need	Requirements	We consider (guidelines)
Buy-sell	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$5,000,001, see <a href="#">Financial requirements</a></li> </ul>	<ul style="list-style-type: none"> <li>• Insured person's share of the current fair market value of the business</li> <li>• For established businesses, additional amount for growth, at 5% each year for a maximum of five years</li> <li>• For all amounts, we recommend a cover letter with:                             <ul style="list-style-type: none"> <li>– Coverage on all shareholders (should be equally insured)</li> </ul> </li> </ul>
Business growth protection rider	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Company's financial statement for last three fiscal years</li> </ul>	<ul style="list-style-type: none"> <li>• Insured person's ownership (percentage)</li> <li>• Our valuation based on financial statements</li> <li>• For all amounts, we recommend a cover letter</li> </ul>
Business loan collateral	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$5,000,001, see <a href="#">Financial requirements</a></li> </ul>	<ul style="list-style-type: none"> <li>• Maximum 100% of the loan</li> <li>• Each person's portion of the loan</li> <li>• For all amounts, we recommend a cover letter</li> </ul>
Key person	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Over \$5,000,001:                             <ul style="list-style-type: none"> <li>– See <a href="#">Financial requirements</a></li> <li>– Detailed explanation of how the amount of the loss was determined and supporting financial evidence</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Five to 10 times key person's compensation (salary plus any bonuses paid consistently for two years)</li> <li>• Circumstances described in cover letter</li> <li>• Over \$5,000,001, how the amount of the loss was determined and supporting financial evidence</li> <li>• For all amounts, we recommend a cover letter with:                             <ul style="list-style-type: none"> <li>– How individual is key</li> <li>– How death benefit amount was determined</li> <li>– Details of in-force coverage on other key employees</li> </ul> </li> </ul>
Corporate-owned coverage on shareholder's spouse and / or dependent children	<ul style="list-style-type: none"> <li>• Applicable questions on application</li> <li>• Company's financial statements for the last three fiscal years</li> <li>• Over \$5,000,001:                             <ul style="list-style-type: none"> <li>– See <a href="#">Financial requirements</a></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• This is applicable only for solely owned (100%) corporations</li> <li>• The spouse and / or dependent children of the business owner can be insured up to their determined maximum personal limits according to our usual underwriting guidelines</li> </ul>

## Premium affordability guidelines used for permanent products

The following income and asset guidelines help establish if the client's current financial position can support the premium plus additional deposit option amount from above. In addition to income, we may also consider the client's liquid and unencumbered assets when assessing the affordability of the proposed plan design. This amount typically doesn't go above 5% per year over a five-year period.

### Premiums from income

Annual income	Maximum percentage
Less than \$100,000	20%
More than \$100,001	30%
More than \$500,001	50%

### Premiums from liquid assets

Net worth	Maximum percentage
Less than \$1,500,000	25% of net worth over a five-year period
More than \$1,500,001	30% of net worth over a five-year period
More than \$10,000,001	35% of net worth over a five-year period

- For participating life insurance plans where the scheduled annual additional deposit option is selected, we only consider the first-year additional deposit option amount in our calculations as the client can end the additional deposit option at any time.