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# THE INSURABLE INTEREST DOCUMENTATION KIT

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Conversation Guides, Financial Exposure Worksheets,  
and Plan Selection Guidance for Every Relationship Type

**M E M O R I A L M E R I T S**

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# How to Use This Kit

This kit is designed for anyone navigating life insurance on someone other than themselves. Whether you are an unmarried partner, a divorced co-parent, an adult child concerned about an aging parent, part of a blended family, or running a small business with a partner, the system was not built with your situation in mind. This kit helps you navigate it anyway.

**Part 1: Conversation Guides** Find your situation. Follow the roadmap. These guides walk you through how to bring up life insurance with the person you need to insure, what to say, what to expect, and what comes next. The hardest part of this process is not paperwork. It is the conversation.

**Part 2: Financial Exposure Worksheet** This worksheet helps you calculate your actual financial exposure if the person you want to insure were to pass away. That number is the foundation of everything: it proves insurable interest to the carrier, determines how much coverage to request, and prevents the red flag of applying for disproportionate coverage.

**Part 3: Choosing the Right Plan** Once you have had the conversation and calculated your exposure, this section helps you understand which policy type, ownership structure, and coverage amount fit your specific situation. It ends with a link to vetted providers you can evaluate on your own terms.

## A Note for Professionals

This kit is designed for distribution. Financial advisors, estate attorneys, insurance brokers, HR benefits managers, and grief professionals are welcome to share this resource with clients. The branding stays intact. The value speaks for itself.

## Conversation Guides

Find your situation below. Each guide starts with how to bring up the topic, moves through what to expect, and ends with the practical next steps that follow a successful conversation.

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### Unmarried Partners

You share a life, a home, maybe children. The law does not automatically recognize your financial interdependence the way it does for married couples. That means you need to prove it. But before you prove it to a carrier, you need to have the conversation with your partner.

#### How to bring it up

*"I have been thinking about what would happen to us financially if something happened to one of us. We are not married, which means the protections married couples get automatically do not apply to us. I want to make sure we are covered. Can we talk about life insurance?"*

**What to expect:** Your partner may not realize that unmarried couples lack automatic inheritance, survivorship, and beneficiary rights. This conversation often opens a larger discussion about estate planning, wills, and power of attorney. Let it.

**If they are hesitant:** Focus on the financial gap, not mortality. Frame it as protecting the life you have built together. If your partner will not agree to being insured, you can always insure yourself and name them as beneficiary.

#### After the conversation:

- ☐ Gather proof of shared financial life (lease, mortgage, utility bills, joint accounts)
- ☐ Collect birth certificates if you share children
- ☐ Decide whether each partner insures themselves or one insures the other
- ☐ Contact a broker and explain your situation before applying
- ☐ Consider estate planning documents (wills, power of attorney) alongside coverage

## Divorced Co-Parents

Your divorce decree may require one or both of you to carry life insurance. Even if it does not, your children's financial security still depends on both parents being alive and earning. This conversation is not about the marriage. It is about the children.

### If your decree requires it

*"The divorce agreement requires us both to carry life insurance for the kids. I want to make sure we are both in compliance and that the policies are set up in a way that actually protects them. Can we coordinate on this?"*

### If your decree does not require it

*"I know the divorce is behind us, but the kids still depend on both of us financially. If something happened to either one of us, the other would need help covering everything. I think we should both carry coverage with the kids as beneficiaries. Can we talk about it?"*

**What to expect:** This conversation carries the weight of whatever the divorce itself carried. Keep it focused on the children's financial needs, not past grievances. If your ex will not cooperate, you have options: petition the court for enforcement, or insure yourself and ensure your coverage protects the children regardless.

**The ownership question:** Whoever owns the policy controls it. If you trust your ex to maintain coverage, they can own their own policy. If you do not, negotiate to own the policy on your ex yourself. You pay the premiums, you name the beneficiaries, you know it stays active.

### After the conversation:

- ☐ Review your divorce decree for insurance requirements
- ☐ Determine who should own each policy (owner controls everything)
- ☐ Check whether your state automatically revokes ex-spouse beneficiary designations
- ☐ Match coverage amount to remaining child support and alimony obligations
- ☐ Request annual proof of coverage if your ex owns the policy

## Adult Children and Aging Parents

This is the conversation most people avoid the longest. Your parent may not want to talk about death, may not believe they need coverage, or may not understand why you are asking. But if you would bear the financial burden of their passing, from funeral costs to shared debts to lost caregiving support, this conversation matters.

### How to bring it up

*"Mom (or Dad), I have been thinking about the practical side of things. If something happened to you, I want to make sure I can handle everything without financial stress, the funeral, any outstanding bills, everything. Can we talk about whether you have any life insurance, and if not, whether it makes sense to look into it?"*

**What to expect:** Many parents, especially from older generations, see this conversation as a sign that you are rushing them toward death or trying to profit. Lead with finances, not mortality. Make it about your ability to take care of things properly, not about their age or health.

**If they will not engage:** You cannot force consent. Without their cooperation, you cannot insure them. Your alternative is to increase your own life insurance to cover the financial exposure their passing would create for you, including funeral costs, travel, time off work, and any debts you would inherit or absorb.

### After the conversation:

- ☐ Find out if your parent has any existing coverage (employer, military, burial insurance)
- ☐ Discuss who would pay premiums and who would own the policy
- ☐ Consider guaranteed issue policies if your parent has health conditions (ages 50-80, no medical exam)
- ☐ If your parent will not cooperate, calculate your own financial exposure and adjust your coverage
- ☐ Address broader estate planning: wills, power of attorney, advance directives

## Blended Families

Step-parents do not have automatic insurable interest in stepchildren. Stepchildren do not have automatic insurable interest in step-parents. Legal adoption changes this, but many blended families never formalize the relationship legally. If your family crosses the lines the insurance system draws, this conversation needs to happen with everyone involved.

### How to bring it up

*"Our family does not look like what the insurance system expects. I want to make sure every kid in this house is protected, regardless of which parent they came from. Can we sit down and figure out what coverage we need and how to set it up so nobody falls through the cracks?"*

**What to expect:** Blended family insurance conversations often involve more than two people. The biological parent, the step-parent, and potentially an ex-spouse all have roles to play. Focus on the children first. Coverage gaps are easiest to identify and hardest to argue against when framed around the kids.

### After the conversation:

- ☐ Map every parent-child relationship in the household (biological, step, adopted)
- ☐ Identify which relationships have automatic insurable interest and which do not
- ☐ If step-parent wants to insure stepchild (or vice versa), gather proof of financial support
- ☐ Consider the self-insurance workaround: step-parent insures themselves, names stepchildren as beneficiaries
- ☐ Coordinate with ex-spouses on existing coverage to avoid gaps or overlaps
- ☐ Review estate planning documents to ensure stepchildren are included where intended

## Business Partners

If your business partner died tomorrow, could the business survive? Could you buy out their share? Could you replace their skills, their client relationships, their revenue contribution? If the answer to any of those is no, you need coverage. And your partner needs it on you for the same reasons.

### How to bring it up

*"I want to talk about protecting the business if something happens to either one of us. Right now, if one of us died, the other would be stuck figuring out a buyout with the surviving family, probably at the worst possible time. Key person insurance or a funded buy-sell agreement would protect both of us. Can we look into this?"*

**What to expect:** Business partners often assume their partnership agreement covers death. It usually does not. Even when it addresses succession, it rarely funds the buyout. Life insurance is the funding mechanism. Frame this as protecting the business and both families, not as a lack of trust.

### After the conversation:

- ☐ Review your partnership or operating agreement for death/succession provisions
- ☐ Determine the business valuation (this sets the coverage amount for a buy-sell)
- ☐ Decide on cross-purchase (partners own policies on each other) vs. entity-purchase (business owns policies)
- ☐ If no formal agreement exists, draft a minimum viable buy-sell before applying for coverage
- ☐ Consider key person coverage in addition to buy-sell funding

## PART 2

# Financial Exposure Worksheet

This worksheet helps you calculate the financial impact you would face if the person you want to insure were to pass away. The total becomes the foundation for your coverage request. It proves insurable interest. It determines how much coverage to apply for. And it prevents the red flag of requesting disproportionate coverage that a carrier will question.

*Fill in only the categories that apply to your situation. Leave the rest blank.*

Person you are insuring:

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Your relationship:

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Date completed:

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## Housing and Shared Living Expenses

Expense Category	Monthly Amount	Annual Amount
<b>Mortgage or rent</b> <i>Your share if paying alone</i>	\$ _____	\$ _____
<b>Property taxes</b> <i>If you would assume full burden</i>	\$ _____	\$ _____
<b>Homeowner/renter insurance</b> <i>If currently shared</i>	\$ _____	\$ _____
<b>Utilities</b> <i>Electric, water, gas, internet</i>	\$ _____	\$ _____
<b>Home maintenance</b> <i>Repairs, lawn, HOA fees</i>	\$ _____	\$ _____

## Lost Income and Financial Support

Expense Category	Monthly Amount	Annual Amount
<b>Their income contribution</b> <i>Net take-home you depend on</i>	\$ _____	\$ _____
<b>Child support received</b> <i>If they pay you support</i>	\$ _____	\$ _____
<b>Alimony or spousal support</b> <i>If applicable</i>	\$ _____	\$ _____



<b>Informal financial support</b> <i>Help with bills, groceries, expenses</i>	\$ _____	\$ _____
<b>Health insurance</b> <i>If covered through their employer</i>	\$ _____	\$ _____

## Childcare and Dependent Costs

Expense Category	Monthly Amount	Annual Amount
<b>Childcare or daycare</b> <i>Additional cost if sole caregiver</i>	\$ _____	\$ _____
<b>School expenses</b> <i>Tuition, supplies, activities</i>	\$ _____	\$ _____
<b>After-school or summer care</b> <i>If they currently handle this</i>	\$ _____	\$ _____
<b>Transportation</b> <i>School pickup, activities, appointments</i>	\$ _____	\$ _____
<b>Medical/dental for dependents</b> <i>Co-pays, premiums, uncovered costs</i>	\$ _____	\$ _____

## Shared Debt and Financial Obligations

Expense Category	Monthly Amount	Annual Amount
<b>Co-signed loans</b> <i>Auto, personal, student</i>	\$ _____	\$ _____
<b>Joint credit card debt</b> <i>If you would assume balances</i>	\$ _____	\$ _____
<b>Business debts</b> <i>If personally guaranteed</i>	\$ _____	\$ _____
<b>Other shared obligations</b> <i>Medical bills, legal judgments</i>	\$ _____	\$ _____

## Final Expenses and Immediate Costs

*These are one-time costs, not monthly. Enter the total estimated amount in the Annual column.*

Expense Category	Monthly Amount	Annual Amount
<b>Funeral and burial costs</b> <i>Average \$8,000-\$15,000</i>	\$ _____	\$ _____
<b>Travel and logistics</b> <i>Family travel, time off work</i>	\$ _____	\$ _____
<b>Legal and probate fees</b> <i>Estate settlement costs</i>	\$ _____	\$ _____
<b>Outstanding medical bills</b> <i>Final illness expenses</i>	\$ _____	\$ _____

## Business-Specific Exposure (If Applicable)

Expense Category	Monthly Amount	Annual Amount
<b>Business buyout cost</b> <i>Their ownership share value</i>	\$ _____	\$ _____
<b>Revenue loss</b> <i>Their contribution to earnings</i>	\$ _____	\$ _____
<b>Replacement hiring cost</b> <i>Recruiting, training, transition</i>	\$ _____	\$ _____
<b>Client/contract losses</b> <i>Relationships that leave with them</i>	\$ _____	\$ _____

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<b>TOTAL ANNUAL EXPOSURE</b>
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\$ _____
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**Coverage recommendation:** Multiply your total annual exposure by the number of years you would need that support. For most families, this is 10 to 20 years. For child-related expenses, calculate until the youngest child reaches independence. For business buyouts, the total value is the coverage amount.

**Years of coverage needed:** \_\_\_\_\_

<b>TARGET COVERAGE AMOUNT</b>
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\$ _____
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*Bring this worksheet to your broker. The documented calculation strengthens your insurable interest case and prevents carriers from questioning your coverage request.*

## PART 3

# Choosing the Right Plan

You have had the conversation. You have calculated your financial exposure. Now you need to match your situation to the right type of policy, the right ownership structure, and the right carrier. This section walks you through each decision.

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## Which Policy Type Fits Your Situation

**Term Life Insurance** covers you for a set period (10, 15, 20, or 30 years) at a fixed premium. This is the right choice for most non-standard insurable interest situations because the financial exposure has a timeline. Child support ends when children reach adulthood. Mortgage obligations have a payoff date. Business buyout needs exist while the partnership is active. Match the term length to the duration of your financial exposure.

**Whole Life Insurance** covers you for your entire life with a cash value component. This is more expensive than term but appropriate when the financial exposure has no end date. Lifelong caregiving responsibilities, permanent alimony obligations, or estate equalization in blended families are situations where permanent coverage makes sense.

**Guaranteed Issue Life Insurance** requires no medical exam and no health questions. Coverage is typically limited to \$25,000, and most policies include a two-year graded benefit period where only premiums plus interest are returned if the insured passes from natural causes in the first two years. This is a last resort, not a starting point. It is most appropriate for aging parents who cannot qualify for underwritten coverage due to health conditions.

## Who Should Own the Policy

The owner controls the policy. They pay the premiums, choose the beneficiary, and decide whether to keep it active. In standard situations, the insured person owns their own policy. In non-standard situations, ownership becomes a strategic decision.

### When you should own the policy on someone else

*When trust is uncertain (divorced co-parents), when you need to guarantee the policy stays active, or when the insured person has no financial incentive to maintain coverage. Owning the policy means you never have to wonder whether they let it lapse.*

### When the insured should own their own policy

*When the relationship is stable and cooperative (unmarried partners building a life together, business partners with aligned interests). Self-ownership is simpler and avoids the complexity of proving insurable interest as a third-party owner.*

**When a trust should own the policy**

*When protecting benefits eligibility (special needs family members), when estate tax planning requires it, or when multiple beneficiaries need structured distributions. Consult an estate planning attorney before establishing trust-owned life insurance.*

## Setting the Right Coverage Amount

Your Financial Exposure Worksheet from Part 2 gives you the number. But there are a few additional considerations before you finalize the coverage amount you request.

- ☐ Does the total account for inflation? Consider adding 10-15% to offset purchasing power erosion over the policy term.
- ☐ Are there debts that would be forgiven at death? Federal student loans are discharged at death. Do not include them.
- ☐ Is the coverage amount proportional to your relationship? Carriers flag requests that seem disproportionate. Your worksheet provides the justification.
- ☐ Will you need coverage from more than one policy? Laddering multiple term policies with different end dates can match declining financial exposure over time.
- ☐ Have you accounted for taxes? Life insurance death benefits are generally income tax-free, but estate tax implications exist for very large estates.

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### Ready to Compare Providers?

Every carrier evaluates non-standard insurable interest situations differently. The provider that works best for an unmarried couple may not be the best fit for a divorced co-parent or a small business partnership. Comparing matters more in your situation than in any other.

Browse vetted life insurance providers in the Memorial Merits directory:

[memorialmerits.com/life-insurance-comparison-affordable-coverage/](https://memorialmerits.com/life-insurance-comparison-affordable-coverage/)

## Explore the Full Download Vault

This workbook is one of dozens of free resources available from Memorial Merits. The Download Vault includes printable guides, worksheets, checklists, and planning tools across life insurance, estate planning, funeral preparation, and grief support. **All resources are free for personal and commercial use**, and professionals are welcome to distribute them to clients and communities.

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## Distribution Statement

This resource may be used for personal or commercial purposes.

Financial advisors, estate attorneys, insurance brokers, HR benefits managers, hospice professionals, and grief counselors are welcome to print, distribute, and share this kit with clients, colleagues, and communities.

**The only requirement is that the Memorial Merits branding remains intact.**

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