

Business Guaranteed Insurability Option (BGIO) Worksheet

What is a Business Guaranteed Insurability Option (BGIO)?

It is a rider that gives business owner(s) the option to purchase additional insurance over a period of 10 years without providing medical evidence of insurability as the business grows.

Why is there a need for this rider?

It meets the needs of a growing business as it matures. As the business increases in value, additional insurance may be needed to:

- Pay costs such as the capital gains tax associated with the succession of the business when the owner dies
- Fund buy-sell agreements

How to determine the amount of additional insurance required in the future?

The amount of additional insurance coverage available is directly related to the growth in Business Net Earnings (BNE). Once the Fair Market Value at time of issue is identified, the BGIO Amount and Maximum Option Amount can be determined.

Fair Market Value (FMV)

FMV = Weighted Average BNE* over the previous 3 years (adjusted for nonrecurring items and management bonuses) x 10

*Weighted Average BNE = [(BNE current year X 3) + (BNE 1 year before X 2) + (BNE 2 years before X 1)] / 6

(Subject to underwriting approval, an alternate formula suggested by the business' accountant or business owner may be used to determine the company's Fair Market Value.)

Complete the worksheet below to find out the BGIO Amount and Maximum Option Amount you are entitled to, subject to financial underwriting.

A	Determine the Fair Market Value (FMV) of your business									
	Business Name _____									
1	Business Net Earnings (BNE)				<u>Factor</u>				<u>Weighted</u>	
	Current Year	\$ _____	X	3	=	\$ _____	+			
	1 Year before	\$ _____	X	2	=	\$ _____	+			
	2 years before	\$ _____	X	1	=	\$ _____	+			
	BNE Total				=	\$ _____	A1			
2	Weighted Average BNE	=	A1	\$ _____	÷	6	=	\$ _____	A2	
3	Fair Market Value (FMV)	=	A2	\$ _____	X	10	=	\$ _____	A3	
4	Life Insured's Share	=	A3	\$ _____	X	_____ %	=	\$ _____	A4	
B	Enter BGIO Amount									
	• From a minimum of \$100,000 to a maximum of the Life Insured's Share (A4), not to exceed \$2,500,000									
5	Enter desired BGIO Amount \$ _____								B5	<i>Input on Wave illustration</i>
C	Maximum Option Amount									
	• The maximum amount of insurance that may be purchased over the 10 Option Dates for the rider, not to exceed \$10,000,000									
6	Maximum Option Amount	=	\$ _____	B5	X	4	=	\$ _____	B6	

I understand that the values illustrated in this BGIO Worksheet are based on the financial information that I have provided and my understanding of my future insurance needs with reference to the *Fair Market Value of my business*. Both the BGIO Amount and Maximum Option Amount are subject to financial underwriting. Refer to the Wave illustration for underwriting requirements.

Client Signature: X _____ Date: _____

Advisor Signature: X _____ Date: _____