

Comprehensive Review

February 2012



CPi HIGHLIGHTS

If it seems too good to be true it probably is. Have you ever wondered if all of the numbers you get from carriers or other General Agent's on behalf of your wealthiest clients really add up? Can you reconcile every number on a proprietary spreadsheet and explain every detail to your client and his/her advisors? Based on what we've seen there is a high probability that either there is important information missing or that the end result is incompatible with your client's needs and/or desires.

Introducing Suitability Check-Up!

Send us the spreadsheets for any new concept or product variation along with a summary of your client's situation. We will reverse engineer the numbers and get back to you with a report detailing the structure's viability, any missing or omitted information, and comments regarding the presentation's suitability for your client.

You never get a second chance to make a first impression. Get a free *Suitability Check-Up* for any client spending more than \$10,000 in annual premium.

Contact Jim Hoffman or Curt Abbott to get started...

Jim Hoffman - Ext. 101
jim@cpicompanies.com

Curt Abbott - Ext. 119
curta@cpicompanies.com

HEADLINER

They are not your Father's Exam Services Anymore... Several exam vendors are keeping with the times & making innovative changes in an effort to avoid mishaps.

We all know how frustrating it is when we receive an illegible or incomplete exam. ***Exam One's*** pilot program allows the examiner to obtain exam information on a tablet computer (i.e. iPad). The tablet program won't allow the examiner to proceed to a question without answering and all yes answers require a typed explanation.

EMSI has launched "***Schedule Now***", a progressive scheduling system. A client can receive a text or email, which links them directly to the examiner's calendar. This allows the client to see the availability & select the best time for them.

FEATURED PRODUCT

Protective Life's Income Provider Option can benefit your client as well as their beneficiaries. IPO's key feature allows the policy owner to select a guaranteed income stream death benefit vs. one-time lump sum pay-out. A client can select the timing (specific date(s)), distribution mode, and even a partial lump sum with installments for up to 30 years. IPO can also decrease the premium to the policy owner.

Example: Female/65, Std NS

\$250K GUL premium = \$5,186
\$250K GUL w/IPO premium = \$3,405

BREAKING NEWS...

Low Interest Rate Environment Affecting Many Carriers! Due to the extremely low interest rate environment, several carriers have decided to limit the amount of premium they will allow on first year excess and/or to eliminate commissions on excess premiums. *Please check with Jim or Anthony for details of which carriers have enacted these limitations.*

COMMISSION ISSUES

Mutual of Omaha has reduced commissions to agents on all products by 5% effective 1/1/2012.

Lincoln National begins paying on excess again after February 21st.

TransAmerica will not pay commissions on excess over target on their SUL.



American Heart Month

CPI is a proud supporter of the American Heart Association. Along with our donation the Abbott kids raised more than \$10,000 for "Jump Rope for Heart".



Product Update

TransAmerica has introduced TransACE 2012... This GUL product is more competitive in most classes & includes additional flexibility with the MultiFlex Surrender Enhancement Endorsement (MSE). MSE will allow clients to surrender the policy and receive 100% of premiums paid. There are 3 key windows available to access funds:

- 1) Policy year 15 (60 day window)
- 2) Policy year 20 (60 day window)
- 3) Policy year 25 (anytime thereafter)

Reminder for Foreign Nationals... *Pan American* continues to lead the way, requiring *no nexus* to the U.S. Guaranteed UL, Current Assumption UL, & 20/30 year term products are available.



Hot Sales Idea!! Foreign

Nationals who currently have a policy with a domestic carrier will be subject to the Federal Withholding Tax of 30% upon surrender. You can do a 1035 exchange into a PanAm policy and legally avoid the potential taxation.

Minnesota Life will be adjusting the premiums on the Legacy Protector SUL. Effective 2/18 rates will be increased with the greatest impact on the single-pay market for younger ages. To obtain the old rates, apps must be dated by 2/17 & at the home office by 3/2 the latest!

NY state approved **PruLife's UL & SUL Protector** products effective 2/27/12. The new products are expected to be more expensive but still competitive. The deadline for apps at the home office is 3/25.

EASY RIDER



Certain policies offer unique riders that can be quite valuable; some at no additional cost to your clients. We thought it would be helpful to highlight some of the very cool riders available.

- **Accelerated Death Benefit Rider (ABR):** Almost always free of charge, the ABR should be included on all policies. The rider will accelerate a portion of the death benefit to a client in the event of a qualifying terminal illness.
- **Long Term Care Rider (LTC):** For an additional cost with most carriers, the LTC benefit will be paid to either the service provider (reimbursement) or directly to the policy owner (indemnity) to cover cost for home health care, nursing homes, etc.
- **Liquidity Guarantee Rider w/LBL & Multiflex Surrender Enhancement Endorsement w/Trans:** At no additional cost, these benefits are designed to provide up to 100% of premiums paid as guaranteed cash surrender value in or after a specific year in the future.
- **Wellness for Life Rider w/Aviva:** For a one-time fee of \$100, the Wellness Rider will offer premium discounts periodically for client's living a healthy lifestyle. Clients who schedule regular check-ups & can maintain a good build will qualify for maximum discounts that could ultimately result in zero cost.
- **Return of Substandard Charges Option Rider (ROSCO) w/Protective:** For an additional cost, Protective Life will credit "rated" clients, who outlive their rating period (usually 15-20 years) all substandard charges paid into the policy. The charges are credited to the policy value, and the rating will be reduced to standard charges.

Housekeeping

Million Dollar Round Table

If you need your 2012 Commission and Premium Certifying Letter submitted to the insurance carriers, please send the letters to Kelly Lokken at kelly@cpicompanies.com for submission. Most carriers start processing the requests in the middle of February.

Staying Compliant has never been easier! Finding it hard to keep track of all of your state licenses & renewals? The PA Insurance Department, in conjunction with Sircon, is offering ProducerEDGE, for free. ProducerEDGE allows you to load all of your licenses with one click & will automatically send out renewal reminders via email. Other services include applying/renewing licenses, printing licenses and looking up CE transcript, where available. To create your personal account, go to:

<https://www.produceredge.com/>

Policy Service

Pru Continues to Improve ePay...

In August of 2011, Pru introduced **ePay** a service that allows policyholders to make premium payments, loan payments and even reinstate a policy when only money is required. As of December Pru has made the site much more user friendly; however, users must register with PruOnline to access this service at:

<https://www.psb.prudential.com/>

We cannot stress the importance of sending in fully completed applications. Missing information will stall the underwriting process. If you feel too bogged down with the voluminous amount of paperwork, try **ACCU-APP!**

Underwriting Matters!

TransAmerica has revamped their APS guidelines to reduce the amount of records they will need to underwrite. Obviously this helps to make the process much smoother and a bit quicker. If your office orders APSs, please give us a call first to make sure we need them.

Financial Underwriting Making You Crazy? TransAmerica's enhanced financial underwriting guidelines are based on net worth and/or income, not estate tax liability.

MetLife has eliminated treadmill test requirements for all ages & amounts. An EKG will take its place. Also, they have improved their preferred category guidelines on most ages for hypertension and cholesterol limits.

American General has a new, innovative program called "**Healthy Credits**", which offers clients the opportunity to qualify for a better underwriting class if they can meet 4 of 16 medical reference points. Please check with our office to see if your client may qualify.

John Hancock has an enhanced proprietary crediting program allowing clients with favorable health & lifestyle factors an opportunity to receive underwriting upgrades.

United States Life just announced that they will process & complete the Reg. 60 paperwork for NY state replacements. **Aviva** is another carrier that offers this service; however, CPI will be happy to take over this task for those carriers who haven't stepped up yet.

Helpful Hints

Where Are We?

So you have an insured who lives in New York, a trust domiciled in PA & a trustee who lives in NJ, or something like that. Where do you date and sign the apps? Unfortunately, every carrier has a different answer with these situations. Before you request an application, please give us a call. We will gladly research your particular case and make sure that you have the right apps and that you are properly licensed and contracted.

Requesting Financials...

No one likes giving up Financial information; unfortunately, with *all* business-owned, & most personally owned coverage this is a requirement. Making sure all financial questions are accurately answered & any supplemental forms are fully complete will speed up the underwriting process.

I've Got you Covered!

Cover letters are rarely submitted with cases; however, a good cover letter can go a long way. Simply & clearly explain the purpose of insurance & how it was determined. You can also address financial or medical issues that may need some clarification, which can tip an offer in your favor. CPI is pretty good with this stuff, so please call us if you need some assistance.

To Trust or Not to Trust?

Every carrier has a different requirement on trust-owned policies. The requirement may be just a certification form, or a partial or full copy of the trust. When completing trust forms, please make sure all requested information is completed and accurate. If you are unsure what you need or how to complete the form, please contact one of our helpful New Business Members. Trust us to assist.

Understanding the Lingo

IGG, QQ, TMO... What does all this mean to me? Our preliminary underwriting process is one of our most powerful underwriting tools. However, when communicating these different types of offers, we are concerned that you may not clearly understand how they differ. So here's a brief review...

IGG: I've gotta guy

On an IGG offer, we have only sent a brief email with general information to get a feel for a situation. Typically we don't even have all of the facts. This is more like 'putting out a feeler' to determine if a client is insurable.

QQ: Quick Quotes

These offers are based on a summary of the medical records reviewed by one of our in-house underwriters. Once we've quick quoted with all of our carriers, we then narrow down the carrier choices by the best potential offer & product pricing. Offers are subject to change upon review of all medical information, formal submission & age/amount requirements. There is no minimum face amount for us to obtain a QQ.

TMO: Tentative Medical Offer

On cases \geq to \$1,000,000, CPI will submit the medical file to the carriers with the best QQ & pricing to confirm an offer. This is the most reliable preliminary offer; however, still subject to formal submission and age/amount requirements. Some carriers will not review informals, so we may only have QQ's to rely on.

Call our underwriting staff if you have any questions or concerns!



Curt's Corner

On pretty much a weekly basis for the past three years, I've been bombarded by emails, flyers, brochures, webinars, and airplanes pulling banners touting the tremendous limited-time opportunity available to clients to take advantage of the \$5 million gift exclusion, and what better way to leverage it than to put it into the latest and greatest Index UL product where it can grow to eleven-billion dollars (assuming the product returns what it did over the last 20 years, which, coincidentally, was right before the greatest boom of our lifetime, and no, we have no way of telling you what effect fluctuating participation rates and caps would have had on that return, but we'll go ahead and assume an 8.5% return anyway).

Now, don't get me wrong. The \$5 million lifetime exemption does appear to be a limited time offer (though, to be fair, we did say the same thing 2 years ago before the extension). Too, the impact of insurance to leverage a gift to a trust (be it \$500k or \$5 million) can be dramatic. But let's try to be realistic about things and come up with something creative that has a strong shot at delivering.

Let's look at a client who has not utilized his lifetime exemption and has \$5 million of cash sitting around. We'll assume that he is 55 years old and, since he is an avid golfer, a preferred risk. He gets that moving \$5 million to a trust makes sense, but is not overly eager to give up control of his assets. What to do?

One such structure involves a combination of a (relatively) small gift, an intra-family loan, and Protective Life's Centennial G II Plus product, which provides a no-lapse guarantee with strong cash values.

First, consider what \$5 million inside the estate would be worth to the family assuming an 8% pre-tax return:

Age	Projected Value	Net to Family (50% Estate Tax)	After-tax Return
80	16,143,663	8,459,279	2.0%
85	20,408,378	10,693,990	2.5%
90	25,799,714	13,519,050	2.8%

Not very exciting, is it? Let's see what we can do to boost the family's return.

Even if things revert back to 2001, our client can still gift \$1 million, so we'll go ahead and give that to the trust right off the bat. Next, we'll loan an additional \$4 million (9 year note, 1.12% based on the mid-term AFR). The trust will then use the \$5 million to purchase a \$15 million Protective policy. Then, we wait and react based on different scenarios:

Scenario 1 – Exemption Reduced

If, at some point, our fearless leaders either act to reduce the \$5 million limit or just let it expire, we can simply use the balance of our client's exemption to forgive the loan in 2012, leaving the trust with a \$15 million policy. Since the policy was over-funded, it will hit corridor limits in the 17th year, thereby increasing the death benefit:

Age	Net to Family	After-tax Return	Pre-tax Equivalent ¹
80	18,766,892	5.2%	13.4%
85	21,661,543	4.8%	12.2%
90	24,430,542	4.5%	11.5%

¹ Pre-tax return required for value of assets in estate to equal Net to Family in Scenario #1

Scenario 2 – Exemption Extended

Should the current law be extended or modified to keep the exclusion at \$5 million, we have the option over the next 9 years of forgiving the loan, as we did above, or, we can wait until the end and withdraw \$4.4 million from the policy to repay the loan. The beauty of the Protective policy is that the withdrawal is GUARANTEED, as is the remaining \$10+ million death benefit:

Age	Net to Family ¹	After-tax Return	Pre-tax Equivalent ²
80	15,484,006	4.4%	12.1%
85	16,779,971	4.0%	10.6%
90	18,418,295	3.7%	9.8%

¹ Includes policy death benefit plus the projected value of the money that was repaid in year 10

² Pre-tax return required for value of assets in estate to equal Net to Family in Scenario #1

In addition to the tremendous flexibility afforded by this design, it's important to note that the bulk of the return generated is GUARANTEED.

One other important item to keep in mind for 2012 as you generate these single premium cases—many carriers are restricting or discouraging (i.e. not paying comp on) large dump-ins. As of this writing, Protective is not one of those companies.

CPI would appreciate your feedback on the content of our Newsletter. Please give Anthony Giannone a call at 800-732-8062 to let us know if this publication is useful to you and what items you would like us to cover.

