

Why Annual Reviews of Your Life Insurance Portfolio Are Not Enough



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Ever since the market downturn in 2008, heightened awareness has been placed on the prudence of annual reviews of life insurance policies and portfolios. Previously, something that was once an afterthought in terms of maintenance and oversight is now in the forefront with policies that have not been performing to their projections when the policies were issued. With the current environment of prolonged low interest rates and increases in insurance carriers' efficiency at filing new products, annual reviews may occur at times when life insurance portfolios could have benefited from ongoing and active management of those portfolios.



Financial Architects Partners is pleased to announce the opening of its sixth regional office in Palm Beach, headed by Managing Director, Joseph A. Kawczenski

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Financial Architects Partners, a 35 person national life insurance firm manages roughly ten billion of trust owned life insurance for over 300 family groups.



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Annual reviews of a life insurance portfolio have now become a best practice in the advisory world. A litany of items and potential issues can be addressed and corrected if the policies are not performing as expected. The reviews can be tailored to match the dynamics of the life insurance portfolio. If it consists mainly of term policies, a minimum review of premium payment and confirmed receipt by the carrier should be conducted to ensure that a policy remains in force. Cash value based permanent life insurance products rely on the performance of an "engine" within that policy to keep the policy in force, whether it is dividends, a credited interest rate, or the performance of separate accounts. Again, a minimum review should focus on the "at issue" assumptions of a policy compared to today's environment. If they are below the initial projections, a discussion should be occurring on how to address any changes to the policy or funding. Conversely, if the performance exceeds the projections at issue, the same extensive discussions should occur.

Meeting to review and discuss a life

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There are considerable issues that need to be considered before replacing life insurance such as, but not limited to, commissions, fees, expenses, surrender charges, premiums, and new contestability period. There may also be unfavorable tax consequences caused by surrendering an existing policy, such as a potential tax on outstanding policy loans. Please discuss your situation with your financial advisor.

insurance portfolio annually is considered the standard maintenance process, but it may not address items that occur during the intervening 12 months. Active and ongoing management of a life insurance portfolio will catch any items that occur during that time. As a refresher, there are two main things that a life insurance carrier reviews to determine the pricing of a particular life insurance product.

The first and most visible item is the insured's current medical profile. As the carrier is looking at risk management and their current pool of risk, certain medical conditions may be looked on more favorably (or negatively) by different carriers. What may not be as widely known is that carriers may change the way they view a certain condition throughout the year. As advances in health care occur, an issue that was at one time a factor that contributed to a declination could become an insurable risk. Carriers also may improve an underwriting rating based on the duration since a life event, e.g., time since quitting smoking, length of cancer remission, etc.

Secondly, insurance carriers have become more efficient at filing new products with the respective state insurance commissioners. It is not unheard of for a carrier to release product pricing updates or changes two to three times in a calendar year. If one of those pricing changes results in a lower potential premium than your current policy, discussions should be occurring with your advisors to determine if a change of policies is a prudent move. Another item to research is the pricing of the same product across multiple carriers. Different carriers may be focusing on other types of products that they would like to offer. For example, the best pricing for a term policy with a highly rated carrier may not be the best pricing in the marketplace for a permanent product. Carrier selection matters.

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CHALLENGING HEIRS

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experience, and working relationships with known and effective intervention counselors, recovery programs, therapists, psychiatrists, medical doctors, and, yes, sometimes criminal defense attorneys, can create mechanisms through your estate plan to grow, mature and develop a child into a whole, joyful and self-actualized adult.

In my opinion, "bad apples" were never the exception but were always the rule; we just didn't talk about it. In my life and my estate planning practice, I have observed that even the best parenting can yield unexpected results; it is a consequence of the chaotic, fast-paced and hectic world in which we live - no one goes through the crucible of life without bumps and bruises, and some come through with lacerations and broken legs. Well-meaning parents are asking their wounded children to run the race of life prior to the mending of those "broken legs." Work with a trusted advisor whose hope, like

yours, is to see your child walk, not one who views his role as simply saying "no" only as needed to prevent a death or other disturbance to the estate, for this is doubtfully the standard against which you hoped your child's life would be measured.

An estate plan, like cash, is simply a tool; it is a means, not the end. The work of preserving your legacy will be accomplished through the relationships you form. Your estate planning attorney must possess the legal savvy, tax knowledge and technical know-how to draft a legally effective estate plan; however, that only gets him through the door. To have a seat at the table, your attorney must demonstrate compassion, appreciation and an understanding of your family's unique emotional needs, and your family's mission and vision. Your trusted advisor should be committed to the preservation of your true legacy, your children; the recipients of your genetic make-up and the wisdom passed down through the prior generations that gave you life.

PREMIUM FINANCING

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16. Will I have to pay the loan interest every year? It may be the best option. Most companies require you to pay at least the first year's interest in cash to ensure some "skin is in the game". If you roll future interest payments into your loan, the policy may lapse if you attempt repaying both principal and interest with cash values.

17. How would you describe the ideal client for premium financing? Age 55

to 75 with net worth of at least \$20 million, insurable at Preferred rates, sufficient liquidity to establish a Risk Mitigation Fund, and excellent professional advisors. Most insurance companies require minimum net worth of \$5,000,000. Most lenders want the total loan to be at least \$1,000,000.

18. What's your best advice if I want to dig deeper? Work with a firm that has significant expertise and involve your other professional advisors to ensure an informed decision is made.

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In combining the ongoing marketplace review of an insured's risk profile with an up-to-date road map of carrier product offerings and pricing, a life insurance portfolio can be actively managed to ensure that the current portfolio is consistently the best available. As with any proposed change to any policy, significant due dili-

gence and research should be conducted by your advisors on the suitability of any alteration or exchange. All parties should be aware of the impact of a contractual change. An active management approach that monitors the current life insurance marketplace will allow you and your advisors to be aware of any potential improvement, should you decide to pursue it. At a minimum, no opportunity will be missed.

Short & Long Term Care At Home or In Facility



Lisa Hersh, RN
Clinical Director & Co-Owner

PERSONAL CARE NEEDS

Assistance with bathing, showering and grooming.

ACTIVITY NEEDS

Turn/position/perform transfers, assistance with ambulation, range of motion exercises and transportation.

TREATMENT NEEDS

Vital signs and ice/heat applications.

ELIMINATION NEEDS

Assistance with toileting/catheter/colostomy care.

HOUSEHOLD NEEDS

Meal preparation, light housekeeping and grocery shopping.

SAFETY NEEDS

Medication reminders, monitoring change in client's mental/behavioral/physical status/safety

HOME REHABILITATION NEEDS

Spinal cord injury and head trauma rehabilitation, cardiac/stroke care, orthopedic/joint replacement, post and pre-operative care.



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