

Financial Underwriting Case Studies

Key Person Coverage

- 38-year-old male
- Client has positive venture company track record with desired key person coverage to insure the venture capitalists and protect his value to the entity
- The usual carrier approach would have the offer limited to \$3 Million of key person coverage using a multiple of 10 times income as the limitation. This underwriting approach allowed for greater than 20x income
- Applying for \$8 Million Term
- Approved Preferred Best Non-Smoker
- Annual Premium \$3,886

Buy/Sell Coverage - Buying Coverage for Future Growth

- Ownership and rate classification: 42-year-old male, Preferred Non-Smoker, 30%, 48-year-old male, Preferred Plus Non-Smoker, 50%, and 46-year-old male, Standard Non-Smoker, 20%
- Future Company Value estimated and financially underwritten for \$26 Million despite the current \$12 Million valuation. Company has grown at tremendous rate over the past 5 years
- The company's desire was to insure the Buy/Sell now for much of its future to avoid yearly exams and insure against unexpected health changes while insuring the yearly growth in value
- The solution was a carrier who could offer coverage for the \$12 Million current valuation with growth calculations at 10% yearly for 10 years
- Using these growth multiplies the current Buy/Sell, which was able to be set at \$26 Million vs. the normal \$12 Million limitation
- This resulted in the following premiums: #1) \$7.8 Million for \$7,059; #2) \$13 Million for \$17,243; and #3) \$5.2 Million for \$10,200
- Annual Premium \$34,502

Charitable Giving Financial Justification Case

- 55-year-old male
- History of giving \$30,000 yearly to a charity. In addition, client serves on the Board of the Charity and invests considerable periods of time each month to assist the charity. Based on the time invested and the insured's normal compensation, the amount of additional time was valued another \$30,000 per year. This would allow client to purchase a total of \$600,000 for the benefit of the charity
- Applying for \$600,000 GUL
- Approved Preferred Non-Smoker
- Annual Premium \$8,231