You probably know that corporate-owned life insurance (COLI) can be used to informally finance your organization’s nonqualified deferred compensation (NQDC) plan. And you may know there are different ways to design COLI financing. But have you considered the pros and cons of these approaches?

That’s why we’re here. We’ll walk you through the features and benefits of two different approaches — full underwriting and Guaranteed Issue — so you can choose the best one for your organization.

**What is full underwriting?**

Underwriting involves the full assessment of an individual’s current and projected health. A risk classification is determined for an individual based on medical and non-medical information we gather such as:

- Personal medical and non-medical history
- Blood and urine samples
- EKG
- Physician statement(s)
- Motor vehicle report

**What is the Guaranteed Issue program?**

This program doesn’t require any personal information beyond work status and tobacco use to assess an individual’s health. Some things to consider:

- Since we have limited information about the individual’s health, the cost for the insurance is typically higher and maximum allowed coverage amounts are lower.
- Guaranteed Issue isn’t available in all situations.
- Typically there must be at least 10 employees in the program.
### Key differences between full underwriting and Guaranteed Issue

<table>
<thead>
<tr>
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<th>Full underwriting</th>
<th>Guaranteed Issue</th>
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<tbody>
<tr>
<td><strong>Information required</strong></td>
<td>Full health assessment</td>
<td>Work status and tobacco use</td>
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<tr>
<td><strong>Cost</strong></td>
<td>Generally allows for lowest cost-of-insurance rates per policy</td>
<td>Tends to have higher charges, on average, than policies selected from favorable full underwriting</td>
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<tr>
<td><strong>Timing</strong></td>
<td>30-60 days for data gathering and review</td>
<td>3-5 days for process completion</td>
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<td><strong>Re-enrollment (add-ons)</strong></td>
<td>Full underwriting data on new executive will be required</td>
<td>Will be issued under existing Guaranteed Issue program (some paperwork required)</td>
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<td><strong>Works best when...</strong></td>
<td>• There are a smaller number of eligible participants</td>
<td>• There are a greater number of eligible participants with average age of less than 55</td>
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<td>• Company has fewer executives and large contributions requiring high coverage amounts</td>
<td>• Additional death benefit is provided to participants</td>
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<td>• Convenience of insuring fewest number of executives is an objective</td>
<td>• Participants are geographically dispersed</td>
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<td>• Minimizing cost is important</td>
<td>• Minimizing underwriting burden for participants is important</td>
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### Aggregate financing

This financing approach allows policies to be issued for a select group of executives rather than all eligible plan participants. Why go this route? Benefits include:

- **Easier record keeping** thanks to fewer policies.
- **Easier to rebalance assets to liabilities** with fewer policies.
- **Premium applied as needed to policies**, not based on individual deferrals.

Note: This approach typically works better with fully underwritten cases because the higher face amount limits available allow for fewer policies and you’re able to select those individuals with the best underwriting ratings. It may work in Guaranteed Issue cases with a smaller group of individuals selected based on salary range or level within the company.

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**Let’s connect**

Contact your financial representative for more help financing your NQDC plan.

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