

*Unexpected savings***Premium reductions possible on existing life insurance policies**

Don't overlook the importance of periodically checking your insurer's solvency.

Last year, a Midwest auto dealer who had just finalized a divorce went shopping for a \$10 million individual life insurance policy. The premiums on policies shown to him by five different insurance agents ranged from \$200,000 to \$225,000 a year. Finally, he came across a lower-premium option and thought, "this is the one."

The dealer liked the proposal, and so did his CFO who he had look it over. The dealer had taken his physical exam and was set to give the agent a premium check for \$110,000, when Tony Freeman, president of Premium Advisors, LLC, stopped him in his tracks.

Mr. Freeman, who had been called in by the dealer's CPA firm, said the numbers didn't represent a legitimate proposal. There was no breakdown of costs and it lacked continuity. As the dealer understood it, premiums would acceler-

ate to \$140,000 in 10 years. But when Mr. Freeman put the whole stream of costs together, started including the necessary interest, and requested a re-proposal, he discovered that the actual premium would plateau at \$197,000 – nearly double the agent's initial quote.

The dealer cancelled his application and retained Premium Advisors, a fee-based life insurance advisory firm, to design a new program which resulted in a \$78,000 annual savings, says Mr. Freeman. In fact, he says it's not unusual to be able to reduce life insurance premiums by 33 to 60 percent without replacing a policy or decreasing financial protection.

"A lot of people don't realize that what they're buying doesn't meet their needs and insurance agents sometimes don't understand which of their products would best suit their clients. We do a lot of cor-

recting," says Mr. Freeman, who has worked in the life insurance industry for 36 years.

Mr. Freeman's plan of attack is to negotiate premium reductions on existing policies. "Our approach is, if you have a good company stay with it," he says. This also helps policyholders avoid steep early cancellation fees. In addition to using his Life Insurance Expense Reduction Analysis to reduce the cost of maintaining existing policies, Mr. Freeman helps clients figure out and negotiate newer, better options.

"People buy policies and put them away and forget about them. But policies are like cars; there are always new models," he says. He has sat down with insurers' underwriting and marketing departments and asked why they can't put a client into their newer policy – and has asked them to waive the surrender charges.

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Assessing dealer needs

When Mr. Freeman first meets with an auto dealer, he asks what they're trying to accomplish (95 percent of his business is helping clients pay for estate taxes) and looks at in-force ledgers from the insurer, which show the financial position on the policy today and updated projections. He makes sure there are ample assets in the plan and ample provisions in the policy. Considerations include long and short term needs, interest rate assumptions, funding periods, and circumstances under which policies may be traded in.

What does this service cost? Many times nothing to the insured. The review is often on a contingency basis. If the review is unable to reduce premiums, there is no charge. If the review is successful, Premium Advisors is paid out of the premium reduction – not out of the insured's pocket. For more information about Premium Advisors services or questions directly related to your own insurance program, please contact Tony or one of his associates at 312-807-3700 or e-mail him at tony@pa-llc.com. ▽

How secure is your life insurance company?

Tony Freeman, head of life insurance advisory firm Premium Advisors, LLC, emphasizes that life insurance policies are very sensitive to the investment performance of the insurer.

Since insurance companies have had a hard time meeting goals in a low interest rate environment, he warns that some programs may take years longer to pay up than originally scheduled under their initial premium structure – or you may find yourself hit with big premium hikes.

For example, a \$70,000 premium could go up to \$85,000 to \$95,000 because of lost interest, he says.

“By the time policyholders realize this, they're behind the 8-ball. But if you know performance is not meeting expectations of the insurance company, small tweaking (of the policy) can help,” says Mr. Freeman.

He recommends verifying each year that your insurer is still solvent and meeting performance expectations and projections. If it's not, you have to figure out what has to be done, if anything, says Mr. Freeman, who offers policy monitoring as a value-added service.

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