

Think about this: “My client wants a \$5,000,000 insurance policy. Why are you saying he does not qualify?”

If given an option, most clients would go with higher face amounts as they see the value to their loved ones later, the more the better. Yet, to qualify for such coverage is another matter entirely. Underwriters apply certain tools to establish that the amount of insurance applied for will adequately compensate the beneficiary in the event of an untimely loss. The process becomes easier if the agent, with a cover letter, explains the purpose for the insurance and shows the relationship of the owner/beneficiary is logical.

Financial underwriting aims at ensuring that there is no issue of speculation, over-insurance or fraud arising out of pure monetary considerations. Guidelines vary by company but the below chart is a good reference to go by:

**For Personal Insurance/Income replacement**

Ages upto 40	20 X income
41-50	15 X income
51-55	10 X income
56-70	5 to 8 X income
above 70	individual consideration

**For non working spouse**

Some companies will match working spouse’s coverage upto to a \$ amount.

**For children, ages 0-18**

Parents should have at least 2-3 times the applied coverage and all siblings should have equal amounts applied for. Any variation needs an explanation.

**For personal or business debt insurance**

Amount of coverage depends on loan details.

**Key person Insurance**

5 to 10 X income depending on type of business and insured’s duties.

**Buy Sell Insurance**

Amount of coverage depends on business valuation and share of insured/s.

*The key question is “Is the coverage justified and can the owner / insured afford the premium/s?”*

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