

# Facts & Findings

## Life Insurance Audit

An objective performance evaluation of the  
life insurance portfolio for (Client Name)

[ Date ]

## Client and Policy Summary

<b>Proposed Insured:</b>	
<b>Policy Owner:</b>	
<b>Policy Beneficiary:</b>	
<b>Current Insurance Company:</b>	
<b>Product Type:</b>	
<b>Rate Class:</b>	
<b>Death Benefit:</b>	\$
<b>Current Annual Premium:</b>	\$
<b>Policy Date:</b>	
<b>Objective:</b>	Estate liquidity, college funding, retirement, LTC
<b>Audit Objective:</b>	Evaluate Performance and Possible Alternatives

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# Policy Performance Assessment

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




## Sample Policy In-Force Ledger

1. The current net death benefit is \$
2. The annual premium is \$ and is projected to be paid in all years.
3. The year-end projected surrender value is \$ net of the current surrender charge of \$ and loan of \$ .
4. At the current funding level, current cost of insurance charges and current interest crediting rate, this policy is projected to remain in-force to age .
5. At the current funding level, maximum cost of insurance charges and minimum interest crediting rate, this policy is projected to remain in-force to age .
6. In order for the policy to carry to maturity under its current assumptions, the premium payment will need to be increased. It is recommended that an in-force ledger be obtained that projects what premium is required to sustain the current policy to maturity. This amount is not guaranteed to remain level and may increase or decrease based upon actual future performance.
7. Current policy matures at age 100. It is recommended that the current carrier be contacted to determine what options are available if the client lives to age 100. If an extended maturity option is not available, the policy may terminate and could result in adverse tax consequence and coverage may cease.

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## Facts

### Evaluation of the current policy indicates:




-  Policy is projected to lapse at age \_\_\_\_ at current funding levels. Future premium may be required in order to extend coverage past age \_\_\_\_.
-  Policy will lapse at age \_\_\_\_ at current funding levels and guaranteed assumptions. Future premium may be required in order to extend coverage past age \_\_\_\_.
-  (Current Company) has a Comdex rating of 91, which indicates that approximately 91% of all rated life insurance companies are rated at or below (Current Company).

## Considerations

### Evaluation of the current policy indicates:

-  Current policy matures at age 100. It is recommended that the current carrier be contacted to determine what options are available if client lives to age 100. If an extended maturity option is not available the policy may terminate and could result in adverse tax consequence and coverage may cease.
-  Based on current assumptions, an increased annual premium is required for the policy to remain in-force to age 100. It is recommended that an in-force ledger be obtained that projects what premium is required to sustain the current policy to maturity.

### Key Code:

-  Area of Concern. Immediate and ongoing monitoring is recommended.
-  Neutral Point of Interest. Continued monitoring is recommended.
-  Positive Point of Interest. Future monitoring is recommended.

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## Financial Stability (Sample Company)

<b>A.M. Best Company Rating</b>	<b>A+ (2)</b>
Superior. Assigned to companies that have, in our opinion, a superior ability to meet their ongoing obligations to policyholders.	
<b>Standard &amp; Poor's Financial Strength Rating</b>	<b>AA- (4)</b>
An insurer rated 'AA' has VERY STRONG financial security characteristics, differing only slightly from those rated higher.	
<b>Moody's Financial Strength Rating</b>	<b>A1 (5)</b>
Insurance companies rated A offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future.	
<b>Fitch Ratings' Insurer Financial Strength Rating</b>	<b>AA- (4)</b>
Very strong. 'AA' IFS ratings denote a very low expectation of ceased or interrupted payments. They indicate very strong capacity to meet policyholder and contract obligations on a timely basis. This capacity is not significantly vulnerable to foreseeable events.	
<b>TheStreet.com Safety Rating</b>	<b>A- (3)</b>
Excellent. The company offers excellent financial security. It has maintained a conservative stance in its investment strategies, business operations and underwriting commitments. While the financial position of any company is subject to change, we believe that this company has the resources necessary to deal with severe economic conditions.	
<b>Comdex – VitalSigns Composite Index</b>	<b>91</b>
The Comdex gives the average percentile ranking of this company in relation to all other companies that have been rated by the rating services. The Comdex is the percentage of companies that are rated lower than this company.	

Ratings received from Vital Signs Financial and industry third party Ratings Reports.

# Summary of Options

All known rate class factors have been considered and applied to policies offered by over \_\_\_\_\_ life insurance companies. Industry alternatives are listed below.

## John Smith – DOB

### Current Policy

Company Name	A.M. Best	Benefit Amount	Current Premium	Guaranteed to:	Projected to:
Company Name		\$	\$	Age	Age

*-The current policy was issued with a preferred non-tobacco rate class.*

### Objective: Reduce Cost and Extend Guarantee Period

Rank	Company Name	A.M. Best	Benefit Amount	Premium Required to Guarantee to Age 90	Premium Required to Guarantee to Age 100	Premium Required to Guarantee to Age 120
1	Company A	A	\$	\$	\$	
2	Company B	A+	\$	\$	\$	
3	Company C	A+	\$	\$	\$	
4	Company D	A++	\$	\$	\$	

### Objective: Maintain Premium, Increase Death Benefit and Extend Guarantee Period

Rank	Company Name	A.M. Best	Premium	Death Benefit Guaranteed to Age 90	Death Benefit Guaranteed to Age 100	Death Benefit Guaranteed to Age 120
1	Company A	A	\$	\$	\$	
2	Company B	A+	\$	\$	\$	
3	Company C	A+	\$	\$	\$	
4	Company D	A++	\$	\$	\$	

*-The alternative policies assume a preferred non-tobacco rate class.*

*-An extensive evaluation of the medical underwriting elements was conducted.*

*-The alternatives assume a tax-free exchange of the current policy's cash surrender value of \$\_\_\_\_\_*

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## Conclusion

1. Make no changes to current life insurance policy. Continue to pay current premium of \$\_\_\_\_\_ per year for the policy. Based on current assumptions, the policy will lapse with no value or death benefit at age \_\_\_\_.
2. Make adjustments to current life insurance policy. In order for the policy to carry to maturity under its current assumptions, the premium payment will need to be increased. It is recommended an in-force ledger be obtained that projects what premium is required to carry the current policy to maturity. This amount is not guaranteed to remain level and may increase or decrease based upon actual future performance.
3. Acquire a new policy. The new policy will maintain the current \$\_\_\_\_\_ death benefit and provide a lower annual premium while extending the coverage for a longer guarantee period.
4. Acquire a new policy. The new policy will maintain the current premium of \$\_\_\_\_\_ and provide an increased death benefit amount while extending the coverage for a longer guarantee period.

*Medical testing and complete underwriting will be required to verify insurability.*

**I acknowledge that I have been presented with this entire document and have reviewed and understand my options.**

**At this time I wish to implement the following option** (please check the appropriate box):

☐ Option 1

☐ Option 2

☐ Option 3

☐ Option 4

Insured/Owner Signature: \_\_\_\_\_

Insured/Owner Printed: \_\_\_\_\_

Date: \_\_\_\_\_

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