



Producer Guide

LIFE | UNDERWRITING

Multinational
Planning



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FINANCIAL
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This guide is intended to familiarize you, the financial professional or insurance producer, with some of the unique planning issues facing the multinational client and illustrate how life insurance may be an effective solution for many of these clients.

This guide will also help you determine whether an individual would be eligible to purchase life insurance, and provide an overview of underwriting guidelines as well as the rules pertaining to the solicitation and selling of life insurance policies insuring the lives of foreign nationals or nonresidents.¹

The “Multinational Client” is the individual with strong connections to the U.S. and another country. It is the immigrant moving to and living in this country, the American citizen working and traveling abroad, the foreign national with significant business or property interests in the U.S. or it could simply be your married client whose spouse is a citizen of another country.

¹ This guide will explain U.S. federal tax implications only. State and foreign taxes may apply and are not addressed in this guide.



Overview

Census data from 2010 makes clear how immigration is changing the face of the U.S., particularly in larger urban areas. Foreign-born residents compose over 37% of the population in New York City, 27% in the state of California and 21% in metro Chicago. It's not only the large urban areas that are experiencing this change. For example, from 2000 to 2010, Scranton, PA has seen a 140% increase in foreign-born residents; Fort Myers, FL 136%; and Little Rock, AR a 124% increase. Many of those coming to this country are highly educated and successful in their communities. For example:

$\frac{1}{3}$

of venture-backed companies going public between 2006 and 2012 had at least one immigrant founder

40%

of Fortune 500 companies have been founded by immigrants or their children

Immigrants started

52%

of all new Silicon Valley companies between 1995 and 2005

Source: Inc Magazine, February 2015

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Being able to meet the financial needs of this growing and dynamic population can provide tremendous potential business opportunities to you, the financial professional. Broadly speaking, there are several kinds of scenarios you may encounter with multinational clients.

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- **U.S. citizens living or traveling extensively abroad** – These individuals may be exposed to foreign taxes and may be subject to foreign estate distribution rules. They may also be subject to stricter underwriting rules when applying for life insurance in their country of residence.
 - **Noncitizens** – These individuals are citizens of a foreign nation – not U.S. citizens. The issues they face differ depending on whether they live in the U.S. or not, so we can categorize these individuals accordingly as Resident Aliens (RA) or Nonresident Aliens (NRAs).
 - **Resident Alien (RA)** is a foreign national that lives in the U.S. According to the U.S. Department of State, Bureau of Consular Affairs, generally, a citizen of a foreign country who wishes to enter must first obtain a visa, either a nonimmigrant visa for temporary stay, or an immigrant visa for permanent residence. Temporary worker visas are for persons who want to enter the U.S. for employment lasting a fixed period of time and are not considered permanent or indefinite. A green card holder (permanent resident) is someone who has been granted authorization to live and work in the United States on a permanent basis. As proof of that status, a person is granted a permanent resident card, commonly called a “green card.” In order to become a permanent resident, most individuals are sponsored by a family member or employer in the United States. Other individuals may become permanent residents through refugee or asylum status or other humanitarian programs. In some cases, a person may be eligible to file for themselves.
 - **Nonresident aliens (NRAs)** are those foreign nationals that do not live in the U.S. Generally, they must have some significant contact with the U.S., in order for them to be considered for insurance coverage.

A principal concern for some of these clients may be estate and income taxes, which will be a principal focus of this guide. Asset protection in a broader sense, however, may also be an important concern. Risks such as potential creditors, volatile foreign exchange markets, uncertain domestic government economic policies and lack of transparency in local markets often motivate multinationals to seek assets perceived as “safe.” For those clients who have insurance needs, permanent U.S. life insurance policies with death benefit protection, tax-free cash value growth and, in the case of whole life insurance, guaranteed returns on cash value, may be an attractive financial product in which to allocate some of their assets.

Acquiring insurance for multinationals involves issues beyond the normal concerns of medical and financial underwriting. These individuals and their financial professionals should also consider local insurance laws, sufficient connections to the U.S. and sources of funds for premiums when considering whether they will be able to acquire the desired insurance.

U.S. Taxes

In order to tax someone's income or property, the U.S. must have jurisdiction over that person, their property or their source of income. Under U.S. tax law, the United States has jurisdiction over all of its citizens and over all persons who reside or are domiciled in the country. That means that U.S. citizens and U.S. residents are subject to U.S. tax on all of their income – worldwide. Likewise, all of their worldwide assets are subject to transfer taxes – gift, estate and generation-skipping tax. Nonresident aliens (NRAs), however, are subject to U.S. tax only on their U.S. source of income or their U.S. situs assets, which are assets considered to be U.S. property. The following chart summarizes these rules.

	Income Tax	Estate, Gift and GST Tax
U.S. Citizens (living in the U.S. or abroad)	Worldwide income	Worldwide assets
Resident Aliens – RAs (foreign nationals living in U.S.)	Worldwide income	Worldwide assets
Nonresident Aliens – NRAs (foreign nationals living abroad)	"U.S. source" income	"U.S. situs" assets

When would a nonresident alien be considered a resident of or domiciled in the U.S.? For income tax purposes, there is an objective determination based on meeting one of two tests.

First, if the individual has a green card, they are considered a resident alien for U.S. income tax purposes.

Second, individuals who do not have a green card are considered resident aliens for income tax purposes if they have "substantial presence" in the U.S. An individual is considered to have substantial presence if he or she is physically present in the U.S. for the following periods:

- 31 days during the current year, *and*
- 183 days in last 3 years, counting
 - All days present in the current year, *and*
 - $\frac{1}{3}$ of the days present in the first preceding year, *and*
 - $\frac{1}{6}$ of the days present in the second preceding year.

An alien taxpayer who has a “substantial presence” in the U.S. under one of the two tests outlined on the previous page, but who can prove that he or she has a closer connection to another country, may be considered a nonresident for income tax purposes.

That closer connection can be based on the location of the permanent home, family members, driver’s license and voting records, etc.

For noncitizens who are not residents, the following table summarizes how common types of income are sourced for income tax purposes (U.S. source v. non-U.S. source income).

Type of Income	Source
Salaries, wages	Where services are performed
Interest	Residence of payer
Dividends	U.S. or foreign corporation
Rents	Location of property
Royalties on natural resources	Location of property
Intellectual property income (royalties, patents, copyrights)	Where property is used
Sales of real property	Location of property
Pensions	Where services were performed that earned the pension
Annuities	U.S. or foreign insurance company
Life Insurance (MEC distributions, etc.)	U.S. or foreign insurance company

The IRS uses a different test for residence, or domicile for estate, gift, and generation-skipping taxes. Rather than looking at the number of days an individual is in the U.S., a person is generally considered to be domiciled in the U.S. for estate and gift tax purposes if they are living in the U.S. with no present intention of leaving. This is a “facts and circumstances” determination based on a number of factors. Under this standard, there may be no waiting required – a foreign citizen and his or her worldwide assets could become subject to U.S. estate and gift taxes shortly after arrival if, based on the evidence, it appears he or she intended to stay.

U.S. Situs Property for the Nonresident Alien – Gift and Estate Taxes

The following table summarizes some of the rules pertaining to when common types of property owned by nonresident aliens are considered to be U.S. property and therefore subject to U.S. federal estate, gift and generation-skipping transfer taxes. U.S. bank deposits are not considered U.S. situs assets for estate tax purposes, but they are for gift tax. Stock in U.S. corporations is generally not a U.S. situs asset for gift tax, but is for estate tax. Finally, and important for the financial professional, a U.S. life insurance policy owned by a nonresident alien insuring his or her own life is not considered a U.S. asset for estate or gift tax purposes. These seemingly contradictory provisions can provide some real planning opportunities.

Type of Property	U.S. Gift Tax	U.S. Estate Tax
Cash		
U.S. bank deposits	Yes	No
Cash in U.S. safe deposit box	Yes	Yes
Non-bank deposits (e.g., cash in U.S. brokerage acct)	Yes	Yes
Stock in U.S. corporations	No	Yes
U.S. Partnership or LLC interests	No	Probably*
U.S. Bonds		
"Portfolio interest" bonds (most U.S. Govt/Corp bonds)*	Yes	No
Non "portfolio interest" U.S. bonds	Yes	Yes
U.S. State/Muni bonds	Yes	Yes
U.S. Mutual Funds Incorporated in U.S. (including Money Market Funds)	Yes	Yes
U.S. tangible personal property (jewelry, antiques, art, etc.)	Yes	Yes
U.S. real property	Yes	Yes
U.S. life insurance on life of another	No	Yes
U.S. life insurance on oneself	No	No
Annuities issued by a U.S. insurance company	No	Yes

* Neither the Code nor the Regulations specifically address whether U.S. Partnership interests held by an NRA are considered U.S. situs assets for estate tax purposes. If the partnership owns U.S. property or is engaged in a U.S. business, it will likely be considered a U.S. situs asset for estate tax purposes.

** Clients should review their investments carefully with their tax advisors to determine if the debt holdings do indeed fall under the portfolio interest exception.

Exemptions, Exclusions & Deductions — Gift and Estate Taxes

For most taxpayers, the U.S. tax code provides a number of important exemptions and exclusions. The Lifetime Exemption amount, currently \$5,450,000 for 2016, can be used to shelter lifetime gifts or death time bequests. The exemption is indexed for inflation and increases from time-to-time accordingly. The annual gift tax exclusion permits taxpayers to make tax-free annual gifts of up to \$14,000 every year. Transfers to spouses can generally be made tax-free. As a result, many clients may not be subject to these taxes, or in the case of married couples, by using a combination of the exemption amount and the marital deduction, they may be able to defer taxes until the second death. The multinational client, however, must be careful. These tax benefits may not be available or they may only be available with additional planning. For example, there is no lifetime gift tax exemption available for nonresident aliens. The estate tax exemption for nonresident aliens is only \$60,000 and is fixed at that amount – it is not indexed for inflation.

Consider the impact on the foreign national who owns a \$1.2 million vacation home in the U.S. along with a \$2 million interest in a U.S. business. Based on current rates, at his death, his estate would owe approximately \$1,212,800 in U.S. federal estate taxes.²

The chart below summarizes the current exemption and exclusion amount.

	Gift Tax Exemption	Annual Gift Tax Exclusion	Estate Tax Exemption
U.S. Citizens	\$5,450,000	\$14,000	\$5,450,000
Resident Aliens	\$5,450,000	\$14,000	\$5,450,000
Nonresident Aliens	\$0	\$14,000	\$60,000

² Assumes \$3,200,000 gross estate of U.S. situs assets with \$13,000 available credit.

Transfers to Spouses

Gift Tax

The Unlimited Marital Deduction ordinarily enables spouses to transfer assets tax-free to each other. But that is only available for gifts or transfers to a spouse who is a U.S. citizen. When an individual makes a lifetime transfer of property to his or her noncitizen spouse, there is no unlimited marital deduction to shelter it from gift tax. There is, however, a special annual gift tax exclusion. It is indexed to changes in inflation and is currently \$148,000 (for 2016). This is sometimes referred to as the “super annual exclusion” and permits someone to give up to \$148,000 annually to his or her noncitizen spouse tax-free. Amounts in excess of that would be considered taxable gifts and would apply against the donor spouse’s applicable lifetime exemption, or if the exemption had already been exhausted with prior gifts, would be subject to gift taxes. For example, if an individual retitles his \$200,000 brokerage account into the name of his noncitizen wife, he is making a \$200,000 gift. \$148,000 of that gift could be excluded with his super annual exclusion and the remaining \$52,000 would be considered a taxable gift, reducing his \$5,450,000 lifetime exemption by that amount. This “super” annual exclusion could be used, over a period of time, to shift a significant amount of property to the noncitizen spouse in a tax-free manner.

Estate Tax

Estate transfers at death to a surviving spouse who is a U.S. citizen are also generally protected from immediate estate tax by the unlimited marital deduction – if the surviving spouse is a U.S. citizen. But, as with gift taxes, there is no estate tax marital deduction for estate transfers to a surviving spouse who is not a U.S. citizen. Affluent families often rely on the marital deduction to defer taxes until the death of the surviving spouse. For example, a wealthy client at death might transfer \$5,450,000 to his children or to a trust for their benefit and shelter this from estate tax with his lifetime exemption. Everything else he leaves to his wife, which is protected from estate tax by the marital deduction. This approach could not be used if his wife is not a citizen of the U.S. Everything passing to that surviving spouse would be subject to 40% estate tax.

There are, however, two ways the marital deduction could still be obtained for assets transferred at death to a noncitizen spouse:

- The surviving spouse obtains U.S. citizenship before estate taxes are due, or
- The assets are transferred to a qualified domestic trust (known as a QDOT) for the benefit of the surviving spouse.

Obtaining citizenship within 9 months may not be practical nor desirable by the survivors, so the only real alternative may seem to be a QDOT. A QDOT is a trust established at death for the benefit of the surviving noncitizen spouse. If set up properly, it will qualify for the unlimited marital deduction. Among the requirements, the Trustee must be U.S. citizen or corporation, the Trustee must be authorized to withhold estate tax from any and all distributions to the surviving spouse, and in certain cases the Trust must provide security. While a QDOT can provide the relief of deferring tax, many clients prefer a less rigid solution that also provides a more efficient means to pay the taxes.

Multinational Clients – Estate & Gift Transfers to Spouses

		Gift Tax			Estate Tax		
		To:					
		U.S. Citizen Spouse	Resident Alien Spouse	Nonresident Alien Spouse	U.S. Citizen Spouse	Resident Alien Spouse	Nonresident Alien Spouse
From:							
U.S. Citizen Spouse	Unlimited Marital Deduction	No Marital Deduction; \$148,000 annual exclusion	No Marital Deduction; \$148,000 annual exclusion	Unlimited Marital Deduction	No Marital Deduction unless QDOT	No Marital Deduction unless QDOT	
Resident Alien Spouse	Unlimited Marital Deduction	No Marital Deduction; \$148,000 annual exclusion	No Marital Deduction; \$148,000 annual exclusion	Unlimited Marital Deduction	No Marital Deduction unless QDOT	No Marital Deduction unless QDOT	
Nonresident Alien Spouse	Unlimited Marital Deduction	No Marital Deduction; \$148,000 annual exclusion	No Marital Deduction; \$148,000 annual exclusion	Unlimited Marital Deduction	No Marital Deduction unless QDOT	No Marital Deduction unless QDOT	

Other Issues

Multinational planning is complex. In the case of a U.S. Resident Alien, there could be taxes in the client's "home" country. A U.S. citizen living abroad may be subject to tax in the country where he or she resides. Clients should consult with their professional tax advisors for specific guidance.

Tax Treaties

Many other countries have their own system of estate and/or inheritance taxes that have rules regarding who is subject to those taxes. For U.S. clients living overseas, or noncitizen clients living in the U.S., this could result in being subject to tax in both countries, or dual taxation. In some cases, there are tax treaties in place between the two countries that define how such individuals are taxed. For example, there is a tax treaty between one country and the U.S. where a citizen of that country who moves to the U.S. is still considered a resident of that other country for tax purposes for 10 years after becoming a resident of the U.S. Another treaty enables citizens of one country to claim a share of the larger \$5,450,000 exemption based on the proportion of his or her worldwide estate located in the U.S. It's essential that clients consult with professional tax advisors for guidance pertaining to their particular circumstances.

Foreign Inheritance Laws

Foreign citizen clients may also need to consider the potential impact of inheritance laws in their native country. For example, in some countries, especially in Europe, there is "Forced Heirship," a concept that enables some family members to claim a share of an estate if they are excluded from the decedent's estate plan. One European country permits a decedent's surviving spouse, children or parents to claim as much as ½ of the estate. And, the value of the estate includes the value of any gifts made in the 10 years preceding death. This is a so-called "clawback" rule where those prior gifts are clawed back into the estate. Such a provision can be contrary to the deceased's intentions and could trigger additional taxes. These potential additional taxes can further diminish the estate that ultimately passes to the intended beneficiaries. Life insurance, with its tax-free death benefits held in trust, can provide significant flexibility for clients to manage their affairs, and much needed liquidity to pay these taxes.

Reporting Requirements

Clients may have wealthy family members living overseas who are willing and able to make gifts to their family members living in the U.S. Although receiving gifts from foreigners is not taxable under U.S. tax laws, there are some reporting requirements. Currently gifts of \$100,000 or more from an individual must be reported to the IRS. In 2016, gifts of \$15,671 from foreign corporations must be reported to the IRS. That number is indexed for inflation and so is adjusted from time-to-time.



Foreign Exchange Controls

In some countries, exchange or capital controls can create additional issues. A notable example is China, where the government has imposed annual limits on how much money can be taken out of the country. This may not directly impact the underwriting of a life insurance policy because Brighthouse Financial, like many insurers, requires all premiums be paid in U.S. dollars from U.S. banks. But, practically speaking, these kinds of controls or limits can hinder the ability of individuals from such countries to transfer funds into U.S. accounts. It may also hinder the ability of NRA families to assist their U.S.-based children by making large gifts to them.

Expatriation

Expatriation is the act of renouncing one's citizenship or permanent residence status. Someone may do this for tax or for nontax reasons, but it does have tax consequences. Since 2009, citizenship renunciations have increased significantly. This may be due to Americans living abroad who find compliance with the Foreign Account Tax Compliance Act (FATCA) to be onerous.

A capital gains tax is imposed on "covered expatriates" as if their assets had been sold. Someone is considered a covered expatriate today if any of the following apply to them:

- Average net income tax paid for last 5 years > \$161,000 (2016, indexed), or
- Net worth >= \$2,000,000, or
- Failed to certify compliance with all tax laws for last 5 years.

If any of these requirements are met, the covered expatriate is then subject to capital gains tax on their worldwide assets, with certain exceptions. Some individuals who are dual citizens from birth are exempt. Also, expatriations of some when they are minors or very young adults may be exempt. In addition, the first \$693,000 of gain that would otherwise be recognized as taxable income is exempt from tax. Some wealthy individuals, when considering the tax implications of wealth transfer, may sense a planning opportunity. If they were to repatriate, pay the capital gains tax at 20% and later, as nonresident noncitizens (NRAs) leave non-U.S. assets to their U.S. heirs, they could potentially avoid 40% estate taxes. But that cannot be done without additional tax consequences.

The tax code imposes an estate or gift tax at the top rate on any transfers from expatriates back to U.S. citizens or residents.

Underwriting Considerations

Underwriting Parameters

This section of the guide has been developed to assist producers with the underwriting guidelines and application process for a Foreign Resident proposed insured for life insurance. These underwriting parameters are subject to periodic review and can change based on many variables including current world events. An individual's underwriting classification can be impacted by the country classification risk code assigned to their country of residence and/or travel. Consideration for coverage is also subject to state insurance laws and regulations excluding countries that have foreign trade restrictions.

Note: This does not address any medical or non-medical mortality risk assessment of these individuals.

Solicitation Rules

All stages of the client acquisition process must be completed in the U.S. including:

- Initial contact and solicitation
- Completing the application
- Completing the personal history interview or tele-application
- Completion of underwriting requirements, such as the medical exam and specimen collection
- Premium payment
- Policy delivery
 - The policy may be mailed to some foreign countries (please check with your underwriter).

Note: Since no part of the solicitation for a U.S. life insurance policy may take place outside of the U.S., a foreign entity (i.e. trust or corporation) cannot apply for coverage to own the policy. While the policy contract does not limit the right of the policy owner to transfer ownership of an inforce policy in any fashion, a change of ownership shortly after policy issue can be viewed as undisclosed information with respect to the application for life insurance and could result in a policy rescission.

Eligibility

Definition of Eligible Clients	<ul style="list-style-type: none">• Proposed Insured maintains a primary residence in a country other than the United States or travels more than 6 months outside of the United States in a 12-month period.• Minimum Net Worth of \$1,000,000.
Issue Ages	<ul style="list-style-type: none">• 18-70• Under age 18, juveniles are generally only considered as part of a group of family applications or after required consultation with a Chief Underwriter.
U.S. Nexus Guidelines. Proposed Insured must meet one or more criteria.	<ul style="list-style-type: none">• Ownership in a revenue-generating business in the U.S.• Cash value accumulation product is not available in country of residence.• Employed by a U.S. company.• U.S. citizen with tax liability.• Property ownership in the U.S.• Asset ownership in the U.S.
Underwriting Parameters	<ul style="list-style-type: none">• Must be Table D or better.• Preferred classes may be available for residents of some A countries.• Proposed Insureds age 50 and above will not be accepted without Standard of Care medical care records covering a minimum of 2 years.*
Medical Exams and APS Reports	<ul style="list-style-type: none">• Must physically be completed in the U.S.• All Proposed Insureds will be screened for Hemoglobin A1C and Hepatitis (when you schedule these please be sure they are requested).• APS is required at age 40 and above at amounts \$1,000,000 and greater.• Compilation/summary letters from physicians are not acceptable in most cases unless accompanied by all diagnostics.• A full paramed is required; a tele-med is allowed if this is permissible.
Translation of Requirements	<ul style="list-style-type: none">• A full copy of medical records, translated into English, is required.• Other items, such as financial documents may also need translation.• Multiple language translations available through our approved translation vendors and call center. The maximum Brighthouse Financial will pay/reimburse if translation is needed from an outside vendor is \$200.
Additional Requirements and/or Considerations	<ul style="list-style-type: none">• Completion of the Non-U.S. Citizen and Foreign Resident Questionnaire and Disclosure will be required at all face amounts.• Copy of client's passport is required.• PHI required at amounts of \$5,000,000 and greater, if tele-application not completed.
Third-Party Verification	<ul style="list-style-type: none">• Third-party verification of income and assets is required for all applications.• In all cases where the U.S. Nexus is ownership of a U.S.-based qualifying asset as listed above, proof of that asset is required. For liquid assets, they must have been held 6 months with a minimum amount of \$100,000. For non-liquid assets such as property or business, proof of revenue and/or tax liability must be provided such as tax assessment, evidence of insurance, tax return, etc.
Persons or Entities Excluded (Proposed Insured, Applicant or Owner)	<ul style="list-style-type: none">• Politically Exposed Person ("PEP"), a designation which generally includes current and former senior foreign political figures, their immediate family members and their close associates.• Missionaries, politicians, public figures, government or military officials, journalists, private security/police forces.• Private Pilots in B, C and D risk countries.

* No exceptions to the rule.

Available Domestic Products	<ul style="list-style-type: none"> • Permanent products: minimum face amount of \$250,000 or annual premium of \$25,000 or more. • Term Plans: minimum face amount of \$1,000,000 available to Proposed Insureds in A countries only. We may be able to consider other term coverage after consultation with Chief Underwriter in certain multi-life business case presentations. • Premium financing will be considered for U.S. citizens only, residing in A countries only.
Availability of Policy Riders	<ul style="list-style-type: none"> • The Enricher will be available and underwritten based on final Net Amount at Risk (NAR) in the last year of the rider. • There is NO availability of WP, ECBR, LTC or any other riders requiring underwriting.
Premium Payments	<ul style="list-style-type: none"> • Must be paid from a U.S. Financial Institution and in U.S. Dollars.
Policy Ownership	<ul style="list-style-type: none"> • Policy owner must have an insurable interest in the life of the Proposed Insured. • Owner must either be the Proposed Insured, a U.S. resident with insurable interest or U.S. entity (e.g. U.S. Trust or U.S. LLC or a U.S. domiciled business – if the insurance is for business purposes).
Underwriting Capacity	<ul style="list-style-type: none"> • Maximum Autobind limit \$15 million (A risk countries only). • Maximum Jumbo limit \$40 million (A risk countries only).
Policy Situs	<ul style="list-style-type: none"> • The policy state will be based on the U.S. mailing address of the Proposed Insured, if available. Otherwise, the policy state will be based on the state where the application was completed and signed.

Requirements

Medical

- Full Paramedical Exam (unless Tele-Med is permissible)
- Blood Profile (with Hemoglobin A1C and Hepatitis screens)
- Urine Specimen
- Resting EKG*
- Attending Physician's medical records must be available in English and are required for policies with a face amount of \$1,000,000 or greater and starting at age 40. Compilation/ Summary letters from physicians are not acceptable in most cases unless accompanied by all diagnostic testing.
*Note: Proposed Insureds age 50 and above must have Standard of Care*** medical records available covering a minimum of 2 years.*

Non-Medical

- Non-U.S. Citizen and Foreign Resident Questionnaire (Form FOREIGNRISK)**
- Copy of valid government-issued ID (i.e. copy of passport, U.S. visa, driver's license, etc.)
- Personal Financial Supplement (Form EFIN-74-12-1)***
- U.S. Tax Identification Number or W-8BEN Form (if available)
- Third Party Verification of net worth and income required for all applications
- Personal History Interview (PHI) at amounts of \$5,000,000 and greater is required, if Tele-Application not completed

Special notes regarding medical records translation: Translation of medical records will be completed by an independent translator and be at the expense of the broker. Should the broker wish to use a Brighthouse Financial contracted translation vendor, the company will provide a cost estimate of the translation and will reimburse a maximum of \$200 once the policy is placed. It will then be the brokers' decision on which Brighthouse Financial vendor they would like to use for translation and arrange for payment directly with the translation vendor.

These are the approved Brighthouse Financial Translation Vendors:

- TransPerfect
- EMSI
- Parameds.com

* Resting EKG only required for certain age and amount.

** This form may have state-specific version based on the state of issue.

*** Generally, the Brighthouse Financial STANDARD OF CARE definition would be appropriate evaluation and testing as indicated by the age, gender, general health, and family history of the insured as well as other factors deemed pertinent by the Proposed Insured's care provider – this includes gender and age appropriate cancer screenings. Brighthouse Financial Underwriting will review Standard of Care guidelines for the United States and foreign entities as appropriate and update when necessary. For details on current Standard of Care guidelines, please contact a Chief Underwriter.

Third-Party Verification

Assessment of appropriate face amounts, especially on larger casework, is usually quite dependent upon accurate income and asset figures.

Here are some examples of acceptable and unacceptable third-party documentation to help us verify and confirm income and net worth. It should be noted, however, this list is not definitive as each case can be unique and/or complex. Typically, we will require one or more acceptable forms of third-party documentation based on the face amount applied for and/or due to the insured's unique scenario.

Acceptable Third-Party Documentation

- Brokerage statements dated within 30 days of the application date. These statements should be inclusive of at least 3 months of account transactions.
- Bank statements/money market/CD statements dated within 30 days of the application. These statements should be inclusive of at least 3 months of account transactions.
- Property deeds/property tax statements/mortgage statements.
- Full, physical addresses may be needed to conduct property value searches for any real property listed.
- Tax returns for the past 2 years, inclusive of all schedules.
- Verification of foreign assets can be difficult. When foreign assets consist of more than 20% of an insured's net worth, we may require more extensive documentation of US-based assets in order to consider.
- Business tax returns for the past 2 years, inclusive of all schedules.
- Employment verification letters to confirm the insureds' job title, job duties, years in the position and income from foreign companies should be on company letter showing physical foreign address and telephone number and be signed by a Human Resources associate at the executive or managerial level.
- Appraisals dated within 36 months of the application will be required for assets listed as more than 10% of the net worth. This would include artwork, jewelry, household furnishings, etc.

Unacceptable Third-Party Documentation

- Consideration of oil or gas "title" or "rights."
- Hand-written employment letters.
- Foreign property statements that do not state the property values.
- Any third-party financial statements that do not contain the insured's name, address and account numbers or identifying information about the financial institution (domestic or foreign).

Additional Notes:

- We will consider documentation from financial professionals in foreign countries who meet the standards and qualifications of a CPA or an attorney, but may be referred to under different title in those countries.
- All foreign financial statements should clearly show currency type, so that we can make the appropriate currency exchange calculations to U.S. dollars.
- The same translation guidelines apply should any of the financial documents require foreign language translation.

Country Risk Chart

Brighthouse Financial can write a policy in the United States for residents of more than 60 countries. The list below shows which countries were eligible as of 07/08/16.

Locate your client's country of residence, then refer to the code information below for coverage guidelines.

COUNTRY	CODE	COUNTRY	CODE	COUNTRY	CODE
Antigua and Barbuda	A	Honduras	B	Poland	A
Aruba	A	Hong Kong	A	Portugal	A
Australia	A	India ³	C	Romania	A
Austria	A	Indonesia	C	Russian Federation	B
Bahamas	A	Israel ⁴	A	St. Kitts and Nevis	A
Barbados	A	Italy	A	St. Lucia	A
Belgium	A	Jamaica	A	St. Maarten	A
Belize	A	Japan ⁷	A	Singapore	A
Bermuda	A	Latvia	A	South Africa	C
Bolivia	C	Luxembourg	A	South Korea	A
Brazil	A	Malaysia	A	Spain ²	A
Chile	A	Marshall Islands	A	Suriname	C
China ¹	B	Mexico ⁵	A	Sweden	A
Colombia	C	Monaco	A	Switzerland ⁶	A
Costa Rica	A	Montserrat	A	Taiwan	A
Czech Republic ²	A	Morocco	C	Trinidad and Tobago	A
Denmark	A	Netherlands	A	Turkey	B
Dominican Republic	B	Netherlands Antilles	A	Turks and Caicos	A
Ecuador	A	New Zealand	A	Ukraine	B
Germany	A	Nicaragua	B	United Arab Emirates	A
Greece	A	Norway	A	United Kingdom	A
Grenada	A	Oman	B	Venezuela	B
Guatemala	B	Peru	B		

Note: We cannot write residents of: Argentina, Burma, Canada, Croatia, Cuba, France, Hungary, Iran, Ireland, Malta, Pakistan, Panama, Philippines, Sudan, Uruguay or any other countries not listed above.

Additional Notes:

¹ Residents of Beijing, Changzhou, Chongqing, Foshan, Guangzhou, Nanjing, Nantong, Shanghai, Shenyang, Shenzhen, Tianjin and Yanchen, China can be considered A risk.

² Only residents who are noncitizens of this country are eligible for coverage.

³ Residents of Bangalore, Calcutta, Chennai, Hyderabad, New Delhi, Madras, Mumbai and Nagpur, India can be considered B risk. Residents of India are also limited to a maximum annual premium of \$250,000.

⁴ Gaza and the West Bank have more stringent risk classifications.

⁵ Residents of Mexico subject to more stringent guidelines. See the Life Underwriting Guide for details.

⁶ The beneficiary of the policy must reside outside of Switzerland.

⁷ Only U.S. citizens residing in Japan may be considered provided all phases of application are completed in the U.S. and client profile indicates a U.S. policy makes sense.

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Foreign Resident Coverage Guidelines

This is the amount of coverage available if risk is acceptable.

CODE	COVERAGE AVAILABLE
A	<ul style="list-style-type: none">• Autobind reinsurance up to \$15 million.• Jumbo Limit \$40 million.• Brighthouse Financial retention may be available up to \$5 million.
B	<ul style="list-style-type: none">• Availability and rate class are subject to facultative reinsurance consideration.• Individual consideration of Brighthouse Financial retention may be available up to \$5 million.
C	<ul style="list-style-type: none">• Individual consideration using facultative reinsurance for permanent plans only.

Anti-Money Laundering (AML) Procedures

Brighthouse Financial complies with all corporate AML procedures during the course of underwriting and conducts enhanced due diligence procedures when underwriting foreign residents. Depending on the individual, we reserve the right to request additional requirements when necessary.

Underwriting Contacts

Generally, all foreign residency business will be handled by the Large Case Unit. For any underwriting questions or case consultations related to NRA submissions please contact the Chief Underwriter or Associate Chief Underwriter.

Multinational Planning Scenarios

This section includes several hypothetical client scenarios involving multinational individuals. These simple examples illustrate how some of the issues discussed in this guide could affect certain clients, how life insurance may be an effective solution to some of these issues and potential U.S. federal tax implications. In some cases, we have indicated where there could be some foreign taxes that apply; however, a comprehensive review of foreign taxes, treaties and other foreign laws that may be applicable is beyond the scope of this guide. Individuals should consult with their professional legal and tax advisors for specific guidance on the laws in other countries.

01

U.S. Client with Noncitizen Spouse

One of the most common scenarios we encounter is the client with a non-U.S. citizen spouse.

The Situation

Your client owns a successful business and has a net worth of \$11,000,000. He is married to a Canadian citizen. His current estate plan would leave everything to his surviving spouse.

The Problem

In 2016, that would result in approximately \$2,220,000 in federal estate taxes at his death. If client instead leaves \$5,450,000 to his spouse directly and transfers \$5,550,000 to a QDOT for the benefit of his spouse, there would be no estate taxes at client's death. The \$5,450,000 direct transfer to his spouse would not be protected with the marital deduction, but instead would apply against his \$5,450,000 exemption — resulting in no tax on that transfer. The \$5,550,000 transfer to the QDOT would qualify for the marital deduction, so there would be no tax on those assets at client's death. However, the QDOT would pay the \$2,220,000 estate taxes as it makes distributions to the surviving spouse. The QDOT affects the timing of the taxes, not whether they will be paid or not.

Possible Solution

Client will set up an Irrevocable Life Insurance Trust (ILIT) that will purchase a life insurance policy on his life. At his death, the policy death benefit proceeds will be paid to the ILIT free of income tax and estate tax. The ILIT can be used to help offset the impact of estate taxes on direct transfers to the surviving spouse or distributions from the QDOT.

02

NRA with U.S. Assets

The next situation we'll consider is a nonresident foreign national with significant connections to the U.S.

The Situation

One of your existing clients, an executive from the U.K., lives here in the U.S. He has introduced you to Hugh, a neighbor friend who owns a vacation home next door to him in Palm Beach, FL. Hugh is also a citizen of the U.K. and lives there most of the year. He is expanding his business into the U.S., but has no intention of living here.

The Problem

Although all of Hugh's worldwide assets would not be subject to U.S. estate taxes, all his U.S. assets would be. The very low \$60,000 exemption could result in substantial U.S. estate taxes at his death. U.K. taxes may also apply.

Possible Solutions

Individuals like Hugh may want to lower potential exposure to U.S. transfer taxes by reducing holdings of U.S. situs assets that would be subject to estate tax. By arranging for a foreign corporation that he controls to purchase some of his U.S. assets, he may be able to effectively remove some assets from his taxable estate. Of course, they should only do this after consulting with their professional tax advisors.

If Hugh owns any stock in U.S. corporations, he may also want to consider making lifetime gifts of that stock to children and grandchildren or to trusts for their benefit. U.S. intangible assets (such as stock in U.S. corporations) owned by NRAs are not subject to the U.S. gift tax.

Finally, U.S. life insurance may be considered. Hugh appears to demonstrate sufficient connection with the U.S. through his property holdings and U.S. business interests. He could purchase a U.S. life insurance policy which would be excluded from his taxable estate in the United States. Not only does it provide death protection, it could also provide him a valuable tax-deferred asset that may also provide future supplemental retirement income. While his U.S. policy may not be subject to U.S. taxes, Hugh should consider taxes in his home country, the U.K., on policy cash values and death benefits.

03

NRA Planning to Move to the U.S.

In our third example, let's look at a nonresident alien considering a move to the U.S.

The Client

After moving from China, your client has established himself as a successful business owner here in the U.S. His father, a successful businessman in China, is considering emigrating to the U.S.

The Problem

In effect, your client's father will be converting his worldwide assets that are currently not taxable in the U.S. to taxable U.S. assets.

Possible Solution

For wealth transfer purposes, the client's father may want to consider gifting assets to family members here in the U.S. before he moves. If your client has set up trusts for his children, the father may be able to gift non-U.S. property to the trusts, which can then, in turn, make investments here in the U.S. While the trustee may have to report any foreign gifts received, the gifts themselves would not be subject to U.S. gift tax.

The father could also consider setting up a trust with himself as a beneficiary at the discretion of the trustee. Funding the trust with non-U.S. assets before he moves here would not be taxable in the U.S. and because he is only a discretionary beneficiary, the trust assets may be excluded from his estate once he moves here.

Selling appreciated assets before moving here may enable the father to avoid U.S. capital gains taxes that otherwise might apply if the sale occurred after he were to move here. Of course, the impact of any applicable taxes in China should also be considered.

It might also make sense for the father to make gifts to his spouse and equalize the value of their collective estate before he moves. Such transfers would not be subject to U.S. gift tax. If he waited until he moved to the U.S., transfers to his noncitizen spouse would not qualify for the marital deduction. Tax-free transfers once he arrives in the U.S. would be limited to the \$148,000 "super annual exclusion."

Finally, the father can consider placing life insurance in a trust once he gets here. If he happens to own a policy today that is out of his estate because of his NRA status, he should consider transferring it to a trust before he moves to the U.S.

04

U.S. Client with NRA Family Members

Finally, consider an affluent U.S. client with affluent family members who are not U.S. citizens and live overseas.

The Situation

Your client is a successful business owner here in the U.S. He and his wife emigrated to the U.S. 15 years earlier from Germany and he and his wife are now both U.S. citizens. They have both retained their German citizenship as well. The client's father is a German citizen living in Germany and owner of a successful business. The father had invested in his son's business years earlier to help him get started.

The Problem

The client is concerned about the potential effect of U.S. estate taxes on his ability to keep the business in the family. He understands the value of life insurance as a way to provide liquidity at death to pay those taxes, but is concerned about allocating so much current cash flow to pay those premiums and potential U.S. gift taxes.

Possible Solutions

After meeting with his estate planning lawyer for guidance, the client established an Irrevocable Life Insurance Trust (ILIT). His father will make gifts to the ILIT equal to the amount of the premiums. Because the father is a nonresident alien making gifts of non-U.S. property, those gifts will not be subject to U.S. gift tax. Though the gifts are not subject to U.S. gift tax, the trustee must report the gifts received from foreign sources if they exceed \$100,000. This may enable the client to acquire the life insurance he needs with no impact on his current cash flow and without using any of his annual gift tax exclusions or lifetime gift tax exemption amount. In considering this arrangement, the father should review with his tax advisors the possible impact of taxes, if any, in Germany, on gifts he makes to the ILIT.



Questions?
Contact us today
at **800-586-3370**

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. This document does not address state tax considerations, local taxes or taxation within foreign countries. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

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