

# Business Insurance Solutions

## Field underwriting guide for every type of solution

To help you navigate the underwriting process, we've provided guides based on the type of plan your client wants to create. Following these simple suggestions can help to ensure that your cases progress smoothly.



### Buy-sell/succession planning

#### Cover letter

- List of all owners, percent ownership, and amount of business coverage in-force/applied for with all companies on each owner
- Details of the business
  - Business type and age of business
  - Number of profitable years
  - Owner's experience in the industry
  - Number of employees
  - Growth pattern – For a growing business, a higher death benefit may be considered based on the growth percentage. If declining, possibly consider less than the business value.
- Explanation of how the face amount is determined
- Explanation of the fair market value of business and how this value was determined

#### Required documentation

- If Employer Owned
  - Employer Owned Life Insurance Consent and Notice Form
  - Corporate Resolution

#### Additional documentation\* based on face amount

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>▪ <b>\$2,500,000 and under</b><ul style="list-style-type: none"><li>– LFG Agent Report</li><li>– Cover letter</li></ul></li><li>▪ <b>\$2,500,001 to \$9,999,999</b><ul style="list-style-type: none"><li>– LFG Business Financial Supplement</li><li>– Cover letter</li></ul></li></ul> | <ul style="list-style-type: none"><li>▪ <b>\$10,000,000 and up</b><ul style="list-style-type: none"><li>– LFG Business Financial Supplement</li><li>– Cover letter</li><li>– Third-party verified financials, such as:<ul style="list-style-type: none"><li>– Personal and business tax returns (2 years)</li><li>– Balance sheets and income statements (2 years)</li></ul></li><li>– Copy of the buy-sell agreement, if available</li><li>– Copy of business valuation, if available</li><li>– Copy of purchase agreement, if available</li><li>– Copy of the business entity organizational documents</li></ul></li></ul> |
|---|--|

\*Please note: For ANY amount, the underwriter may request financial documentation, such as tax returns and third-party prepared financial statements, to support the case design and amount applied for.

#### FACE AMOUNT SUGGESTIONS

Face amounts should be determined by ownership percentage of the fair market value of the business.



## Key person

### Cover letter

- Business type and age of business
- Explanation of how the face amount is determined
  - Amount of compensation paid to the key employee
    - In addition to salary or commissions paid, we can consider bonus, stock options, and any perks, such as housing or car allowances
  - Explanation of how the amount of loss was determined if the amount applied for and compensation paid to employee are significantly different
  - If over age 70
    - Are they working full-time?
    - Are they critical to the financial success of the business?
    - How long will they continue to work?
    - Number of hours worked?

### Required documentation

- Employer Owned Life Insurance Consent and Notice Form
- Corporate Resolution
- **If venture capital and private equity**
  - Balance sheet and income statements (2 years if available) or pro forma financial statements
  - Funding agreement to confirm amount invested
  - Ownership and equity position details
  - Management structure
  - Details regarding the need for the amount of insurance

### Additional documentation\* based on face amount

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>▪ <b>\$2,500,000 and under</b><ul style="list-style-type: none"><li>– LFG Agent Report</li><li>– Cover letter</li></ul></li><li>▪ <b>\$2,500,001 to \$9,999,999</b><ul style="list-style-type: none"><li>– LFG Business Financial Supplement</li><li>– Cover letter</li></ul></li></ul> | <ul style="list-style-type: none"><li>▪ <b>\$10,000,000 and up/multiples over 10x</b><ul style="list-style-type: none"><li>– LFG Business Financial Supplement</li><li>– Cover letter</li><li>– Tax returns (2 years of personal returns to verify compensation)</li></ul></li></ul> |
|---|--|

\*Please note: For ANY amount, the underwriter may request financial documentation, such as tax returns and third-party prepared financial statements, to support the case design and amount applied for.

#### FACE AMOUNT SUGGESTIONS

- For ages 69 and under: Generally, consider up to 10x compensation
- May consider up to 20x compensation for unique circumstances based on the type of business, and the importance of the key person to the success of the business
- For ages 70 and up: We will consider up to 5x income depending on justification
- For venture capital and private equity key person sales: We will generally allow 25% of the investment in lieu of compensation. Amounts greater than 25% of the investment are considered on an individual basis.
- For business operational less than one year: A lower multiple is appropriate, factoring in their experience and type of business
- We will not offer key person coverage greater than the value of the business



## Executive benefits

### Cover letter

- Explanation of the plan design
- Breakdown of total compensation (salary, bonuses, K1, if applicable)
- Overview of the benefit due to the insured
- Explanation of how the face amount or premium is determined
- Explanation of corporate structure and company background
- Explanation of insured's job title and duties

### Required documentation

- If Employer Owned
  - Employer Owned Life Insurance Consent and Notice Form
  - Corporate Resolution

### Additional documentation\* based on face amount

- **\$2,500,000 and under**
  - LFG Agent Report
  - Cover letter
- **\$2,500,001 to \$9,999,999**
  - LFG Business Financial Supplement
  - Cover letter
- **\$10,000,000 and up/multiples over 10x**
  - LFG Business Financial Supplement
  - Cover letter
  - Copy of plan agreement or document, if available
  - Corporate financials (2 years)

\*Please note: For ANY amount, the underwriter may request financial documentation, such as tax returns and third-party prepared financial statements, to support the case design and amount applied for.

#### EXECUTIVE BENEFIT PLANS

- Executive Bonus (Section 162)
- Split Dollar
- Deferred Compensation/SERP



## Premium finance business insurance

### Cover letter

- Financial need for life insurance
- The insured's story and why premium financing is being used or needed
- Exit strategy or source of loan principal payments when the loan matures or becomes unavailable or undesirable
- Identification of assets that will be used as collateral
- Identity of proposed policyowner and borrower (if other than the insured), such as a trustee or employer, and their relationship to the insured

### Required documentation

- Business Financial Statements
- Personal Financial Statements to confirm the insured's income and net worth
- Premium Financing Supplement
- Premium Financing Lender Certification
- Loan Commitment Letter, Offer Letter or Term Sheet from proposed lender
- Financial Supplement for Business Insurance
- IRS Form 4506C to obtain the last 2 years of tax returns
- Disclosure and Acknowledgment form, if requested by underwriter
- Producer Certification of Coverage – E&O on Premium Financed Policies, if requested by underwriter
- If Business Owned, Corporate Resolution

### Additional documentation\* based on face amount

- Additional documents may be needed based on a Business Insurance solution. See checklist based on chosen solution.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

We hope these checklists help you successfully guide your business insurance clients through the underwriting process. Using these guidelines ensures your clients' goals are met as quickly as possible.

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