

the life insurance policy review



the life insurance policy review p r o g r a m

Overview

Life insurance is a dynamic and complex asset and great care must be taken to assure that it remains competitive and aligned with the outcomes that are important to those who own it.

Life insurance plays a vital role in the comprehensive financial plan of individuals and businesses. Life insurance represents unique and valuable property that must be fully integrated into the client's strategies designed to accumulate, conserve, protect and distribute wealth.

The Life Insurance Policy Review is a turn-key program provided by 3D Advisors Inc. for you to provide an objective and unbiased periodic review of your client's and prospective client's life insurance portfolio.

Why do a Life Insurance Policy Review?

In-Force life insurance policies change frequently. Any changes in the three fundamental components of any permanent life insurance policy—mortality, interest or investment performance, and expenses— can and will have a dramatic effect on values and performance. Over the past several years we have experienced many economic factors that have impacted existing life insurance policies. Economic and other factors that impact life insurance policies mandate policy reviews.

- 1) Sustained low interest rates
- 2) Increased cost of insurance and internal expenses
- 3) Higher reserving requirements for insurance companies
- 4) Pressure on earnings
- 5) Improved mortality tables on new policies
- 6) Underfunding of universal life
- 7) Clients may have reduced or stopped paying premiums or taken loans
- 8) Improper ownership or beneficiary structure

Policy Review Objectives

The main objective of a policy review is to assure that every policy in a client portfolio is healthy and on track to perform in alignment with the desired outcome of the client. We will identify issues that should be addressed as well as recommend changes if necessary. Over 70% of policy reviews uncover issues that should be addressed and in most cases the insured was unaware of the issues.



Checklist & Expectations

Below is a checklist to use to gather requirements necessary to perform a comprehensive review of your client's insurance portfolio. The more detailed the information, the more accurate a review will be. In-Force illustrations do take time but give us a great vision into the future of each policy and can detect trends as well as potential catastrophic issues in the future. Please work with your client to provide as much information as possible, including any medical history that may affect favorable insurance.

We will need the following information to proceed:

- Complete Policy Review Request Form**
Completed by advisor with client's assistance
- Copies of most recent annual statements of all policies to be reviewed**
Provided by policy owner
- Signed In-Force Illustration Request Form**
Client signs and we will submit
Note: Some carriers will take several weeks
Note: Most carriers will send only to policy owner
- Basic Medical Information Quick Quote Form**
Completed by client/insured
Information will be used to determine insurability
Note: More detailed information may be necessary

It's as easy as 1-2-3!



Provide all the info on the checklist above to your Advisor.



3D Advisor's team will complete the analysis and provide a summary.



We will meet with you, share the results, discuss next steps and prepare you for your meeting with your client.

Case Study 1:

Situation Analysis: John and Mary both age 72 have 3 life policies owned by an ILIT. All three are fixed SUL policies with a total death benefit of \$15,000,000. Current premium was \$240,000 and total cash surrender value was \$1,750,000. Two of their policies were with a carrier with a sub 60 Comdex score that had moved to the maximum guaranteed cost of insurance.

In-force illustrations determined that at current funding of \$240,000 a year, two of the policies would lapse by their age 80 as the carrier had moved to guaranteed cost of insurance. The third policy was only guaranteed to age 84. Their current joint life expectancy is age 92.

Outcome: John and Mary applied for new coverage and received standard non-tobacco rates. The new \$15,000,000 SUL policy is with an A+ rated carrier. The new policy was guaranteed to age 120 and the new premium was \$218,000, a 9% reduction in premium.



Case Study 2:

Situation Analysis: Mary is a 54 year old single mother of two. She purchased a \$250,000 Whole Life policy in 1994. Her reason for the life insurance was to leave a legacy for her children. Her annual premium was \$4,324. She had a cash value of \$5,200. She was discussing with her advisor the need for long term care coverage and her concern about paying for it as the life insurance policy was using most of her extra income.

Outcome: Mary applied for a new policy and was approved at preferred non-tobacco. This allowed her to obtain a \$375,000 UL policy with no lapse guarantees to age 105 for the same premium. This policy included a true indemnity style LTC rider of \$7,500 a month. The premiums will never increase and are guaranteed as is the LTC and death benefit.



Case Study 3:

Situation Analysis: Floyd took out a \$100,000 UL policy in 1991 with an annual premium of \$2,985. He was 63 years old and faithfully paid his premiums every year on time. In 2015 he received a letter from his insurance company at the age of 87 stating that he needed to pay additional premiums or his policy would lapse. We did a full review of the policy.

Outcome: We obtained multiple in-force illustrations and determined the following. Floyd would be required to pay \$18,888 a year for the policy to stay in force under non-guaranteed assumption to his age 95. At current premiums of \$2,985 his policy would lapse in 3 months. Floyd is in great health and left with no options he could afford, unfortunately he was forced to lapse his policy of which he had paid \$71,640.



Frequent policy reviews several years ago could have detected the trend of increasing insurance costs and expenses and allowed Floyd to make informed decisions or changes to avoid this unfortunate outcome.

**1****Script #1**

One thing we've never talked about is your life insurance. I'm not sure if you were aware that we provide life insurance solutions for our client but we do. In fact we have an entire risk management team. Trust me, I'm not the expert on life insurance but they are. My role is as quarterback of the team and to manage everyone's expectations. We have a program called The Life Insurance Policy Review. It's a free service we provide to all our clients, their families and business partners. Our team takes a comprehensive approach and will provide an analysis on each policy to make sure your policies are healthy and are performing to your expectation. I know life insurance can be complex and confusing at times but this program will help make sure you better understand how your policies work and whether they are performing properly.

Is this something that you would like to take advantage of?

2**Script #2**

"Jim" you've been a client of mine for a long time. One area we've never discussed is your life insurance. We've come to realize that life insurance is an important part of most client's long term financial plans. We also realize that many take the performance and overall health of their policies for granted. We have a risk management team here and one of the valuable services they provide is called The Life Insurance Policy Review. This service is available to you at no cost and certainly with no obligation. The policy review will look at each policy and with the use of In-Force illustrations provided by your insurance company will look at where each policy is headed. Our clients who have taken advantage of this program have found it to be of great value.

Does this sound like something you would like to take advantage of?

3**Script #3**

"Jim" for the last X years I have focused on (managing your assets—being your CPA—providing X). One of the areas I have found that my clients overlook and quite honestly we've never discussed is your life insurance. Over the past decade we have seen a dramatic change in the economic factors that affect life insurance policies. In fact, there have been articles recently about insurance companies raising costs inside life insurance policies. This has promoted us to be more diligent and intentional about this. I'm not sure if you knew but we have a risk management team here and they have been quite busy providing a free service for our clients called The Life Insurance Policy Review. It's quite simple. We gather information about your policies and some information from your insurance carriers (In-Force illustrations) and they provide a detailed analysis. Our clients have found this to be of great value.

Does this sound like something you would like to take advantage of?



the life insurance policy review request

Please download and save this form.

agent info

Name: _____ State: _____

Email: _____ Today's date: _____ Needed by: _____

client info

Name: _____ Height: _____ Weight: _____ Tobacco use: Yes No

Male Female Date of birth: _____ Does the client have LTC coverage? Yes No

Spouse name: _____ Height: _____ Weight: _____ Tobacco use: Yes No

Male Female Date of birth: _____ Does the client have LTC coverage? Yes No

Number of dependent children and ages: _____

Current family income: _____ Liquid net worth: _____ Total net worth: _____

List all health issues and current medications, who takes it, dosage, and reason:

POLICY #1

Company: _____

Purpose of policy: _____

Insured: _____ Beneficiary: _____

What's important about this policy? _____

Overall goal: More death benefit Less premium Better guarantee Stop premiums

POLICY #2

Company: _____

Purpose of policy: _____

Insured: _____ Beneficiary: _____

What's important about this policy? _____

Overall goal: More death benefit Less premium Better guarantee Stop premiums

POLICY #3

Company: _____

Purpose of policy: _____

Insured: _____ Beneficiary: _____

What's important about this policy? _____

Overall goal: More death benefit Less premium Better guarantee Stop premiums

What else can you tell us you have discovered that is important to the client and they are trying to accomplish?

policy info

request for in-force illustration

Please download and save this form. Complete the entire form except the signature to print, then sign and fax to the carrier.

carrier/policy information

Insurance company: _____

Street: _____

City/State/Zip: _____

Phone number: _____ Fax number: _____

Policy number(s): _____

Insured name(s): _____

Owner's name(s): _____

Trust name (if applicable): _____

Owner signature(s): _____ Date: _____

I authorize the below requesting agent to obtain any and all In-Force and projected values and policy information on the policy(ies).

Requesting agent: _____ Relationship to insured/owner: _____

in-force illustration request

Please specify your request:

Current premium, no changes

Solve for level premium to age _____, with cash value of \$1,000 at

age: Solve for level premium to age, to:

Carry to maturity Endow at maturity Carry to age:

Pay no further premium

Other, please see comments

Interest rate / rate of return: 0% 4% 6% 8% Other: _____% Contractual guarantees

Comments:

Please send In-Force illustrations via:

Email Fax Mail To owner

Name: _____ Phone: _____

Street: _____ Fax: _____

City / State / Zip: _____ Email: _____

quick quote form

Please download and save this form.

Advisor Name: _____ Phone / email: _____

Client name: _____ Client DOB: _____

1) Have you ever used any nicotine products in the last 6 years: Yes No

2) If YES, please provide type (cigs, cigar, chew, pipe, e-cig), frequency, amount used, length of use, date last used:

3) Height: _____ Weight: _____ Weight loss over the past year (amount and reason): _____

4) Current readings: Blood pressure: _____ Cholesterol: _____ Ratio: _____ HDL: _____ LDL: _____

5) Are you on any medications? Name, dosage, frequency, and reason prescribed (If yes, use next page):

6) Have you ever had, or do you have now, any of the following (additional info may be required):

Cancer HIV Hepatitis Heart problems Stroke Mental health problem

Alcoholism DUI Diabetes Any other serious disease?

Please provide date of diagnosis, stage/grade, treatment, last date of treatment, residual effects:

7) List all docs seen in the last 5 years (names, reason seen, date last seen):

8) Has any immediate family member passed away prior to age 60? Yes No

If yes, please provide age at death, cause and diagnosis:

9) Has any immediate family member had cancer, cardiac, stroke, or diabetes prior to age 60? Yes No

If yes, please provide details and age of diagnosis:

10) Have you ever been rated or declined for insurance? If yes, date, reason, rate class:

11) Do you participate in any hazardous activities (aviation, scuba, rock climbing, racing), travel to foreign country or have plans to do so?

If yes, details:

12) How many moving violations in the past 5 years? _____ Details and dates: _____

13) Bankruptcies? Type and date of discharge:

sample letter for registered rep to use with client

for your letterhead

(Your broker-dealer's Compliance approval required)

Date
Client Name
Address

Dear Client:

Over the past several years we have seen a dramatic change in the economic factors that affect the life insurance industry. These economic conditions have mandated the review of life insurance portfolios.

As a client of [CPA or LAW FIRM NAME], we will be pleased to offer you a comprehensive life insurance policy review. This valuable service is free and without obligation to our clients. By completing a comprehensive policy review, through my additional professional capacity as a registered representative of [Broker-Dealer name], I can determine if your life insurance portfolio is performing to the standards you expect and give you my expert opinion on its future outlook.

Our objectives are to achieve the following:

- Determine the overall "health" of each of your current life insurance policies.
- Determine whether your existing life insurance portfolio is meeting your needs and expectations.
- Determine whether there should be any changes or modifications to your existing portfolio or to a specific policy.
- Identify conditions that may contribute to placing your current policies in jeopardy of lapsing or requiring funding above your expectations.
- Determine if there have been any changes, whether personal, business, or estate, that require attention.
- Determine if it is possible to obtain more coverage and/or guaranteed benefits for a longer period for the same premium dollars.

This service is vital in ensuring that one of the cornerstones of your financial and estate planning future is meeting or exceeding your expectations.

We feel it is important for you to take advantage of this valuable service. I look forward to discussing this with you in the near future.

Sincerely,

Your Name

[Securities offered through or Registered Representative of "legend with BD Name,
Address and Phone, as required by Advisor's BD]