

THE POWER OF POLICY REVIEW

CASE STUDY: QUADRUPLE DEATH BENEFIT, SIMILAR PREMIUM



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

Julie Smith¹, age 43, had a self-made business that she planned to sell in 10 years. She currently owned two whole life policies and a term policy totaling \$5,300,000 of death benefit protection. Working with her advisor, she learned that an additional \$15,000,000 of life insurance was needed to achieve her goals and improve her legacy planning. However, Julie did not want to increase current premium payments.



SUMMARY

Julie's advisor realized that the \$2,000,000 whole life policy was a large portion of current premium payments. After reviewing alternatives, it was determined that **225% more death benefit** could be obtained, and premiums reduced by exchanging (tax-free) the larger whole life policy for a new contract. The remaining death benefit need could be supplemented with new 20-year term insurance with strong conversion rights.



THE OUTCOME

By reviewing and enhancing her existing coverage, Julie was able to increase her coverage to the desired \$20,000,000 of death benefit protection for **slightly less** than her current premium outlay.

EXISTING INSURANCE PORTFOLIO			NEW INSURANCE PORTFOLIO		
Plan	Death Benefit	Premium	Plan	Death Benefit	Premium
Term	\$3,000,000	\$765	Term	\$3,000,000	\$765
Whole Life	\$2,000,000	\$33,710	Whole Life	\$300,000	\$4,000
Whole Life	\$300,000	\$4,000	20 yr. Term (NEW)	\$12,200,000	\$7,300
			Permanent (NEW)	\$4,500,000	\$26,400
Total:	\$5,300,000	\$38,475	Total:	\$20,000,000	\$38,465

\$14,700,000
more death
benefit coverage
for similar premium.



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.

¹ 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.