

Applying for too much coverage?

A carrier received a life insurance application for a face amount of \$2 million from a woman, age 35. Her application indicated her occupation as a housewife, with no income or details regarding her net worth. Her husband has \$500,000 in force with the same carrier and an annual income of \$50,000. Given the household income and her husband's existing life policy, the woman's desired amount of coverage did not appear to be financially suitable.

The cover letter, however, explained that the woman comes from a wealthy family. She has an elderly, uninsurable father whose estate plan includes placing \$15 million into a trust fund for her upon his death, with a like amount going to her brother and the balance to her mother. The letter included information on her father so that the underwriter was able to verify the facts, including the size of his estate. The letter also explained that all owner and beneficiary proceeds will go into a trust for the applicant's child.

Does the business role justify the face amount?

A man, age 60, applied for a life policy with a face amount of \$12 million. The owner and beneficiary were noted as the construction company for which he serves as president. The amount appeared to be excessive, but the cover letter filled in the blanks.

The company, which began as a family business, joined with another company two years ago. This merger enabled the company to land lucrative government contracts. Though the proposed insured's salary is currently \$200,000, the structure of the merger agreement allows for a large compensation increase as the contract work progresses. The cover letter also detailed the ownership structure, which would necessitate purchase of his share of the company from his family if he dies. In addition, his expertise regarding the original company and the construction field were key to landing the government contracts and are crucial to the contracts' ongoing success. The life insurance carrier secured third-party verification of the information and was able to approve the full amount.

Need help? Not sure which details are important to include in your cover letter? Contact us!