



A M E R I C A N I N S U R A N C E B R O K E R S

## POLICY EVALUATION SUMMARY

John Doe Age 55

Policy Number 018233818322<sup>1</sup>

v

**Current Insurance Company:**

State Farm

**Type of Product:**

Universal Life

**Death Benefit:<sup>v</sup>**

\$2,000,000

**Current Annual Premium:**

\$23,000

**Policy Issue Date:**

12/01/1989

**Policy Owner:**

Irrevocable trust Date 2-15-1989

**Primary Insured:**

John Doe

**Purpose of Insurance:**

Estate Planning

**Purpose of Evaluation:**

Determine the Policies Performance and Possible Alternatives

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*<sup>1</sup> This report is for evaluation and consideration of alternative solutions only. It is in no way a guarantee of any of the illustrated alternative policies. All Alternative policies will need to be re-qualified through underwriting and new health examinations. Do not cancel any existing policy until you have a new policy in-force to avoid a gap/or loss in coverage.*



## UNDERWRITING RATE CLASSIFICATION

- ✓ The 1989 State Farm policy indicates that Mr. Doe was issued as a standard risk non-Smoker
- ✓ The underwriting rate classification used in this review is based on the classification issued from the current in force policy.
- ✓ The chart below illustrates rate classification and policy costs.
- ✓ Smoker rates ←————→ are additional mortality costs that may be applied to preferred rates through substandard classifications.

Lowest Cost

Higher Cost

|                 |           |               |               |              |
|-----------------|-----------|---------------|---------------|--------------|
| Super Preferred | Preferred | Standard Plus | Standard<br>X | Sub Standard |
|-----------------|-----------|---------------|---------------|--------------|



## CURRENT POLICY PERFORMANCE

The following is an assessment of the current and projected future performance of the existing policy based upon the provided interest rates, cost of insurance, premium levels, and the projected and guaranteed assumptions.

### State Farm In-Force Ledger Dated 10-28-2009

1. The current net death benefit is \$2,000,000
2. The annual premium is \$23,000.00 and is projected to be paid in all years.
3. The year-end projected surrender value is \$375,264. The policy currently has a \$0 surrender charge.
4. Based on the current \$23,000 ongoing annual premium, current charges and a guaranteed 4.0% gross rate of return, the policy is guaranteed to remain in-force to age 75.
5. Based on the current \$23,000 ongoing annual premium, current charges and a non-guaranteed 4.75% gross rate of return, the policy is projected to remain in-force to age 95.
6. Based on current charges and a guaranteed 4.0% gross rate of return, the annual premium needs to be increased to continue at \$31,000 per year in order to guarantee coverage to age 95.
7. The current policy matures at age 95. It is recommended that the current carrier be contacted to determine what options are available if insured lives to age 95. If extended maturity option is not available the policy may terminate and could result in adverse tax consequence and coverage may cease.



## FINANCIAL RATING CHART

The current financial strength of State Farm is rated Superior by AM Best and Extremely Strong by Standard and Poor's.

| AM BEST |           | STANDARD AND POORS |                  |
|---------|-----------|--------------------|------------------|
| A++     | Superior  | AAA                | Extremely Strong |
| A+      | Superior  |                    |                  |
| A       | Excellent | AA+                | Very Strong      |
| A-      |           | AA                 | Very Strong      |
|         |           | AA-                | Very Strong      |
| B++     | Very Good | A+                 | Strong           |
| B+      | Very Good | A                  | Strong           |
| B       | Fair      | A-                 | Strong           |
| B-      | Fair      |                    |                  |
| C++     | Marginal  | BBB+               | Good             |
| C+      | Marginal  | BBB                | Good             |
|         |           | BBB-               | Good             |
| C       | Weak      | BB+                | Marginal         |
| C-      | Weak      | BB                 | Marginal         |
|         |           | BB-                | Marginal         |



## SUMMARY OF OPTIONS

The current policy standard non-smoker health rate class has been applied and compared to policies offered by dozens of top rated Life insurance companies.

### Objective: Guaranteed Alternative Lifetime Coverage

| COMPANY         | RATE                | BENEFIT     | PREMIUM                 | RATINGS  |     | GUARANTEE | PROJECTED |
|-----------------|---------------------|-------------|-------------------------|----------|-----|-----------|-----------|
| Genworth        | Standard Non Smoker | \$2,000,000 | \$23,000/<br>single pay | A.M Best | S&P | Age 95    | Age 95    |
|                 |                     |             |                         | A+       | AA- |           |           |
| West Coast Life | Standard Non Smoker | \$2,000,000 | \$25,000                | A+       | AA- | Age 95    | Age 95    |
| ING             | Standard Non Smoker | \$2,000,000 | \$26,100                | A+       | AA- | Age 95    | Age 95    |

√The alternatives assume a 1035 exchange of the current policy's cash surrender value of \$375,264.

### Current Policy

| COMPANY    | RATE                | BENEFIT     | PREMIUM                 | RATINGS  |     | GUARANTEE    | PROJECTED |
|------------|---------------------|-------------|-------------------------|----------|-----|--------------|-----------|
| State Farm | Standard Non Smoker | \$2,000,000 | \$23,000/<br>single pay | A.M Best | S&P | Lapse Age 75 | Age 95    |
|            |                     |             |                         | A+       | AA- |              |           |

√The current policy re-projected illustrated the needed premium to guarantee the policy.



### Current Policy Re-Projected

| COMPANY    | RATE                | BENEFIT     | PREMIUM              | RATINGS        |            | GUARANTEE    | PROJECTED |
|------------|---------------------|-------------|----------------------|----------------|------------|--------------|-----------|
| State Farm | Standard Non Smoker | \$2,000,000 | Increase to \$31,000 | A.M Best<br>A+ | S&P<br>AA- | Lapse Age 75 | Age 95    |

### POLICY COMPARISON

| COMPANY                     | RATE                   | BENEFIT                         | PREMIUM   |
|-----------------------------|------------------------|---------------------------------|---|
| Re-Projected Annual Premium | \$23,000 continual pay | \$23,000/ <b>single premium</b> | \$23K annual payments discontinued                |
| Death Benefit               | \$2,000,000            | \$2,000,000                     | Same Benefit                                      |
| Years Guaranteed            | <b>19 years</b>        | <b>40 years</b>                 | 21 years longer GTD coverage. No further payments |
| Health Rate Class           | Standard Non-Smoker    | Standard Non-Smoker             | Standard Non-Smoker                               |
| A.M Best rating             | A++                    | A+                              |   |
| S&P rating                  | AAA                    | AA-                             |   |

√The alternatives assume a 1035 exchange of the current policy's cash surrender value of \$375,264.



## EVALUATION FACTS

- ✓ Based on the current \$23,000 **continual** annual premium, guaranteed charges and the guaranteed 4.75% rate of return, the policy is projected to remain in-force to age 95.
- ✓ Based on current charges and a non-guaranteed 4.0% gross rate of return, the annual premium needs to be increased to **\$31,000 continual** annual premiums in order to carry coverage to age 95 guaranteed.
- ✓ Based on current charges and a non-guaranteed 4.0% gross rate of return, the annual premium needs to be increased to \$31,000 continual annual premiums in order to carry coverage to age 95 guaranteed.

## OPTIONS

1. **Make no changes to current life insurance policy.** Continue to pay current premium of \$23,000 per year for the policy. Based on current charges and a guaranteed 4.0% gross rate of return, the policy is projected to lapse with no value or benefit at age 75. At the non-guaranteed 4.75% gross rate of return, the policy will mature at age 95
2. **Make adjustments to current life insurance policy.** In order for the current policy to carry to maturity guaranteed under its current charges and a guaranteed 4.0% gross rate of return, the premium payment will need to increase to **\$31,000 per year** to carry to age 95.
3. **Acquire a new policy.** The new policy will have only a **single annual premium of \$23,000 instead of the ongoing annual premium of \$31,000 needed to carry the current policy guaranteed to age 95.** In addition, the new policy if acquired from Genworth provides a catch up provision that locks in 5 and 10 year guaranteed premiums to keep the policy in-force till death provided no withdrawals and/or loans are taken from the policy.



## ACKNOWLEDGEMENT

I acknowledge that I have been presented with this evaluation and reviewed and understand my options.

At this time I wish to implement the following option (please circle an option)

**Option 1**

**Option 2**

**Option 3**

Insured/Owner Signature:

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Insured/Owner Print:

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Date:

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