

# THE POWER OF POLICY REVIEW

## CASE STUDY: 50% MORE DEATH BENEFIT



As life insurance products evolve, their growing complexity introduces variables that can potentially compromise a policy's original purpose. An objective policy review is essential to mitigate risks and maximize policy effectiveness. In many cases, improved product offerings or changes in the needs of the policyholder create opportunities to enhance coverage.

### FACTORS THAT CAN AFFECT POLICY PERFORMANCE:

- Policy Administration:** Timing of premium payments, withdrawal and loan payments, non-enacted planned events
- Insurance Companies:** Insurer strength and stability can change over time, servicing errors, changes to products/features
- Policy Performance:** Crediting rate and dividend changes, subaccount allocation and performance, cost of insurance increases
- Industry and Environment:** Low interest rate environment, changing laws and regulations, tax and estate implications

## Has your policy been reviewed in the last 5 years?



### THE SITUATION

Henry Davis<sup>1</sup>, age 60, was unhappy with the performance of his old whole life policy and he asked his advisor to review his inforce policy. Despite recent health issues, Henry was able to qualify for standard nontobacco rates with a carrier offering a very favorable alternative.



### SUMMARY

After reviewing the existing policy and exploring alternatives, Henry's advisor found that the cash value could be transferred tax-free to a new policy offering 50% more death benefit coverage with no further premium. Based on his recent health issues, Henry was comfortable shortening the guarantee period to age 90 with coverage extending to age 120 based on positive market performance.



### THE OUTCOME

Henry was thrilled to obtain **more than \$1,000,000 of additional death benefit** protection with no further premium payments.

| EXISTING INSURANCE |                    |             | NEW INSURANCE                       |                    |             |
|--------------------|--------------------|-------------|-------------------------------------|--------------------|-------------|
| Plan               | Death Benefit      | Premium     | Plan                                | Death Benefit      | Premium     |
| Whole Life         | \$2,000,000        | \$0         | Permanent Life Guaranteed to Age 90 | \$3,022,499        | \$0         |
| <b>Total:</b>      | <b>\$2,000,000</b> | <b>\$0*</b> | <b>Total:</b>                       | <b>\$3,022,499</b> | <b>\$0^</b> |

\*If dividends continue to cover premium

^Coverage illustrated to age 121 assuming a 7.00% gross annual rate of return

**Increased Death Benefit Protection by more than \$1,000,000**  
and eliminated further premiums.



<sup>1</sup> Name has been changed to protect the privacy of the individual represented in this case. Insurance reviews are unique to each individual and the experience listed in this case study is not indicative of common results. Results may vary depending on numerous factors.



### THE TAKEAWAY

An objective policy review is critical for ensuring policy effectiveness and identifying coverage enhancement opportunities. Please let us know if you have any policies that would benefit from an objective review and evaluation.