

## POLICY EVALUATION PROGRAM

## Sample Policy Analysis - Advanced

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**Date:** 11/16/2016  
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## Foreword

Ever-changing conditions make it prudent to periodically review all of your financial instruments. Low interest rates and a volatile equity market have negatively affected some portfolios. This has caused some to re-visit and even re-think their investment strategies and goals.

The low fixed interest rates and market volatility that we have experienced can drastically affect the underlying cash value in a permanent life insurance policy. The cash value, depending on policy type, is invested primarily in fixed instruments, such as mortgages and bonds.

The life insurance industry has undergone many changes in the last decade. As the average lifespan increases, the cost of life insurance coverage comes down. New, more efficient policies are introduced to the marketplace as the marketplace adjusts to a more competitive environment brought on by mergers and demutualization within the industry, and increased customer sophistication. The consumer simply demands greater value and the marketplace adjusts.

The purpose of the Policy Evaluation Program is to provide you with the information needed to help you evaluate your current life insurance policy. It also provides you with an analysis of the various options in policy funding and may suggest possible repositioning in order to help ensure your life insurance coverage is performing as originally anticipated.

Supporting in-force ledgers and policy illustrations will be provided following this presentation.

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## Policy Analysis

The information included in the analysis of your present policy is based on in-force ledgers obtained from the insurance carrier providing your coverage. An in-force ledger is a “reprojection” of the values of a permanent life insurance policy that is already in force. It inputs the cash values as of the date of the in-force ledger and then projects values into the future based on premium levels and other variables that can be chosen. It is a way to analyze the performance of the policy versus the original projections. The effect on the policy of changing premium levels, death benefits, etc., can be analyzed.

### Key Terminology Used in Analysis

#### Years Death Benefit Current

This is the number of years that the benefits of the policy will be paid, assuming that mortality charges remain unchanged and that the investment returns continue as shown.

#### Years Death Benefit Guaranteed\*

This is the number of years that the policy is guaranteed\* to run, assuming premiums are paid as shown. The guarantee\* will remain in force no matter what happens to investment returns or mortality charges.

### Goals

The goals of this analysis are:

- Reduce cost while maintaining coverage level
- Increase death benefit while maintaining current cost

\* Any guarantees mentioned are subject to the claims-paying ability of the issuing insurer.

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Current Death Benefit = \$500,000: Male, 72

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PEP Alternatives	Current Policy	Comparison Policy #1: Match Death Benefit; Decrease Premium	Comparison Policy #2: Match Death Benefit; Decrease Premium	Comparison Policy #3: Increase Death Benefit; Match Premium
Company	Current Insurance Company	Competitor 1	Competitor 2	Competitor 1
Product	Generic Universal Life	Guaranteed DB UL	Guaranteed DB UL	Guaranteed DB UL
Underwriting Class	Select Preferred NTNS	Super Preferred NT/NS	Preferred Plus NS	Super Preferred NT/NS
Current/Guar. Int Rate	4.30% / 3.00%	4.00% / 3.00%	3.00% / 3.00%	4.00% / 3.00%
<b>Premium Outlays</b>				
Exist. CV/1035-Exch. Amt.	\$48,171	\$48,171	\$48,171	\$48,171
Annual Premium	\$17,831	\$14,077	\$14,428	\$17,831
Years to Pay	28	49	49	49
Total Premiums	\$547,439	\$737,944	\$755,143	\$921,890
Yrs Dth Ben Current	28	53	54	53
Yrs Dth Ben Guaranteed	3	53	54	53
<b>NPV of Premiums @ 4.00%</b>				
Years 1 - 10	\$198,581	\$166,915	\$169,876	\$198,581
Years 1 - 15	\$254,353	\$210,945	\$215,004	\$254,353
Years 1 - 28	\$357,175	\$292,120	\$298,202	\$357,175
<b>Cash Values &amp; IRR's</b>				
Cash Value - Year 10	\$176,095	\$0	\$9,215	\$0
Cash Value - Year 15	\$235,422	\$0	\$0	\$0
Cash Value - Year 28	\$55,055	\$0	\$0	\$0
Cash Value IRR - Year 10	-3.94%	0.00%	-61.03%	0.00%
Cash Value IRR - Year 15	-3.32%	0.00%	0.00%	0.00%
Cash Value IRR - Year 28	-24.46%	0.00%	0.00%	0.00%
<b>Death Benefits &amp; IRR's</b>				
Death Benefit - Year 10	\$500,000	\$500,000	\$500,000	\$634,486
Death Benefit - Year 15	\$500,000	\$500,000	\$500,000	\$634,486
Death Benefit - Year 28	\$500,000	\$500,000	\$500,000	\$643,386
Death Benefit IRR - Year 10	12.00%	14.33%	14.10%	15.56%
Death Benefit IRR - Year 15	4.91%	6.78%	6.59%	7.36%
Death Benefit IRR - Year 28	-0.58%	0.76%	0.62%	1.01%
<b>Living Benefits</b>				
Rider Type	None	None	Chronic Care Rider	None

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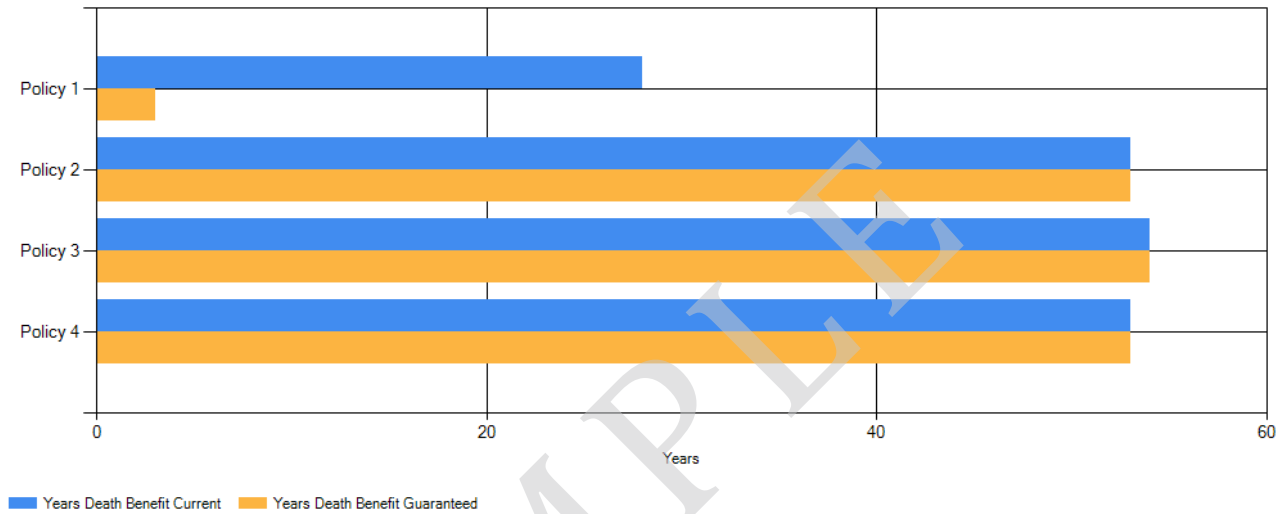
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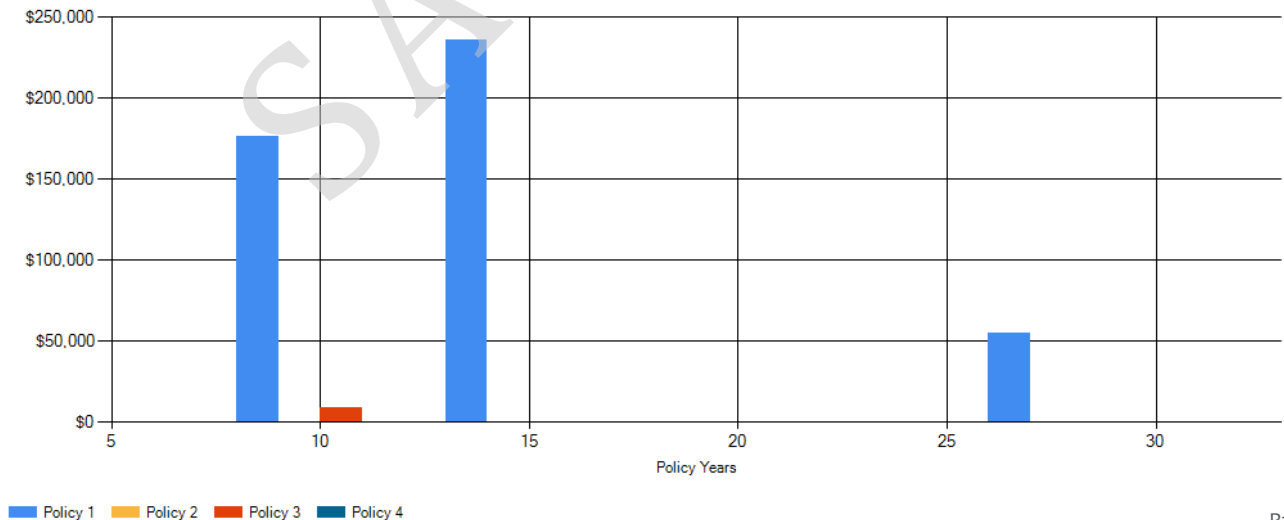
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## Years Death Benefit Current & Guaranteed



## Cash Value Years



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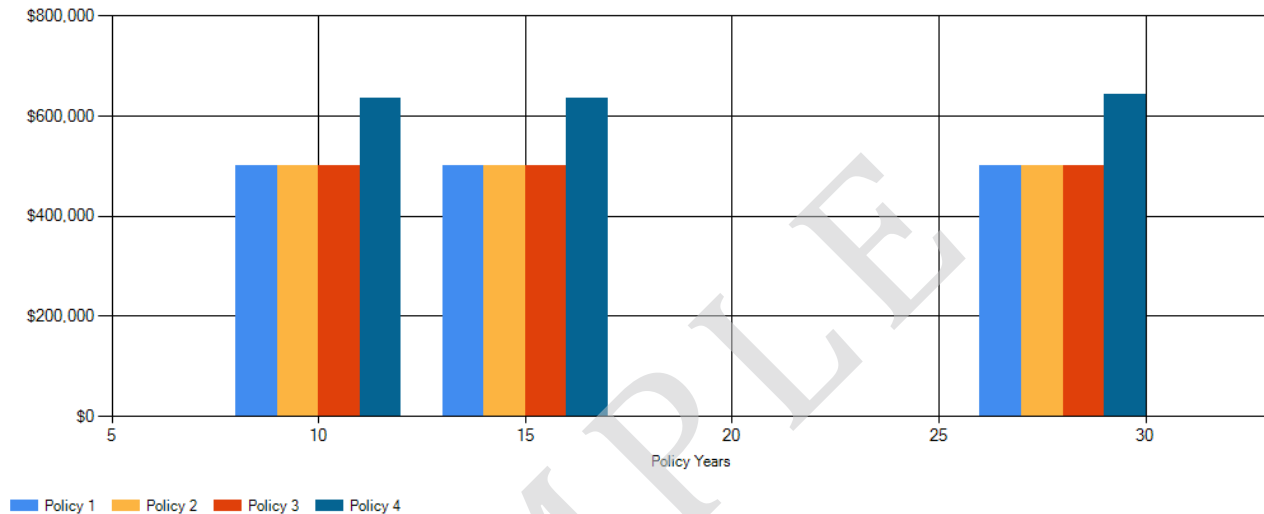
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## Death Benefit Years



SAMPLE

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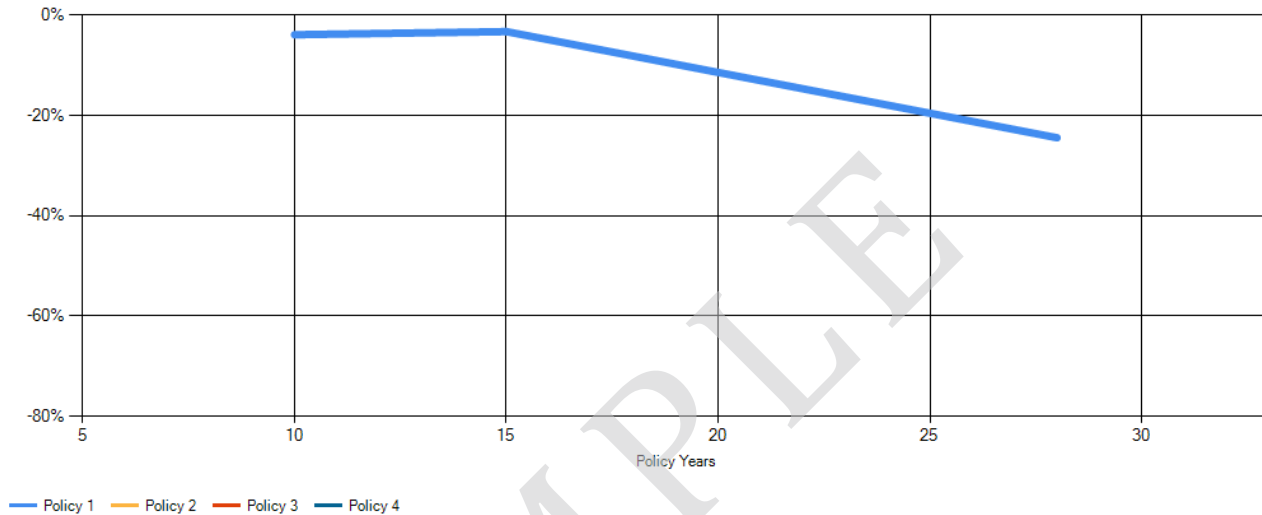
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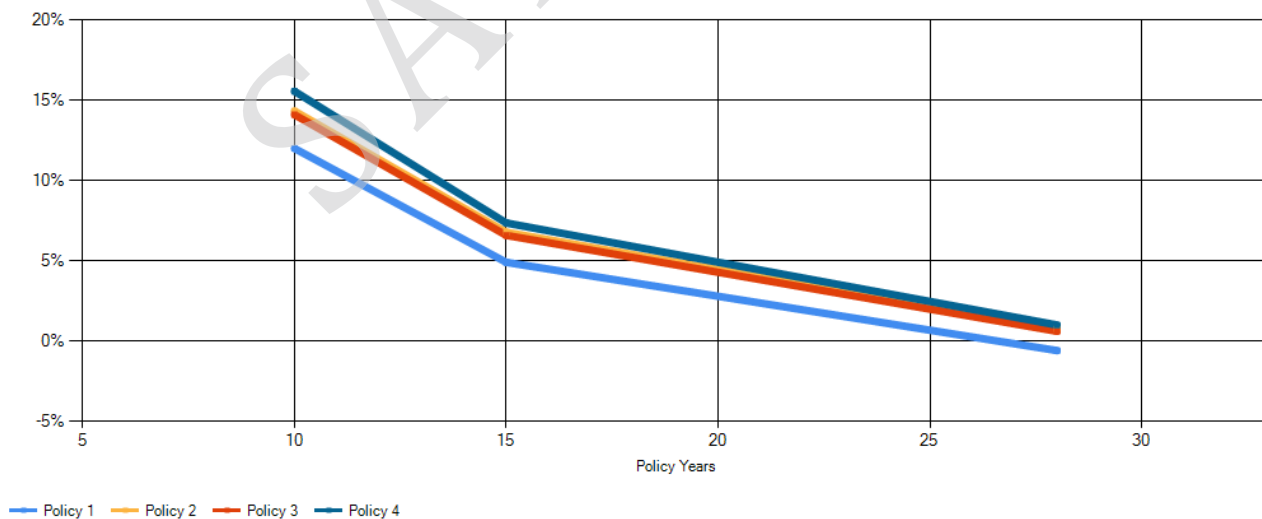
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## Cash Value IRR



## Death Benefit IRR



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## Carrier Financials

The financial stability of the life insurance carrier you select is very important. The following Life Insurance Financial Profile provides you with an up to date report on the carrier or carriers listed in this report. This profile should be reviewed periodically as carrier financial condition can change. The guide below ranks the ratings in a Numerical Equivalence indicating where that particular rating falls in the rating scale. For example, A is the third highest rating for A.M Best, but AA is the third highest rating for Fitch and Standard & Poors.

#	AM BEST	FITCH RATINGS	STANDARD & POORS	MOODY'S
1	A++ (Superior)	AAA (Exceptionally Strong)	AAA (Exceptionally Strong)	Aaa (Exceptional)
2	A+ (Superior)	AA+ (Very Strong)	AA+ (Very Strong)	Aa1 (Excellent)
3	A (Excellent)	AA (Very Strong)	AA (Very Strong)	Aa2 (Excellent)
4	A- (Excellent)	AA- (Very Strong)	AA- (Very Strong)	Aa3 (Excellent)
5	B++ (Very Good)	A+ (Strong)	A+ (Strong)	A1 (Good)
6	B+ (Very Good)	A (Strong)	A (Strong)	A2 (Good)
7	B (Fair)	A- (Strong)	A- (Strong)	A3 (Good)
8	B- (Fair)	BBB+ (Good)	BBB+ (Good)	Baa1 (Adequate)
9	C++ (Marginal)	BBB (Good)	BBB (Good)	Baa2 (Adequate)
10	C+ (Marginal)	BBB- (Good)	BBB- (Good)	Baa3 (Adequate)
11	C (Weak)	BB+ (Moderately Weak)	BB+ (Marginal)	B1 (Poor)
12	C- (Weak)	BB (Moderately Weak)	BB (Marginal)	B2 (Poor)
13	D (Poor)	BB- (Moderately Weak)	BB- (Marginal)	B3 (Poor)
14	E (Under Regulatory Supervision)	B+ (Weak)	B+ (Weak)	Caa1 (Very Poor)
15	F (In Liquidation)	B (Weak)	B (Weak)	Caa2 (Very Poor)
16	S (Rating Suspended)	B- (Weak)	B- (Weak)	Caa3 (Very Poor)
17		CCC+ (Very Weak)	CCC+ (Very Weak)	Ca (Extremely Poor)
18		CCC (Very Weak)	CCC (Very Weak)	C (Lowest)
19		CCC- (Very Weak)	CCC- (Very Weak)	
20		CC (Very Weak)	CC (Extremely Weak)	
21		C (Distressed)	D (Defaulted)	
22		D (Defaulted)	R (Under Reg Supervision)	

The Comdex is a composite index based on the ratings received by a company from the ratings services. It is the average percentile ranking for all of the ratings received by a company. As such, it is not another rating, but rather an objective scale that can be used to easily compare the ratings of different companies. A rating reflects the rating of an insurer and not any particular product or policy offered by that insurer. A high ranking by a particular firm does not constitute an endorsement of the rated insurer by the ratings firm.

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