

PRODUCER'S UNDERWRITING GUIDE

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PURPOSE OF GUIDE

The purpose of this guide is to provide Penn Mutual agents with a concise document that provides key underwriting information in a readily available, easy to use format.

UNDERWRITING PHILOSOPHY

Penn Mutual is committed to providing timely and competitive underwriting service to our agent while meeting the mortality assumptions established for its life products. The Underwriting Department is an integral part of the sales process and is committed to adding value and providing a competitive advantage for our agents.



The Penn Mutual Life Age and Amount Underwriting Requirements

Permanent and Term Life

Face Amount	Ages						
	0-15	16-40	41-49	50-60	61-70	71-80	81 +
50,000 to 250,000	A	C	C	C	C	D-1	F
250,001 to 499,999	B	C	C	C	D	D-1	F
500,000 to 999,999	B	C	C	D	D	D-1	F
1,000,000 to 1,499,999	I/C	C	C	D	D	E-1	F
1,500,000 to 2,499,999	I/C	C	D	D	D	E-1	F
2,500,000 to 5,000,000	I/C	C	D	D	D	E-1	F
5,000,001 to 10,000,000	I/C	C	D	D	D	E-1	F
10,000,001 and higher	I/C	C	D	E	E	E-1	F

Chart Key:

A	Non-Medical
B	Non-Medical + Urine
C	Para Med Exam & IRP (Insurance Risk Profile - Blood & Urine specimen)
D	Para Med Exam, IRP & EKG
D-1	Para Med, Sr. Supplement, IRP, EKG
E	Physician Exam, IRP, EKG
E-1	Physician Exam, Sr. Supplement, IRP, EKG
F	Informal inquiry should be submitted prior to scheduling exam requirements: Physician Exam, Sr. Supplement, IRP, EKG
I/C	Individual Consideration
Senior Supplement	Required for all individuals >70 years old, all amounts
Stress EKG	Requested by underwriter for cause – based on Framingham Cardiac Risk Score
Confidential Financial Statement (CFS)	Confidential Financial Statement (CFS) required for all amounts over \$2,500,000 for ages 20+ (cover letter and supporting documentation, as indicated in the Financial Underwriting Guidelines, still required over \$5,000,000)
Inspection Reports	Ages to 69 and face amount \$10,000,000 and over Ages 70 plus and face amount \$5,000,000 and over
Survivorship Life Requirements	Medical Requirements are based on each individual's age and 50% of the face amount, unless one life uninsurable then the amount will be based on 100% of healthy life.

Note: For qualified plans, face amounts under \$50,000 at ages 20-70 require a fully completed application and a Urine. For child riders, any requirements outside of the non-medical form will be at the discretion of Underwriting.

Additional requirements may be imposed by underwriting due to medical history, circumstances of the case or facultative reinsurance.

Underwriting Requirements as of 07/2010

For Broker/Dealer use only. Not for use in sales situations.

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All Examination requirements, including physician exams, must be arranged through any of the following paramedical facilities:

- APPS (American Para Professional Systems Inc.)
- Portamedic (ASB/Meditest/PSA)
- Examination Management Services, Inc. (EMSI)
- Exam One

Tele-Underwriting is available from ExamOne, Portamedic, and EMSI. See separate Tele-Underwriting section.

These requirements apply to both Penn Mutual and its subsidiaries.

PLEASE NOTE: For the Survivorship Life products: both applicants are to be examined and the age of the younger applicant will determine the requirements for each.

*Applications in this age group must be cleared with Underwriting before requirements are arranged.

Medical requirements are determined by the amount of the new application. When underwriting a case the total amount of amount of coverage both in force and applied for is taken into consideration. We reserve the right to request additional requirements deemed necessary to evaluate the total risk presented.

Age 14 and under, examination by either the child's physician or an approved examining facility is acceptable.

Insurance Risk Profile (I.R.P.) is an automated chemical analysis of a blood specimen, which includes an H.I.V. antibody test for the A.I.D.S. virus. The blood and urine specimens will be obtained by the examining facility and forwarded to our designated laboratory.

PREPARING YOUR CLIENT FOR THE TELE-UNDERWRITING INTERVIEW

1. They will be contacted, by phone, by a professionally trained interviewer from one of our approved vendors who will conduct the medical history portion of the exam by telephone interview. The Process can take approximately 20-40 minutes.
2. Prior to starting the interview, the teleunderwriter will ask if you are willing to provide a “voice signature”. This is simply a statement authenticating your identity and the information provided. This replaces the official signature on the medical history and allows Penn Mutual to process the information provided electronically. Using voice signature will significantly speed up the underwriting process.
3. Be prepared to provide names, dosages, and frequency of any present medication. Also, be prepared to provide the correct name, complete address and telephone number of their primary physician as well as any other physician they have seen in the past 5 years and the reason they were seen.
4. At the conclusion of the interview, they will be asked to schedule an appointment to obtain the vitals, fluid draw, and to sign the exam form (signature needed only if voice signature was not applied). If an appointment is not available at that time, the paramedical exam office will contact them to make arrangements for the completion of the requirements.
5. Steps 1 through 10 listed below in “Preparing Your Client for the Exam” also apply.

PREPARING YOUR CLIENT FOR THE EXAM

The medical exam is a vital part of the underwriting process and forms the basis on which your client is evaluated. Because detailed questions regarding medical history and a physical examination by an unknown professional examiner can sometimes be unnerving, it is important to prepare your client in the best way possible. To obtain the best possible results, we suggest you advise your client of a few simple steps:

1. If blood testing is required, try to fast at least 4 hours before your examination - an 8-hour fast is Preferred. You may drink water.
2. Drink a glass of water one hour or so before the exam as this will facilitate obtaining a urine specimen.
3. Be prepared to provide names, dosages, and frequency of any present medication. Also be prepared to provide any attending physician’s correct name, address, zip code, telephone numbers, and dates of visits for the last 5 years and reason seen.
4. AVOID the following as these might adversely affect the results of the exam and give an inaccurate picture of your health condition.
 - Caffeine (coffee, soda, tea) for several hours before the exam
 - Smoking or chewing tobacco for at least one hour prior to your scheduled appointment
 - Alcoholic beverages for at least eight hours before the exam
 - Nasal decongestants
5. Do not engage in strenuous exercise for 24 hours before the exam.
6. Have photo identification available.
7. Schedule the appointment for the least stressful time of the day. Early morning is usually best.
8. Get a good night’s rest before the exam.
9. Undressing is not required, but please wear a garment that is short-sleeved, or has sleeves that can be easily rolled up.
10. If you anticipate that your applicant may need a larger blood pressure cuff (for applicants with very large arms) or a large scale (for applicants over 300 lbs.), please alert the examining facility at the time of ordering the requirements.
11. The Senior Exam (for ages 71 and up) requires three brief additional tests (for respiratory capacity, mobility, and cognitive ability) and a few additional questions.

PREPARING YOUR CLIENT FOR THE INSPECTION REPORT

An inspection report **is** routinely required for face amounts **above** \$4,999,999. Underwriting reserves the right to obtain an inspection report on any application and will conduct random interviews on 10 – 15 % of the cases between \$1,000,000 and \$4,999,999. Therefore, we recommend that you prepare the applicant for the possibility of an inspection report or an interview being completed on any application. Here are a few simple steps.

1. Inform your client that a representative of a national firm specializing in this type of report may be calling to complete an inspection report or an underwriter may call to conduct a phone interview.
2. Indicate that the inspection report may be required by the insurance company prior to issuing the policy.
3. Your client should be prepared to answer financial questions regarding earned/unearned income, net worth, assets, and liabilities. Your client may be asked to furnish phone numbers of their accountant and/or bank.
4. Be prepared to provide names and addresses of present or past physicians and medications (including exact spelling and dosage) that are presently being taken.
5. Some questions are repetitious of questions on the application or paramedical. This is intended to confirm that information provided is complete. Incomplete answers will only result in delaying the issuance of the policy.
6. If any questions or concerns arise during the inspection reporting process, please advise your client to contact the inspection facility immediately.

TIPS FOR EXPEDITING THE UNDERWRITING PROCESS

- For the paper exam process, complete the application in its entirety, including the medical questions even if an examination is required. At a minimum, provide the complete name, address, and telephone number of the personal physician and provide the reason and date last seen.
- For the Tele-Underwriting process, complete all the questions on the application with the exception of the medical questions. Since the Tele-Underwriting interview is more detailed, there is no need to obtain this information from your client.
- For a Tele-Underwriting case, complete the “Producer’s Section” of the Tele-Underwriting Fax Order Form and submit the order form along with all other required forms with the application, including the VUL supplemental application, Confidential Personal Supplement / Confidential Financial Supplement (as required), avocational questionnaires, etc. to the field office.
- Submit all required forms with the application, including the VUL supplemental application, Penn Check forms, Confidential Personal Supplement / Confidential Financial Supplement (as required), avocational questionnaires, etc. to the field office.
- Be sure to clearly state the name and relationship of the Beneficiary to the Insured. Where there are multiple beneficiaries indicate the appropriate percentage share for each.
- When a Trust is involved, give the complete name, ID number, and date of the Trust as well as the name of the Trustee.
- When a corporation is the owner and/or beneficiary, the phrase “It’s successors or assigns” should be included. The corporate tax ID number should be included if the corporation is owner or payer.
- Whenever a correction is necessary (cross-out, write-over, or white-out) be sure to have the **Proposed Insured** initial the change. We cannot accept the agent’s or the owner’s initials on a corrected answer.
- For the paper exam process, schedule the examination when you take the application. Do **not** schedule the medical evidence requirements when Tele-Underwriting is being used. This will be handled by the field office.
- Taking money with the application is encouraged, but it must be taken only within the terms of the application. The terms are spelled out in the Temporary Insurance Agreement. Money accepted outside of these terms will be refunded to the applicant.
- Use a **Cover Letter** to explain or highlight any unusual aspects of the case. These could be either medical or non-medical in nature. This will help to expedite your case.
- On large cases, be prepared to supply documentation of finances. Refer to the Financial Underwriting Guidelines for maximum amounts and specific documentation required. Copies of the past two years Balance Sheets and Income Statements will help to expedite the underwriting process. If an estate plan has been completed, please include a copy with the application.

PREFERRED TOBACCO CRITERIA

- Tobacco – Within the past 12 months Proposed Insured used cigarettes on any basis or used other forms of tobacco on more than an occasional basis, or currently tests positive for nicotine.
- Not available with flat or table rating based on Penn Mutual's medical underwriting standards. May consider with non-health related flat extra rating.
- Driving – Proposed Insured cannot have a history of a DUI in the past 5 years or any ratable driving criticism.
- Blood Pressure – Proposed Insured cannot have a blood pressure reading greater than 140/90 to age 60 or 150/90 over age 60 on our exam or within the past year. Treatment acceptable if on no more than two medications.
- Family History – Proposed Insured cannot have more than one natural parent or sibling who has died before age 60 from cardiovascular or cerebrovascular disease or cancer. Family History will be discounted if Proposed Insured has reached age 60.
- Cholesterol – Proposed Insured cannot have a Cholesterol/HDL ratio on our IRP, or within the past year, of greater than 6.5 AND Proposed Insured cannot have total Cholesterol on our IRP, or within the past year, of greater than 260. Treatment for cholesterol is acceptable.
- Drugs and alcohol – Proposed Insured cannot have a history of drug or alcohol abuse or treatment within past 7 years.
- Build – Proposed Insured's weight on our exam cannot exceed the maximum listed for their height on the attached chart.

NON-TOBACCO PREFERRED CRITERIA

Tobacco - Proposed insured cannot have used tobacco/nicotine products of any kind in the last 2 years. We will include very occasional cigar smokers, who admit this on the application and test negative on the nicotine screen. Occasional being defined as no more than 2 cigars per month.

- Not available with flat or table rating based on Penn Mutual's medical underwriting standards. May consider with non-health related flat extra rating.
- Driving – Proposed Insured cannot have a history of a DUI in the past 5 years or any ratable driving criticism.
- Blood Pressure – Proposed Insured cannot have a blood pressure reading greater than 140/90 to age 60 or 150/90 over age 60 on our exam or within the past year. Treatment acceptable if on no more than two medications.
- Family History – Proposed Insured cannot have more than one natural parent or sibling who has died before age 60 from cardiovascular or cerebrovascular disease or cancer. Family History will be discounted if Proposed Insured has reached age 60.
- Cholesterol – Proposed Insured cannot have a Cholesterol/HDL ratio on our IRP, or within the past year, of greater than 6.5 AND Proposed Insured cannot have total Cholesterol on our IRP, or within the past year, of greater than 260. Treatment for cholesterol is acceptable.
- Drugs and alcohol – Proposed Insured cannot have a history of drug or alcohol abuse or treatment within past 7 years.
- Build – Proposed Insured's weight on our exam cannot exceed the maximum listed for their height on the attached chart.

NON-TOBACCO PREFERRED PLUS CRITERIA

- Tobacco - Proposed insured cannot have used tobacco/nicotine products of any kind in the last 3 years. We will include very occasional cigar smokers, who admit this on the application and test negative on the nicotine screen. Occasional being defined as no more than 2 cigars per month.
- Not available with flat or table rating based on Penn Mutual's underwriting standards.
- Personal History – Proposed Insured cannot have a medical history in past 10 years of diabetes, cancer (other than non-melanoma skin cancer), cardiovascular or cerebrovascular disease.
- Driving – Proposed Insured cannot have a history of a DUI in the past 5 years or more than 2 moving violations in past 3 years.
- Blood Pressure – Proposed Insured cannot have a blood pressure reading greater than 140/90 to age 60 or 145/90 over age 60 on our exam or within the past year. Treatment acceptable if on no more than two medications.
- Family History – Proposed Insured cannot have a natural parent or sibling who has died before age 60 from cardiovascular or cerebrovascular disease or cancer. Family History will be discounted if Proposed Insured has reached age 60.
- Cholesterol – Proposed Insured cannot have a Cholesterol/HDL ratio on our IRP, or within the past year, of greater than 5.5 AND Proposed Insured cannot have total Cholesterol on our IRP, or within the past year, of greater than 230. Treatment for cholesterol is acceptable.
- Drugs and alcohol – Proposed Insured cannot have a history of drug or alcohol abuse or treatment within past 10 years.
- Aviation – Proposed Insured cannot participate in private aviation unless IFR, ATP, or Commercial qualified with a minimum of 1500 total flight hours. Aviation activity cannot be ratable.
- Build – Proposed Insured's weight on our exam cannot exceed the maximum listed for their height on the attached chart.

NON-TOBACCO PREFERRED BEST CRITERIA (TERM PRODUCT ONLY)

- Tobacco - Proposed insured cannot have used tobacco/nicotine products of any kind in the last 5 years.
- Not available with flat or table rating based on Penn Mutual's underwriting standards.
- Personal History – Proposed Insured cannot have a medical history of cardiovascular or cerebrovascular disease, diabetes, or cancer. Proposed Insured must have normal age appropriate routine medical screenings.
- Driving – Proposed Insured cannot have a history of a DUI or more than 1 moving violation in past 3 years.
- Blood Pressure – Proposed Insured cannot have a blood pressure reading greater than 135/85 on our exam or within the past year. No treatment or history of hypertension is acceptable.
- Family History – Proposed Insured cannot have a natural parent or sibling who has been diagnosed before age 60 of cardiovascular or cerebrovascular disease, diabetes, or cancer. Family History will be discounted if Proposed Insured has reached age 60.
- Cholesterol – Proposed Insured cannot have a Cholesterol/HDL ratio on our IRP, or within the past year, of greater than 4.5 AND Proposed Insured cannot have total Cholesterol on our IRP, or within the past year, of greater than 210. Treatment for cholesterol is acceptable.
- Drugs and alcohol – Proposed Insured cannot have a history of drug or alcohol abuse or treatment.
- Aviation – Proposed Insured cannot participate in any private aviation.
- Build – Proposed Insured's weight on our exam cannot exceed the maximum listed for their height on the attached chart.

HEIGHT AND WEIGHT TABLE

Preferred Best, Preferred Plus, Preferred, and Standard Classes Maximum Weight					
FT.	IN.	Preferred Best (Term Only)	Preferred Plus	Preferred	Standard
4	8	120	125	134	162
4	9	125	129	139	168
4	10	129	134	144	174
4	11	134	139	149	180
5	0	138	143	154	188
5	1	143	148	159	193
5	2	148	153	164	199
5	3	152	158	169	208
5	4	157	163	175	212
5	5	162	168	180	219
5	6	167	173	186	228
5	7	172	179	192	233
5	8	178	184	197	240
5	9	183	190	203	247
5	10	188	195	209	254
5	11	194	201	215	261
6	0	199	206	221	269
6	1	205	212	227	278
6	2	210	218	234	284
6	3	216	224	240	292
6	4	222	230	246	299
6	5	228	236	253	307
6	6	234	242	260	316

COMMON MEDICAL IMPAIRMENTS/ POSSIBLE UNDERWRITING ACTIONS

This is intended to be a guide as to what underwriting action might result with some of the most common medical impairments. Obviously, every case is different and the actual underwriting will depend on the particular details developed through a complete underwriting evaluation. Please note that impairment ratings followed by * MAY qualify for standard rates under our table 3 fold-in program.

I	Coronary Artery Disease	Usual Action
	1. Myocardial Infarction (Heart attack)	
	In the first six months	Postpone
	After six months	
	Best case	Table 2 *
	Average case	Table 4.
	2. Coronary Bypass Surgery or Angioplasty	
	In the first six months	Postpone
	After six months	
	Best case – Single Vessel Disease	Table 2*
	Average case	Table 4
	Smoking would be a serious risk factor in applicants with a history of MI, Bypass, or Angioplasty.	
II	Cancer, i.e., Breast, Colon, Prostate	
	With no evidence of metastasis and normal IRP, normal PSA if prostate cancer	
	In the first year	Postpone
	After the first year	
	Best case	\$7.50/m for 4 yr.
	Average case	Decline for 3 yr., then rate \$10/m for 5 yr.
	Skin Cancer – Non-melanoma	Excised, usually standard
	Leukemia	Usually decline
III	Diabetes Mellitus	
	1. Juvenile	Usually decline
	2. Insulin dependent - Best case (well-controlled Without cardiovascular, renal or neurological Findings)	Table 4
	3. Adult onset (non-insulin dependent) - Best case (Well controlled with no cardiovascular disease; e.g. hypertension, normal build)	Possible standard

IV	Hypertension Best case - could be preferred if blood pressure has been normal over one year and controlled with a minimum of medication. Build must be preferred.	
V.	Asthma	
	1. Children	
	Best case	Standard
	Average case	Table 4 – 6
	2. In adults who use inhalers only and have no underlying pulmonary disease or history of frequent infection	Possible Preferred
	Use of oral steroids	Table 4 – 6
VI.	Peptic Ulcer	
	Best case - healed with adequate treatment	Possible Preferred
	With bleeding	7.50/m for 2 yr.
	Chronic	Table 4 or higher
VII.	Epilepsy	
	Best case - no medication or seizure for 5 yr.	Standard
	Average case	Table 4 – 6
VIII.	Kidney Stones	
	Best case - stone passed, normal urine	Possible Preferred
	Present symptoms, abnormal urinalysis	Postpone
IX	Depression	
	Minor - requiring a minimum of medication and psychotherapy	Possible Preferred
	Major - frequent visits for psychotherapy, large doses or multiple medications	Table 4 to Decline
X.	Chronic Obstructive Pulmonary Disease (i.e.: emphysema)	
	Mild-Best Case	Standard - Table 2*
	Moderate Case	Table 2* to Table 4
	Severe	Table 4 and up

<p>XI. Mitral Valve Prolapse</p> <p>No symptoms, no mitral insufficiency, no serious cardiac arrhythmia</p> <p>With symptoms of fatigue, palpitation, chest pain, continuing treatment</p> <p>History of cardiac arrhythmia</p>	<p>Preferred</p> <p>Table 2 and up</p> <p>Table 4 and up</p>
<p>XII. Stroke</p> <p>Transient Ischemia Attacks (or mini-strokes)</p> <p>0-1 year ago</p> <p>1-5 years - Best Case</p> <p>(Ratings improve with duration from attack)</p>	<p>Usually Decline</p> <p>Postpone</p> <p>Table 2 to Table 6</p>
<p>XIII. Osteoarthritis</p> <p>Rheumatoid Arthritis</p> <p>Under age 40</p> <p>Best case</p> <p>Over age 40</p> <p>Best case</p>	<p>Preferred</p> <p>Table 2* to Table 4</p> <p>Standard to Table 2 *</p>

AVIATION, AVOCATIONS, OCCUPATIONS

AVIATION

Aviation risks are generally divided into three broad categories based upon the nature of the aviation activity. These are Commercial (flying for pay), Civilian (flying for pleasure), and Military (flying in conjunction with Military Service).

The underlying concerns with all aviation risks are the nature of the flying, amount of experience and amount of annual flying time. The following sample should serve as a guide in evaluating the aviation risk. This is not intended to be an all inclusive listing of aviation activities. Contact your local field office with specifics situations.

AVIATION / CIVILIAN

Recreational Flying (not for pay) Personal and Business

Student Pilots

Pilots with < 100 hours SOLO experience\$2.50/M

Licensed Pilots

Hours SOLO		Expected Annual Flying Hours			
AGE	Experience	< 25	25 - 200	201 - 300	> 300
< 25	N/A	\$2.50/M regardless of annual hours			
25 - 70	< 100	\$2.50/M	\$2.50/M	\$2.50/M	\$3.50/M
25 - 70	100 - 500	\$2.50/M	STD	\$2.50/M	\$3.50/M
25 - 70	> 500	\$2.50/M	STD	\$2.00/M	\$2.50/M
> 70	N/A	Aviation Exclusion Provision			

Other forms of Recreational Flying / Aircraft

Aerobatics Flying	\$10.00/M
Balloonists	STD to \$3.50/M
Hang Gliders - over 1 yr. Experience	\$ 2.50/M
Hazardous geographical area	\$ 7.50/M

AVIATION / COMMERCIAL

Airlines - Domestic and International, passenger and /or cargo.	
Scheduled and non-scheduled with at least 1 terminal in the US	Preferred
Business, Corporate - Maintenance and flying conditions	
Similar to regularly scheduled airlines	Preferred
Others	\$2.50/M
Crop Dusting	
Conventional planes	\$5.00/M
Helicopter	\$3.50/M
Other forms of commercial aviation	\$3.00/M - \$10.00/M

AVIATION / MILITARY

Ratings for Military Aviation are dependent upon Age, Branch of Service, Rank/Rating, Duty Station and type of aircraft flown. In these situations, contact your field office for help.

AVOCATION

The risks associated with most avocations and hazardous sports relate both to hazards of the avocation or sport itself and to the participant's qualification and abilities to participate in that sport. Key factors such as frequency of activity, location of activity, safety record of activity training and experience of participant all play a role in the decision making process. To list all hazardous avocations and their ratings is beyond the scope of this guide. When confronted with a hazardous sport or avocation, be sure to complete an Hazardous Sports Questionnaire, and/or contact the field office for help.

The following examples of some of the more common avocations, their underwriting criteria and likely actions are presented here to give you a general idea as to our approach.

SCUBA DIVING:

Scuba Divers, Skin Divers

Recreational	Life	WP	ADP
Maximum average depth to 75 ft	STD	1	1
Maximum average depth 76 to 100 ft			
2-3 times /year	STD	1	1
> 3 times/year	\$2.50/M	1	2
Maximum average depth 101 to 150 ft	\$5.00/M	no	no
Maximum average depth >150 ft	\$10.00+/M	no	no
Recreational			
Certified by NACD or NSSCDS	\$5.00/M	no	no
Others..... Rate as scuba diver, with minimum of \$5.00/M			
Commercial.....See Occupation Section			

SKY DIVING:

Not affiliated with parachute club

to 50 jumps per yr.	\$5.00/M
51- 100 jumps per yr.	\$7.50/M

Affiliated with a parachute club

to 15 jumps per yr.	\$3.50/M
15 or more jumps per yr.	\$2.50/M

MOUNTAIN CLIMBING:

Novice climber (less than 2 yrs. climbing experience)

United States (lower 48 states)	\$3.50/M
Other	Usually Decline

Experienced Climber (2 full yrs.. experience at least 6 climbs)

United States (lower 48 states)	Usually Standard
Alaska (excluding Brooks range)	\$5.00 - \$7.00/M
Other locations	Refer to field office

OCCUPATIONS

The primary underwriting concern with regard to hazardous occupations is that of accidental death or injury as a result of either direct accident (mine cave-in) or insidious exposure to toxic substances (asbestos). It is important to clarify the exact nature and duties of employment. For example the term manager is not very descriptive and could carry a very different risk profile depending on the industry. A detailed listing of ratable occupations is beyond the scope of this guide. Should you have any questions about whether or not an occupation is ratable, please contact your field office.

Penn Mutual's Financial Underwriting Guidelines

Financial underwriting is necessary on all applications to screen for adverse selection and to determine if the amount of insurance is reasonable. The following guidelines are used by the underwriters to determine the maximum amount of coverage that is considered usual for the proposed insured's financial status. If the total face amount (all companies) falls outside of these guidelines, a brief letter from you explaining the purpose of the insurance and how you arrived at the face amount can help to expedite the underwriting process. If annual premium for personal insurance exceeds 25% of the applicant's total income, a cover letter is required explaining how the premium is being funded and why.

Below are listed the most common needs for life insurance and the appropriate guidelines for maximum face amount and necessary documentation. Unless indicated otherwise below, all cases require Penn Mutual's Confidential Financial Statement questionnaire (CFS) at \$2,500,001 and higher and supporting financial documentation for amounts of \$5,000,001 and higher. Supporting financial documents should include past two years tax forms, income statements and balance sheets, etc. The type of supporting documentation depends on the purpose of the insurance (see below). If these items are not available, please provide any available supporting documentation with an explanation. An inspection report (IR) will be requested above \$4,999,999. Be sure to prepare your client for the inspection report.

Personal Coverage															
<p>Income Replacement</p> <p>The following table represents the factor to be applied to applicant's annual earned income to determine the maximum amount insurable:</p> <table border="0"> <tr> <td>Ages</td> <td>Factor</td> </tr> <tr> <td>18-30</td> <td>30x</td> </tr> <tr> <td>31-40</td> <td>25x</td> </tr> <tr> <td>41-50</td> <td>20x</td> </tr> <tr> <td>51-60</td> <td>15x</td> </tr> <tr> <td>61-70</td> <td>10x</td> </tr> <tr> <td>71 up</td> <td>Individual consideration</td> </tr> </table>	Ages	Factor	18-30	30x	31-40	25x	41-50	20x	51-60	15x	61-70	10x	71 up	Individual consideration	<p>Documentation</p> <ul style="list-style-type: none"> • Cover Letter • CFS, past two years income tax forms or personal financial statements (for amounts indicated above)
Ages	Factor														
18-30	30x														
31-40	25x														
41-50	20x														
51-60	15x														
61-70	10x														
71 up	Individual consideration														

<p>Estate Planning</p> <p>Formula: Net worth (x) Growth Factor (up to 7%) (-) Unified Credit(s) (x) tax rates (federal and state) (+) other final expenses. Higher growth rates are subject to individual consideration. See the table below for the maximum specified projection period. For survivorship cases, the age of younger life is used. Substandard lives will lower the projection period.</p> <table border="0"> <tr> <td>To age 55</td> <td>20 years</td> </tr> <tr> <td>56 – 65</td> <td>15 years</td> </tr> <tr> <td>66 – 75</td> <td>12 years</td> </tr> <tr> <td>76 – 80</td> <td>7 years</td> </tr> <tr> <td>Over age 80</td> <td>Individual consideration</td> </tr> </table>	To age 55	20 years	56 – 65	15 years	66 – 75	12 years	76 – 80	7 years	Over age 80	Individual consideration	<p>Documentation</p> <ul style="list-style-type: none"> • Cover Letter: explain how amount was determined and indicate if our Advanced Sales Department worked on the estate analysis. If projected growth rate is more than 7% or projection period exceeds the table, include explanation. • Copy of Estate Analysis • CFS or personal financial statement as indicated above • If the business is more than 25% of the estate, include business financial statement • If other assets such as real estate or collectables represent more than 25% of the estate, include supporting documents such as appraisals and/or tax assessments.
To age 55	20 years										
56 – 65	15 years										
66 – 75	12 years										
76 – 80	7 years										
Over age 80	Individual consideration										

<p>Creditor</p> <p>Maximum of 100% of the loan amount within the confines of the Income Replacement rules. Otherwise, 90% of the loan.</p>	<p>Documentation</p> <ul style="list-style-type: none"> • Cover Letter : include details of loan to include amount, purpose, repayment schedule, etc. • CFS or personal Financial Statements as indicated above
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<p>Retirement Funding</p> <p>Policies should be premium driven with minimum death benefit for premium paid. The following <i>percentages</i> of income should be used as premium guidelines. This is based on the fact that disposable income normally increases with age.</p> <table data-bbox="110 745 722 955"> <thead> <tr> <th>Age</th> <th>Maximum % of Net Earned Income as a Premium Guideline</th> </tr> </thead> <tbody> <tr> <td>20-30</td> <td>10%</td> </tr> <tr> <td>31-40</td> <td>15%</td> </tr> <tr> <td>41-50</td> <td>20%</td> </tr> <tr> <td>51 up</td> <td>25%</td> </tr> </tbody> </table>	Age	Maximum % of Net Earned Income as a Premium Guideline	20-30	10%	31-40	15%	41-50	20%	51 up	25%	<p>Documentation</p> <ul style="list-style-type: none"> • Cover Letter • CFS, past two years tax forms or personal financial statements (for amounts indicated above)
Age	Maximum % of Net Earned Income as a Premium Guideline										
20-30	10%										
31-40	15%										
41-50	20%										
51 up	25%										

<p>Split Dollar</p> <p>Split Dollar used to fund personal insurance needs, apply the appropriate guidelines above based on purpose.</p>	<p>Documentation</p> <ul style="list-style-type: none"> • Cover Letter • Copy of Split Dollar agreement • CFS or personal Financial Statements as indicated above
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<p>Charitable Giving</p> <p>If the insured is paying the premium (either directly or through donations) and has a meaningful relationship with the charity, the amount of insurance owned by the charitable entity should be reasonably in line with the relationship and past donations.</p> <p>For charitable cases with multiple lives, the program and the amounts of insurance will be reviewed by the Marketing Programs & Policy Steering Committee. If the source of premiums is from borrowed funds rather than the entity's funds, the arrangement will be given heightened scrutiny.</p>	<p>Documentation</p> <ul style="list-style-type: none"> • Cover letter • Contribution record to establish pattern of giving • Two years tax forms • For charitable cases with multiple lives, need to provide information on the charitable program in advance of submitting applications. The information should include details of the program and group being solicited, proposed face amounts, copies of solicitation materials, disclosures, etc.
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<p>Juvenile Coverage must be consistent among all siblings. Parents should have more coverage in force than their children, and all coverage should be in line with family's financial situation. The death benefit is usually not the primary motivation for the policy; therefore, the death benefit should be set at the minimum for the premium paid. Certain states place specific restrictions on the maximum face amount allowed on juveniles.</p>	<p>Documentation</p> <ul style="list-style-type: none"> - Cover letter explaining coverage on parents/siblings and how amount was determined - Documentation of parent's net worth - If gift, financial statements of person making gift
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BUSINESS COVERAGE

<p>Replacement of Keyperson</p> <p>10x compensation (include salary, bonus, and fringe benefits).</p>	<p>Documentation</p> <ul style="list-style-type: none"> - Cover letter - job duties / responsibilities, unique talent, other value added contributions - CFS Part 2 - Tax forms to verify keyperson's income
<p>Buy-Sell, Partnership, Stock Redemption</p> <p>% of ownership x market value + up to 7% growth factor for 5 years. Higher growth rates are subject to individual consideration. To determine market value, average net income for last 2 yrs. capitalized at 10%; OR, appropriate amount as evidenced by Buy-sell / Stock Redemption agreement; OR, by valuation completed by our Advanced Sales Department or other credible source.</p>	<p>Documentation</p> <ul style="list-style-type: none"> - Cover letter - ownership details, how amount determined, support for valuation of business, explanation of growth factor if higher than 7% - CFS Part 2 - Copy of buy-sell agreement
<p>419 Business</p> <p>419 is a tax deductible plan which is based on normal insurance needs. Use the stated maximums for the particular need being covered (income replacement, estate tax, buy-sell, etc). Refer to Trust document for potential limitations.</p>	<p>Documentation</p> <ul style="list-style-type: none"> - Cover Letter - Based on purpose, see documentation outlined above

<p><u>COLI : deferred compensation and retirement benefits</u></p> <p>(401k Overlay Plan, S.E.R.P., Restricted Bonus Plan)</p> <p>Amount of coverage based on funding requirements of the plan. Emphasis is on benefit accumulation and retirement income. Generally death benefits are within personal guidelines. If not, death benefits must be minimized for the premium amount within plan objectives.</p>	<p><u>Documentation</u></p> <ul style="list-style-type: none"> - Cover letter to include details of plan, benefit formula, company background, etc. - Census of group - CFS or business Financial Statements as indicated above
<p><u>Creditor</u></p> <p>Within confines of Keyperson limits, up to 90% of loan amount.</p>	<p><u>Documentation</u></p> <ul style="list-style-type: none"> - Cover letter to include loan details - Copy of Loan Agreement - CFS Part 2

DELIVERY OF THE POLICY

Proper delivery of a policy is a very important step in the sales process. To avoid potential “free look” complications, all policies should be delivered to the owner as promptly as possible and must be delivered within 30 days of receipt by you.

When you deliver a life policy, it is imperative to determine if there has been a change in the proposed insured’s health, habits, occupation and other facts since the application/exam was taken before delivering the policy. If there has been a change, the policy cannot be delivered without reviewing the changes with Underwriting. Please have the applicant sign a statement as to the changes and submit this to your field office. Underwriting will decide whether the policy can be delivered or the underwriting evaluation must be reopened.

When you personally deliver the policy to the owner, both you and the owner should sign and date the policy receipt, and one copy of the duplicate receipt should be left with the owner. The other copy of the policy delivery receipt, amendments,, and NAIC illustration, if applicable, should be signed and returned to Penn Mutual’s home office within 30 days of the issue date. If the policy is not accepted by the owner, please return it immediately to the home office for cancellation.

LARGE CASE PROGRAM

Penn Mutual has developed the Large Case Unit, which is a special program for handling your large cases. Major components of the program include: expanded communication, priority handling, and a very competitive underwriting offer. Under terms of this program, a large case is defined as an application for:

\$100,000 annual premium OR
\$10,000,000 of face amount

Your Large case will receive special first-class treatment, which includes:

Special case handling, to include:

- priority processing by both the field office and home office
- priority attention to attending physician statements
- aggressive follow-up on all outstanding requirements
- priority policy issue
- express-mail service throughout the process

Underwriting review

We make maximum use of our underwriting expertise in getting your case the best possible offer.

Improved communication through your field manager

You are encouraged to consult with your general agent or regional director before a Large Case application is taken to discuss any medical or financial underwriting issues. If necessary, your field manager will involve underwriting management at that point. The underwriter will maintain close communication with your field manager at critical decision points.