

Life Insurance Policy Evaluation Report: Maintain a Policy

Sample Life Insurance Policy #XXXX

Prepared for:

By Anthony Steuer, CLU, Life Insurance Analyst

Evaluation:

Per our discussion, the primary issue is to review the performance of the policy and determine the measures necessary to continue it to maturity (policy's maximum date). Based on our discussions, the need to continue this policy is permanent.

The policy is a universal life insurance policy with an increasing death benefit option. As of January 21, 2009, the total death benefit was \$349,739 with a net cash surrender value of \$31,247.74. The policy has a current quarterly premium of \$1,250 for an annualized premium of \$5,000.

Based on the in-force illustration provided by XYZ Life Insurance Company, this policy will terminate in 20XX based on the current premium, interest rate, cost of insurance and expense charges.

The term in-force illustration is used throughout this report and refers to a type of print-out provided by a life insurance company that projects future hypothetical values for an in-force policy using current values and assumptions such as interest rate, dividend scale, cost of insurance charges, expense charges and other factors as applicable.

According to the submitted XYZ Life in-force illustrations, the policy will continue for another XX years until policy age 95 based on the current dividend scale and mortality & expense charges. This also assumes that no further premiums are paid and that dividends continue to purchase paid-up additions.

As your life expectancy is approximately 30+ years (age 83+), then the policy, as is, will continue past life expectancy. This life expectancy rate is from the 2001 Commissioner's Standard Ordinary Mortality Table. This figure is based on the average American Male.

Recommended Action:

Review the options below. Based upon a need to continue the life insurance on a permanent basis, you should continue to pay the premiums as indicated below (or depending on the situation - pay premiums to endow the policy at maturity).

The current total amount of coverage is \$339,742 and is projected to increase each year. The policies appear to mature/terminate at policy age 95. Based on current projections, no further premiums are required, nor does it appear that premiums would be required in the future. It is recommended that if the policies are kept in-force that new in-force illustrations are generated every 3 years.

This evaluation was performed on June 19, 2009 and is only valid for that date.

This evaluation was based on the information provided and makes no guarantees or obligations

Life Insurance Policy Evaluation Report: Maintain a Policy

Sample Life Insurance Policy #XXXX

Prepared for:

By Anthony Steuer, CLU, Life Insurance Analyst

Options for this policy (values as of 1/22/09):

1. Maintain the policy as is. As noted above, the policy will terminate next year with no value.
2. Surrender the policy for the net cash surrender value of \$31,247.74 as January 21, 2009. This amount is decreasing at a rapid rate assuming a monthly inflow of \$312.50 (premiums) and \$123.56 in interest less combined monthly expenses of \$1,198.21 for a monthly net loss of \$762.15 using figures on the most recent annual statement of November 7, 2008. This monthly loss is accelerating and as evidenced by the in-force illustration will drain the policy of any value by next year - 2010. There should be no taxable gain as the cost basis was reported as \$134,345.48 by XYZ Life in their letter of January 22, 2009. There is typically a taxable gain in the amount that the cash value (and any dividends or loan proceeds received) exceed the cost basis. Insured should consult with their tax advisor to confirm.
3. To continue the policy to maturity would require one or more of the following changes: change the death benefit option from increasing to level, increase the premium and/or reduce the death benefit. If the death benefit option were switched to level (\$349,739), the premium would still need to be increased to \$33,279 annually.
4. Exercise a Section 1035 tax free exchange as a single premium (they can add additional premium for additional coverage) to a combination life insurance/long term care policy – provided there is a need for long term care insurance. Other factors would be their need for this type of coverage and their health. Please see summary for further information
5. Sell the life insurance policy in the secondary marketplace if eligible. This would require further discussion.

Note: The values are based on the figures provided in the policy information form dated 10/22/08

Financial Strength Ratings:

The financial strength of a life insurance is highly important as a life insurance policy is a long term investment. Life insurance companies are evaluated by ratings services and represent their independent opinions after evaluating a company's financial condition and operating performance, using their specific criteria. The ratings agencies assign ratings of a company's financial strength and ability to meet obligations to policyholders. The following are the financial strength ratings for your submitted life insurance policy's current company (due to mergers and spin-offs), your current company may not be the same as the original company which is a good reason to continue to monitor the financial strength. The relative rank is included to give you a sense of how the ratings compare. Some insurance companies are not rated by all of the rating services. For further information on ratings (and contact information for the rating services), please visit the ratings area on my main website at www.tonysteuier.com in the resources section:

Please see the attached life insurer financial profile for ratings for XYZ Life Insurance Company. Further financial information is available upon request.