

Gerber Life Insurance Company

RightBRIDGE

Savings/Affordability Functionality Test Training

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Introduction

The savings/affordability functionality added to the RightBRIDGE Regulation 187 product validation tool is an additional test used to evaluate whether a policy is affordable to the policy owner. This functionality is available when a user is validating a product on the questionnaire.

The purpose of this new test is to take into account savings/liquid investments when considering whether or not a policy owner can afford a policy. Typically, the Life Insurance validation tool focuses on the annual premium vs the policy owner's monthly income available for premium. This can potentially limit policy owners, such as retirees, who may have more assets than income they would like to use to help fund the premium payments for a life insurance policy.

How Does the Savings/Affordability Functionality Work?

In order to address the issue explained above, the ability to utilize a **maximum of 3% of the policy owner's savings/liquid investments** to be considered in the affordability calculation has been added. If the policy owner indicates that their monthly income available for premium is less than the policy's monthly premium payments, then 3% of the savings can be considered to evaluate if that covers the gap between the policy owner's payment and the premium of the policy. If the percentage of savings does cover the payment gap, then the product result will be <u>yellow</u> with ReasonTextTM noting that after a manual review the product may be approved assuming no other issues.

Example:

In this example we will base a case on a person named Julie. Julie is looking to purchase a whole life insurance policy. The estimated annual premium is \$12,000 which would be \$1,000 monthly (\$12,000 / 12 = \$1,000).

duct To Be Validated		
Please select a carrier *		
Gerber Life Insurance Company	▼ ()	
Product To Be Validated *		
	▼ 2	
Face Amount *	Estimated Annual Premium *	0
s	\$12,000	e e

2. Julie indicates she is able to pay \$800 per month for a policy from her monthly household income. The \$800 is less than the monthly premium of the policy she is looking to purchase which is \$1,000. That creates a gap of \$200. Julie also indicates that she has \$350,000 in liquid/investable assets.

Annual Household Income *	Monthly household income available for premium?*
\$120,000	\$800
Financial Accounts and Debts	
Enter information about the policy owner's current assets, holdings and debts.	
I will enter summarized values I will enter all the individual account	nts
I will enter summarized values I will enter all the individual accou Investable Assets	Total Assets
 I will enter summarized values I will enter all the individual account investable Assets Total assets that the policy owner currently has invested in marketable securities. Include assets that could be liquidated and accessed within a few days. 	nts Total Assets Total assets include all assets held by the policy owner. Include investments, cash value of life insurance, homes, land, jewelry, art, or other collectables.
 I will enter summarized values I will enter all the individual account investable Assets Total assets that the policy owner currently has invested in marketable securities. Include assets that could be liquidated and accessed within a few days. Investable Assets * 	nts Total Assets Total assets include all assets held by the policy owner. Include investments, cash value of life insurance, homes, land, jewelry, art, or other collectables. Total Assets *

3. In the source of funding section of the questionnaire, Julie indicates that she plans on using a combination of her current income and a portion of her savings/liquid investments in order to help cover the \$200 payment gap. Julie has \$100,000 available in savings that she can use towards paying for the policy.

What is the policy owner using to fund this purchase?	
You are required to select at least one source	
🗹 Current Income	Inheritance
🗋 Asset Transfer	Savings/Investments
Other	
Savings/Investments	
Savings/Investments *	
\$100,000	

As a recap:

- Julie has purchased a policy that will cost her \$1,000 each month.
- Julie has indicated she can pay \$800 each month from her income which leads to a \$200 gap.
- Julie has \$100,000 in savings that can be used to help cover that payment gap.

The system will then calculate affordability using the following method:

- Investment/Savings = \$100,000
- Maximum of 3% of the above investments/savings can be used towards affordability

\$100,000 * 3% = \$3,000

• Value converted to monthly amount = \$3,000 / 12 = \$250

Based on Julie's situation, 250 can be applied to what she can pay on a monthly basis which leads to a total of 1,050. (250 + 800 = 1,050). Assuming no other issues, the product result will be yellow indicating a yellow caution on affordability.

Regulation Review			
Area	Status	Area	Status
Age	~	Financial Experience	~
Income	~	Affordability	!
Funding Resources	~	Liquid Net Worth	~
Financial Objectives/Intended Use of Policy	~	Risk Tolerance	Not Applicable
Existing Assets	~	Tax Status	\checkmark
Financial Time Horizon	~	Non-Guaranteed Policy Elements	Not Applicable

There will also be a red ReasonText[™] explaining the calculation and that the application will require addition review before a final decision is made.

Affordability: The proposed policy premium exceeds the proposed policy owner's available amount for monthly premiums.

The proposed policy's annual premium was entered as \$, which is \$ monthly.

In addition to the \$\$ that the proposed policy owner indicated is available for monthly premiums, 3% of the savings amount indicated can be considered (\$100,000 / 12 = \$250.00 monthly savings). The proposed policy's monthly premium of \$\$ is below or equal to \$\$. (\$\$ + \$250.00). This application will need further review before a final decision is made.