Premium AdvantEdge

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The Source

Premium Advisors knows it's tough all over, and when things get tough and margins get squeezed, that's when finding ways to save money and maximize investments is all the more important to your clients.

Finding ways to save real dollars and boost return on investments is often your biggest job as an auditing and accounting firm.

That's why we've created *Premium AdvantEdge,* offering tips you can use to help your clients make the most of their life insurance programs.

This third edition of *Premium AdvantEdge* looks at what can happen when we assume an insurance policy is still doing its job. The reality: your clients' insurance programs could be vulnerable, and no longer living up to its financial promise. Give it a read–it could save your clients hundreds of thousands of dollars, and a whole lot of heartburn.

The strategies in *Premium AdvantEdge* are tried and tested and proven to work–and we're offering them to you in this complimentary newsletter.

If you have any questions or comments about any of the articles in *Premium AdvantEdge*–or if there's a topic you'd like to see *Premium AdvantEdge* tackle in the future–please contact Tony Freeman at 312-807-3700, tony@pa-llc.com, or visit the website at www.pa-llc.com.

It's Almost 2007–Is Your Insurance Policy About To Lapse?

We all assume that once we have purchased a life insurance policy the coverage will be there when needed as long as we continue to pay the premium each year. Unfortunately, most policies purchased over the last 10 or more years are not living up to the financial projections made at the time they were issued. And that can mean financial disaster to a family if ignored.

A 74-year-old dealer and his 75-year-old wife purchased a $20-million Second To Die life insurance policy 16 years ago. Like most large policies, the proceeds were to be used to pay the couple's estate taxes. The required $95,000 annual premium was supposed to continue the coverage to the wife's 100th birthday.

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The initial premium was paid and the dealer promptly placed the policy in his safety deposit box where it remained until the couple decided to update their estate planning. Their new estate planning attorney asked the insurance company for a printout of the policy's current financial position, an in-force ledger, and was shocked to learn the policy would lapse within the next five to six years unless the annual premium was increased to $585,000.

The dealer was extremely upset and asked his insurance agent if he could get the insurance company to reduce the new premium to a more realistic level. When that failed, the dealer asked his new attorney to contact the life insurance company and make the same request. The attorney experienced the same results. It should be noted that the insurance company refused to pay the agent a new commission on the conversion of the old policy to a new policy.

The dealer then asked the original agent and two others to "shop" for a better deal. This created problems for the five life insurance companies fighting for the business because each needed a "reinsurance partner" to be able to offer the $20 million being applied for.

Recognizing an opportunity to save the dealer some meaningful money, his CPA firm asked Premium Advisors (PA) to complete an independent third-party review of the proposals being submitted by the five life insurance companies. When the analysis was completed, PA offered to re-contact the original insurer's business retention team (BRT), and those negotiations resulted in the original insurer issuing a new $20,000,000 policy with a "Guaranteed Level, No-Lapse" annual premium of $110,000. The new policy offered by the original insurer cost almost $50,000 a year less than those proposed by the other five companies.

But there's more. The dealer took advantage of a proprietary program suggested by PA that provided an additional $250,000 savings the first year. This brought the total first year savings to more than $300,000.

The dealer and his CPA were both pleased with the results–and there's little chance that CPA will ever lose that client.