

# Show Me The Money

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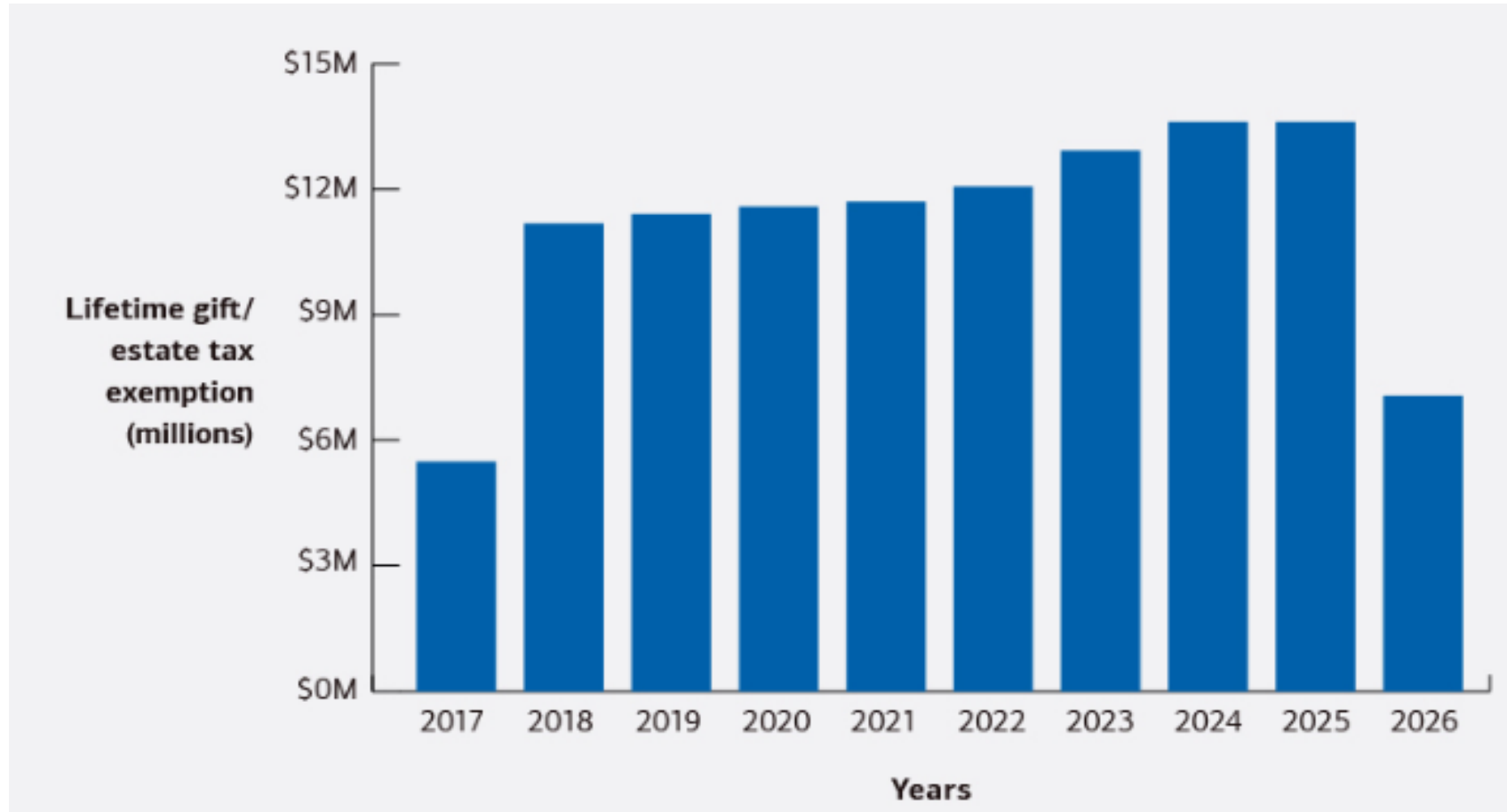
# Agenda

- Roles of The Direct Carrier and Reinsurer
- Estate Planning and Distribution
- Personal Retirement/Income Replacement
- Creditor Coverage
- Future Inheritance and Generational Wealth Planning
- Start-up Businesses
- Bankruptcy

# Estate Preservation With Life Insurance

- Cover estate taxes and provide liquidity to heirs
- Equalize inheritance among heirs
- When an ILIT is the owner and beneficiary, the insurance proceeds are protected from estate taxes and creditors
- Faster payouts reducing financial burden to family

# Tax Cuts and Jobs Act (TCJA)



Sunsetting of  
TCJA  
scheduled  
for 2026

	Gift full 2024 exemption	Gift projected 2026 exemption
Current net worth	\$50 million	\$50 million
Gift in 2024	\$27.2 million	\$14 million
Taxable estate at death	\$22.8 million	\$36 million
Estate tax at 40%	\$9.1 million	\$14.4 million
<b>Net to heirs</b>	<b>\$40.9 million</b>	<b>\$35.6 million</b>

# Estate Preservation with Life Insurance

- Considering the sunset, an Irrevocable Life Insurance Trust (ILIT) can be a valuable tool to increase liquidity available to the estate to pay estate taxes
- Given the lower exemption amount post-sunset, more assets of an estate will be subject to estate tax at death
- Having increased liquidity available on a tax-efficient basis can mitigate the risk of having to sell estate assets that the deceased person would otherwise want to pass on to his or her heirs

# Case Study 1: Grandparents Estate Distribution

- Grandpa – Net Worth = \$25M
- Applications received on 2 adult grandchildren
- Grandchildren’s income \$13k and \$30k respectively (\$3M applied for)
- No info provided on how money will be passed to grandchildren
- Applications received on grandpa’s 2 adult children
- Adult children income \$40k – net worth on application = \$1.5M (\$3M applied for)
- Planning for grandpa “underway” with the \$25M net worth

# Case Study 1: Estate Distribution – Discussion

- What are your first impressions?
- What do you think of the applied for face amounts?
- If you are not comfortable, what documentation would make you comfortable?
- What if.....?

# Personal Retirement/Income Replacement

- Majority of applications
- Does the application set-up make sense?
  - Owner/payor/beneficiary
- Earned income vs. unearned income
  - Multiple of income
  - Unearned income typically continues post death
  - Debt to income ratio
- Net worth

# Case Study 2: Over the Jumbo Limit

- 36-year-old male
- Applying for \$99,000,000 permanent coverage for death benefit protection and future retirement needs
- Born in OH, lives in NY, and citizen of England
- Beneficiary is his mother
- Unemployed – collects VA disability benefits
- Annual Income = \$250,000
- Net Worth = \$1,999,999,998
- Annual premium of \$1,119,690 to be paid from his checking account with a local credit union – source of funds is a Trust Foundation

# Case Study 2: Agent's Report

- How long have you known this Proposed Insured? 0 days
- How was the face amount determined? Customer gave it
- Underwriting Requirements: Fluidless

# Case Study 2: Financial Questionnaire\*

- Annual salary/income last 2 years=\$250,000
  - Assets
    - Stocks, bonds, and mutual funds=\$999,999,999
    - Other assets from a *nobility certificate*=\$999,999,999
  - Liabilities
    - None
  - Net Worth=\$1,999,999,998
  - Annual tax bracket: Under 15%
  - Investment risk tolerance: conservative
  - Objective of coverage: death benefit protection and future retirement needs
- \*not third-party verified***

# Case Study 2: Requirements Provided

- IRIX: no data found
- LabPiQture: no hit
- EIR: unable to verify

# Case Study 2: Internet Research

- Google (applicant, employer, etc.)
- LinkedIn
- Zillow residence address
- State tax commissioner – to confirm residence ownership
- Legal research platforms (Westlaw, etc.)

# Case Study 2: Jumbo Limit – Discussion

- Thoughts/concerns?
- Red flags?
- Additional information
  - Related to his occupation: he is a Natural and Certified Sovereign not collecting a check as an employee
  - Does not have a Social Security Number
  - Does not have a Driver's License – is a member of Pan-American Auto Travel Association issued in England

# Case Study 3: Creditor Coverage

- Application on business partners who are also married
- Both in mid-40's
- Both list income = \$230k and both list net worth = \$2.8M
- Coverage is to cover a loan to purchase a nursing facility
- The loan is for \$4.5M
- Both partners applying for \$4.5M – each is named beneficiary on the spouse's/partner's application
- Personal financial statement (not from a third party) – FMV of business= \$7M

# Case Study 3: Creditor Coverage – Discussion

- Loan document was secured and verifies \$4.5M loan
- The PI's LLC is listed as the borrower
- Full amount of loan being covered
- \$3M of inforce business coverage each with another carrier
- Any concerns?
- Would you approve as is?
- Would you do something other than approve as is?

# Case Study 4: Future Inheritance and Generational Wealth Planning

- 30-year-old male applying for \$5M
- Income=approximately \$80k
- Fiancée applying for \$4M with her income = \$50k
- Amounts were determined based on future inheritance of a dry-cleaning company: business valued at \$3M
- Male PI has a sibling – no insurance applied for
- No plan in place to transfer the business
- What now??

# Case Study 4: Future Inheritance – Discussion

- Would you allow?
- If so at what face amount?
- What would you look for?
- Any additional information needed?
- In general, what do you need to consider for “inheritance” cases?

# Case Study 5: Start-Up Business

- 3 business partners each applying for \$5M of buy-sell coverage
- New/start-up business: an AI company fighting disinformation in the political and crisis management markets
- Capital raised = \$275k
- No revenue to date
- Projected income = \$433.5M by 2027

# Case Study 5: Start-Up Business

- Would you issue?
- If so at what amount?
- What would you want to see?
- What if.....?

# Case 6: Bankruptcy

- Applying for \$1,600,000 business buy/sell coverage
- Personal bankruptcy – currently not discharged
  
- Types of bankruptcy:
  - Chapter 7 – Liquidation
  - Chapter 11 – Reorganization
  - Chapter 13 – Wage earner's plan

# Questions

