



GROWING YOUR BUSINESS THROUGH THE FOREIGN NATIONAL MARKET

Guide to Foreign National Underwriting and Support



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As the global economy expands, so does the need for international estate planning. This is particularly true for non-U.S. citizens with assets or investments in the United States.

A different set of rules applies to these individuals under current estate tax law. These differences could result in substantial taxes when non-U.S. citizens either gift assets during their lifetime or dispose of assets upon their death.

Taxation of Non-U.S. Citizens

Non-U.S. citizens—also known as foreign nationals—are taxed differently, depending on whether they are classified as either Resident Aliens or Non-Resident Aliens.

A Resident Alien is one who has established a domicile in the U.S., that is one who lives in the U.S., for even a brief period of time, with no present intention of permanently leaving the U.S.¹ Resident Aliens generally receive the same transfer tax treatment as U.S. citizens. In other words, a Resident Alien's worldwide assets will be subject to U.S. estate and gift tax. However, Resident Aliens are deprived of certain tax advantages that U.S. citizens enjoy. Therefore, Resident Aliens have unique planning needs.

Aliens who have not established domicile in the U.S. are classified as Non-Resident Aliens and are subject to a special set of transfer tax rules. Generally, only a Non-Resident Alien's

assets which are considered located in the U.S. will be subject to federal estate and gift tax. Non-Resident Aliens are allowed a U.S. estate tax credit of \$13,000, which is not indexed for inflation.² This credit shields only the first \$60,000 of the estate from estate taxes.

Taxation of U.S. Citizen Married to Non-U.S. Citizen

Generally, a married couple may make unlimited gifts between spouses—during life or upon death—on a federal gift and estate tax-free basis. This tax advantage is known as the unlimited marital deduction. However, only transfers to U.S. citizen spouses will qualify for the deduction. Consequently, married couples consisting of at least one non-U.S. citizen may consider engaging in special planning if their estate is large enough to trigger estate tax liability; any estate tax bill that may be due upon the death of the first spouse to die must be paid in cash within nine months of death. Furthermore, lifetime gifting strategies between such spouses must consider these and other limitations that apply to non-U.S. citizens.

In addition, assets owned by spouses as joint tenants will not be treated as being owned 50% by each spouse. In other words, the entire value of the jointly-owned property will be included in the estate of the U.S. citizen if he/she is the first to die, unless the non-U.S. citizen surviving spouse can demonstrate that he/she contributed to the purchase price. The effects of these rules should also be addressed in such a couple's comprehensive estate plan.

¹ Treas. Reg. 20.0-1 (b)(1)

² I.R.C. § 2102(c)(1)

Planning with Life Insurance

Unlike a U.S. citizen, a Non-Resident Alien may individually own a life insurance policy insuring his or her own life and the death benefit will not be subject to U.S. estate tax.³ In addition, life insurance offers Non-Resident Aliens and Resident Aliens the same tax advantages available to U.S. citizens, namely, tax-deferred growth of cash values and a U.S. federal income tax-free death benefit. Because of these tax advantages, life insurance can be one of the best options for providing liquidity to pay estate taxes on U.S.-based property.

Qualifying for Coverage

In some cases the amount of insurance coverage should be based on income replacement, since many foreign countries do not impose estate taxes. However, when a Non-Resident Alien owns U.S. based assets, estate tax liquidity may be considered to justify additional coverage.



³ IRC § 2105(a); Treas. Reg. § 20.2105-1(g)

⁴ Not all riders are available on all products

Why Transamerica?

Process Business Quickly with Dedicated Underwriting Team

Transamerica has a dedicated international underwriting team with a mission to provide the fastest service and most favorable overall risk assessment for non-U.S. citizen applicants. With over a quarter century of combined underwriting experience, the team boasts a deep understanding of the nuances inherent in the global market. In addition, the team has the unique advantage of translation skills in several languages as well as extensive experience in the large case market.

Experts on Advanced Marketing Team

Transamerica's Advanced Marketing department is available to provide technical guidance regarding the use and taxation of life insurance with respect to gift and estate planning strategies for foreign nationals.

Close More Sales with Competitive Premiums

Transamerica offers competitive premiums for most products and regions of the world. Best preferred rates may be available in certain situations.

Increase Market with Broad Product Availability

All U.S. Transamerica products—including term insurance—are available for foreign national business.⁴ In addition, survivorship is available, provided that a tax liability exists as a result of owning U.S.-based assets.

Eligibility

Eligible individuals must have financial ties to the U.S., such as a U.S. bank or brokerage account, personally owned real estate or a personally owned business. Furthermore, such assets must have been held for at least one year prior to the date of the application for life insurance. Generally, special programs such as the Transamerica Opportunity Program (TOP) are not eligible for foreign nationals.



Individuals and Entities *Not* Eligible

- Judges, journalists, private pilots and/or crew members, politicians or government employees, public or private police personnel, missionaries, military personnel, or professional athletes.
- Any individual who does not have a meaningful connection to the U.S.

Below is a list of countries where, and scenarios in which, individuals are not, or may not be, insurable:

- Any country on the United States State Department (USSD) Travel Warnings list http://travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html.
- Any country at war or in open conflict (declared or undeclared).
- Any country with increased risk due to terrorism, uprising, or political instability.
- Any country experiencing famine, endemic (e.g., Ebola), epidemic, or pandemic disease(s).
- Any country where access to at least routine medical care is limited or nonexistent.
- For potentially volatile medical risks (e.g., coronary disease, diabetes, respiratory disorders), we may decline travel to any country where access to emergency medical care is limited or nonexistent.

Special Rules for Mexican Nationals

Currently, all solicitations, writing of applications, performing of exams, and obtaining of lab specimens must be completed outside of Mexico and in a jurisdiction where Transamerica is licensed to conduct business.

Please be aware that Mexican law specifically states that anyone—including an agent, solicitor for agent, a prospect, a doctor, or a nurse—involved in the solicitation or completion of an exam or application for life insurance in Mexico on behalf of a non-licensed foreign company will be subject to a jail term of six (6) months to ten (10) years as well as stiff fines.



Solicitation Rules

Due to licensing requirements, all solicitation and communication (including marketing materials) concerning the sale of the life insurance products, including all telephone, fax, or other electronic or delivered correspondence to a foreign national must take place in the U.S. Solicitation and communication includes, but is not limited to, delivery of prospectuses, marketing materials or letters soliciting the purchase of insurance or securities products, meeting with clients or potential clients to discuss securities or life insurance products, and other similar prospecting activities.

Application Process and Policy Delivery

1. The application must be completed and signed by the owner and insured in a jurisdiction of the U.S. where the agent is properly licensed and appointed.
2. The application must be accompanied by a signed **Foreign Nationals & Foreign Travel Application Supplement** (form # MPQ161008T), which is available on the TransACT® web site, www.tatransact.com.
3. The policy must be delivered to the client in the U.S.

Underwriting and Coverage Requirements

Medical Exams

Generally, all medical examinations must be completed in the U.S. Any approved exception must occur prior to solicitation and would be at the sole discretion of the Underwriting Director.

Translations Necessary

All medical declarations on applications must be completed in English. All medical records must be in English or translated into English. Some medical records may be translated in-house: Spanish, Portuguese, French.

Restrictions on Coverage

Coverage availability is subject to change without notice.

Retention

Based on different age groups, we have several levels of retention up to \$5 million.

Special Rules or Restrictions

- Older Age (age 76+) risks require individual consideration.
- Joint Survivor Life is not available unless a U.S. tax liability can be proven.
- Riders—with the exception of Waiver of Premium—are generally not available. Waiver of Premium is available for coverage within our retention amount of \$5 million.
- No aviation coverage is allowed. Aviation exclusion is available only to private pilots.
- Medical risks above Table D (or its flat extra equivalent) will not be considered on international risk cases.

- Inspection reports may be required at certain amounts or at the Underwriter’s discretion. Otherwise, regular New Business Underwriting Requirements apply. Transamerica follows normal age and amount guidelines in determining underwriting requirements. All pertinent underwriting data must be available, including Attending Physician Statements (APS).
- A conditional receipt cannot be issued. An agent cannot conditionally bind the application. No cash should be taken with any application.
- All policy forms and applications used should be the English version.
- All communications and premium payments made by the insured or the policy owner must be directed from an address within the United States. Premium payments must be in U.S. currency. Furthermore, U.S. dollar cash or cash equivalents (money orders, etc.) require additional identification and scrutiny in order to comply with the USA Patriot Act and Transamerica’s Anti-Money Laundering program.

Anti-Money Laundering Requirements and Knowing Your Client

Although any client is potentially capable of engaging in illegal transactions, such as money laundering or financing terrorism, Transamerica understands that certain clients may pose a higher risk and require enhanced due diligence procedures. Transamerica reserves the right to order third party inspection reports.

Get Started Today

Insurance planning for foreign nationals is a potentially lucrative market with exciting opportunities to expand your insurance sales and grow your business. Transamerica is uniquely qualified to help you become successful by providing you with the winning combination of advanced marketing expertise, dedicated underwriting and support, and competitive premiums not offered anywhere else.



Tips to Expedite Foreign National Underwriting

- If the Proposed Insured travels to Canada, Western Europe, Hong Kong, Australia, or New Zealand, answer “no” to the application Part 1 travel question. These are not “foreign” risks and will be processed in the Traditional or Large Case Underwriting team, as applicable.
- Submit the application with a fully completed *Foreign Nationals & Foreign Travel Application Supplement (form # MPQ161008T)* whenever the applicant indicates a foreign address or answers “yes” to the application Part 1 travel question or “no” to the US citizen question.
- Encourage the proposed insured to be as specific as possible when describing his or her travel (specific country/ies and city/ies, frequency, duration) or the location of a foreign residence. Ambiguous responses, such as “South America” or “Africa” will generate a follow-up inquiry.
- Ensure that the initial travel information is complete and accurate. Specific destinations, travel frequency, duration, etc. are critical. Generally, we will not reconsider international risk decisions based on new, different, or altered information received after the risk has been evaluated.
- If the applicant or proposed insured requires someone to translate during the application process, make sure it is a disinterested third party. Transamerica will need a signed and dated statement from the translator which includes the name of the translator, his or her relationship to the proposed insured, and confirmation that the applicant understands the terms of the application.
- Include copies of the proposed insured’s visa(s) or green card with the application. IRS form W8BEN is required for foreign nationals living abroad.
- For informal inquiries, the international e-mail box, *international@transamerica.com*, is the most efficient way to get preliminary quotes. You will receive an initial reply within 24 hours (one business day). In order to allow us to provide this level of service, we ask that you do not follow up on inquiries sent to this address unless you have failed to receive a reply within the stated timeframe (one business day).
- If a formal application is submitted based on a tentative assessment from the e-mail box, include a copy of that message with the application.



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