



Corporate-owned life insurance

# Full underwriting or Guaranteed Issue: Which is right for your organization?



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's **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's the **Guaranteed Issue** program?

This program doesn't require any personal information beyond work status and tobacco use to assess an individual's health. Here are 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

|                                | Full underwriting  | Guaranteed Issue  |
|--------------------------------|--|---|
| <b>Information required</b>    | Full health assessment   | Work status and tobacco use   |
| <b>Cost</b>                    | Generally allows for lowest cost-of-insurance rates per policy   | Tends to have higher charges, on average, than policies selected from favorable full underwriting   |
| <b>Timing</b>                  | 30-60 days for data gathering and review   | 3-5 days for process completion   |
| <b>Re-enrollment (add-ons)</b> | Full underwriting data on new executive will be required   | Will be issued under existing Guaranteed Issue program (some paperwork required)  |
| <b>Works best when ...</b>     | <ul style="list-style-type: none"> <li>• There are a smaller number of eligible participants</li> <li>• Company has fewer executives and large contributions requiring high coverage amounts</li> <li>• Convenience of insuring fewest number of executives is an objective</li> <li>• Minimizing cost is important</li> </ul> | <ul style="list-style-type: none"> <li>• There are a greater number of eligible participants with average age of less than 55</li> <li>• Additional death benefit is provided to participants</li> <li>• Participants are geographically dispersed</li> <li>• Minimizing underwriting burden for participants is important</li> </ul> |

### 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?

- **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.



Let's connect

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

### principal.com

Principal Life Insurance Company, Des Moines, Iowa 50392

Insurance products issued by Principal National Life Insurance Company (except in NY), Principal Life Insurance Company®, and the companies available through the Preferred Product Network, Inc. Plan administrative services provided through Principal Life Insurance Company®. Securities offered through Principal Securities, Inc., member SIPC, and/or independent broker/dealers. Referenced companies are members of the Principal Financial Group®, Des Moines, IA 50392.

Guarantees are based on the claims-paying ability of the issuing insurance company.

**Not FDIC or NCUA insured**

**May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any Federal government agency**

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.