

## *Life Insurance Policies: Add Value For Your Clients*

*Your free lunch is being served (just wait 'til you see what it costs you).*

By Anthony Freeman

**IF THERE'S NO SUCH THING AS A FREE LUNCH, WHY DO SO** many individuals and business owners line up to take advantage of expense reduction programs that often do not result in savings? Simple, they're willing to take risks in order to save a buck.

A recent study conducted by an insurance consulting firm that provides policy monitoring services to some of the largest trust companies in the country concluded that more than 90 percent of monitored life insurance policies that were 10 or more years old were overpaying for the coverage provided.

The traditional solution to reducing the cost of maintaining an existing policy is to replace the policy with a new one offered by another company. Unfortunately, this approach can result in costly surrender charges being assessed against the existing policy's cash-surrender value. And, suddenly, that free lunch just became very expensive.

So, while there is no such thing as a free lunch, there is an effective way to reduce the premiums on existing life insurance policies. The key is educating the client, and successfully negotiating a premium reduction with the existing life insurance company. And the best way to do that is to have an independent third-party review the existing coverage.

Using an independent third party allows for an unbiased analysis that can uncover a variety of ways to restructure the existing policy and save real dollars, while protecting the coverage amount and avoiding the need to switch companies or agents. This approach can also eliminate the need for a medical exam, and the insured can be of any age.

A good analysis should assess whether the right type of policy was purchased in the first place, how premiums are paid, and if the policy includes benefits that either aren't needed or can't be used.

For example, some policies enable the policy owner to reduce or eliminate the "build-up" of cash within the policy, and can save the owner a substantial amount of money over the life of the contract. In

other cases, a policy that might have made sense five years ago simply doesn't meet today's needs.

Additionally, changes in tax codes or even in the insurance provider's own policies and procedures may offer even more opportunities for savings—a good reason to suggest that life insurance policies be reviewed periodically.

But just how much money are we talking about? Take a look at this real-life example. A 61-year-old business owner needed \$10 million of personal life insurance. He had taken the required medical exam when his accounting firm called for a third-party review of the proposal. The analysis revealed the proposed premium of \$110,000 misrepresented the true cost of providing the coverage. A re-proposal was requested, and it showed the premium to be \$197,000, nearly twice the amount quoted by the agent. The client canceled his application and a new program was designed, which resulted in a \$78,000 annual savings.

Individuals and businesses alike are operating on razor-thin margins in today's competitive environment. CPAs, CFOs and controllers can become the client's or the company's hero simply by recommending an impartial analysis of the life insurance policy by an independent third party.

The best part: you can tell them it won't cost them a dime. The annual savings that result will more than offset the cost of the analysis. Maybe there is such a thing as a free lunch after all.

*Anthony Freeman is managing member of Premium Advisors LLC, which specializes in reviewing and restructuring existing life insurance policies. For more information visit [www.pa-llc.com](http://www.pa-llc.com) or contact Tony at: [tony@pa-llc.com](mailto:tony@pa-llc.com), 312-807-3700.*

**Reprinted courtesy of INSIGHT, the magazine of the Illinois CPA Society. For the latest issue, visit [www.insight-mag.com](http://www.insight-mag.com).**