

WEIGHING IN ON POLICY REPLACEMENTS

Policy Review Considerations

Adequacy of Policy Funding

Overfunded policies may require fewer premiums, and policies that are underfunded could require additional premiums, benefit adjustments or other corrective actions.

Favorable Tax Treatment on Exchanges

Depending on the policy, life insurance has intrinsic features that can favorably reduce tax exposure. Sometimes you can improve the benefits of an existing life insurance policy. And, many times permanent life insurance policies may be exchanged, allowing the policyowner to obtain a new permanent life insurance policy while continuing to defer income taxation on accumulated gains. Ask your CreativeOne team for details.

Crediting Rate & Charge Assumptions

Illustration guideline regulations mandate certain assumptions. With actual results and assumptions, results will change over time—be it negatively or positively—and will impact the policy's performance.

Withdrawals and Loans

Policy performance can be impacted by lifetime distributions from permanent cash value life insurance products, thus, periodic reviews are essential to ensure suitability. Policies should meet a client's intended objectives and help to reduce or avoid tax consequences.

Evolving Product Features

As the insurance industry evolves, product benefits continue to expand. With the entry of new products, riders and benefits, new planning opportunities open up.

Policy Maturity

Depending on the life insurance policy, maturity dates could have changed, which is why policy reviews help mitigate this problem.

Architectural Changes to Life Insurance

Changing Needs & Planning Objectives

Life happens, needs change and the focus shifts, as do risk-tolerance reassessments, which is why insurance should be reviewed periodically. Needs analysis should ensure the product type and strategy continue to meet the new needs. It's also important to review policy ownership and beneficiary designations to ensure the objectives of the life insurance policy will be met.

Medical Advances

Advancements in medical diagnosis and how conditions are detected and treated could potentially impact underlying mortality assumptions that are used to price life insurance products. New products to the market can potentially provide superior overall financial performance and offer more flexible medical underwriting options for approvals in some circumstances.

Carrier Financial Strength

Major financial institutions including life insurance companies are reviewed by routinely rating agencies to analyze strength and stability.

Regulatory Changes

State and federal laws change over time and may impact planning objectives and results.

Game-Changing Insurance Enhancements

Life insurance policy reviews—we frequently hear about the process. Maybe too often.

On Google, there are nearly 25 million results when it comes to life insurance policy reviews. So, let's not rehash what's generally done to evaluate life-changes-based reviews: marital status, large purchases, dependents, employers, beneficiaries and so forth. Google it, because there are lots of incredible resources. Let's focus on our evolving market, innovations, performance and opportunity costs. There might be blind spots, so let's take a look.

Ongoing Premium & Cash Accumulation

What was once a luxury, might not ring true. Here's proof: the 1965 Corvette. In 1965, the 'Vette didn't come with factory air conditioning—it was an option on the vehicle for \$421.80. Of the 33,270 new 'Vettes rolling off the assembly line, only 2,423 included this innovative feature, as opposed to today's vehicle market, when having air conditioning isn't a consideration—it's a given.

Interestingly, this same concept could be said for life insurance. The changes we've seen in the past few decades and even the last five years are dramatic. Like any free commerce—competition pushes carriers to improve products, provide a wider range of features and better deliver what the consumer wants. The same can be said for in-force policies: There are more features and benefits available in the newer products. And in some instances, we're finding features that aren't financially justified for clients when evaluating the death benefit. In those instances, we're looking at the cash value inside the policy and seeing if we can repurpose it into G1, G2 or G3 planning, or perhaps use it in a way to create a retirement lifestyle insurance. Without going in depth, we're seeing options to fund long-term care coverage or identify a larger death benefit for their beneficiaries. Are these options right for your clients? Well, it all depends. What we can say today that is true: new products and features develop weekly, higher caps, no caps, higher participation rates, indemnity options, no-med options and longevity riders. The features are nearly endless!

If your clients are paying annual premiums in excess of \$5,000 or have cash values of \$50,000+, their cases might be worthy of a policy analysis. Let's see how their in-force policy performs in comparison with current market options. At minimum, wouldn't you want to know if your own policy is still relevant? We can do this for you.

Carrier Financial Stability

We put significant resources toward the identification of product that best suits financial and health needs while being the most cost effective. With the ever-increasing growth of accumulation products, we should look closely into a contract's performance. There's a lot to consider, but there's something even larger. During carrier selection, the financial strength was important. However, it's more than just ratings. It involves impeding announcements and the future of the company. Although the vast majority of the life carriers are A- rated or better, that doesn't guarantee they'll continue to do so. Your clients depend on these contracts for death benefits and accumulation, especially in pre-retirement and retirement. This is a critical time to depend on these policies to perform as intended. Performing due diligence on product selection is equally as important as ensuring carrier financial stability won't have negative implications for your clients when they depend the most on their life insurance policies.

Here's Our Goal

We can change the way our industry thinks about active policies and performing reviews. Enlist our team to help you review your active policies and let's see what we find. Give us a call!

Here are some resources to get you started. Read, complete and sign the in-force policy request form and we'll review your client's policy.

