

Cost Of Insurance Increases

NCOIL Spring Meeting – March 3, 2018

Life Insurance and Financial Planning Committee



Who Are We?

twentyfirst

InsuranceIQ
ILIT MANAGEMENT SOLUTION

itm
INSURANCE
TRUST MONITOR

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Trust Owned Life Insurance (TOLI)

- Life insurance trusts for estate planning purposes
- Average policy is 15-20 years old
- Trustee has fiduciary responsibility



Actual TOLI Cases - #1

- 89 H/W - family business in mid-Atlantic
- \$15.5M in survivorship universal life policies
 - Issued in 1995
- Experienced an average 99% increase in COI in 2016
- Overnight, level, annual carrying costs to maturity went from \$400,000 a year to \$981,707

Actual COI Increase

Costs per thousand/per month

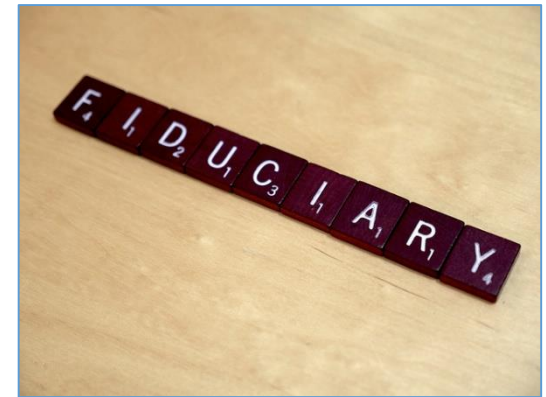
Year	Age	Monthly COI per thousand dollars of death benefit coverage		% Increase
		Pre COI	Post COI	
14	89	2.103644	NA	NA
15	90	2.415111	4.80131	98.80%
16	91	2.757187	5.48628	98.98%
17	92	3.130776	6.23376	99.11%
18	93	3.534362	7.04206	99.25%
19	94	3.968182	7.91036	99.34%
20	95	4.430643	8.83617	99.43%
21	96	4.920327	9.81697	99.52%
22	97	5.484253	10.94527	99.58%
23	98	6.082343	12.14441	99.67%
24	99	6.715234	13.41104	99.71%
25	100	7.371911	25.05658	239.89%

The Cost of Insurance (COI) is taken out as a monthly charge.
The cost shown above is the cost per month for \$1,000 of pure insurance coverage (The Net Amount at Risk.)

After paying premium for 21 years, from age 90-100, the trust would pay approximately \$1.30 for every dollar of pure death benefit.

Actual TOLI Cases - #2

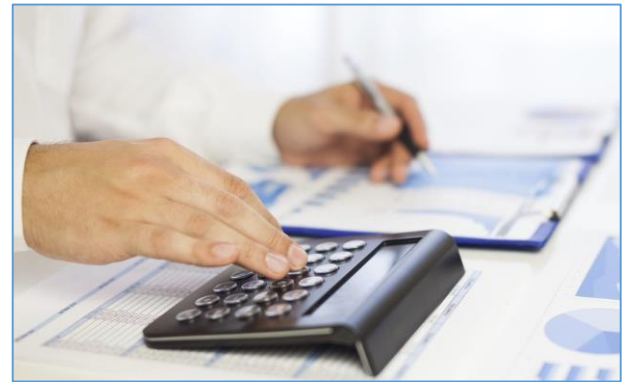
- \$8.775M single life universal life policy
- Taken out on female age 82, September of 2003
- \$3,945,791 contribution designed to carry policy to age 98
 - Then expected outlay would be \$197k to 100
- Insured currently 96
- Current cash value is \$600k
- Cannot get illustration showing current assumptions, only guaranteed assumptions
- Current monthly COI is \$80k a month



Actual TOLI Cases - #2

Choices

1. Surrender the policy for the current cash value of \$600,000
2. Pay policy to maturity
 - Guaranteed cost is \$12M to maturity
3. Change policy to “reduced paid up” option
 - Contractually guaranteed
 - \$747k



Actual TOLI Cases - #2

\$3,945,791 turned into \$747,000 in 14 years



Advisor Comments

- “We have a client age 95 who is experiencing a 1,352% increase to continue policy to age 100. In my over 50 yrs. in this business I’ve never such behavior by [a] major carrier.”
- “Many of my clients are older with face amounts ranging from \$1 million to \$5 million and have been greatly affected by the COI increases [by] as much as a hundred and fifty to two hundred percent in some cases.”



Consumer Comments

- “I had to cancel my policy because of the proposed premium increase and reduction of my cash value in the policy.”
- “(Carrier name deleted) have cheated me, I have paid on this policy since 1987, they are crooks. I want every cent I paid with interest.”
- “I have been paying (carrier name deleted) for 30 years. They took all my cash value in 2016 without an explanation and now my premiums are so high that it is nearly impossible to pay. I am 69, they are billing me 8 times per year rather than 4 and my next months premium is \$506. after I paid \$263 this month for 100K policy. We have social security income early and can't buy groceries due to the high cost.”



Consumer Comments

- “We were just made aware of a class action lawsuit and told that I didn't participate so I don't qualify for any recourse with my insurance, etc. I have had my policy since 1983 and have paid over \$37,492.56. I have paid all of this money and have been fighting with the company over this. Please help. I have been robbed from this company over the years and feel I have been scammed. Please help me!!!!!!”
- “PS I have been legally blind since 2005 and I have NEVER been made aware any lawsuits or justification regarding this issue.”



Thank You

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