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Insights to fuel your success



CARLSON
HAMMOND

THE IMPORTANCE OF LIFE INSURANCE POLICY REVIEWS

Life insurance is an important part of a comprehensive financial plan. A life insurance review performed by an experienced professional can determine whether a policy is performing according to expectations and meeting planning objectives. Many factors may impact the performance and suitability of a life insurance policy.



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REGULATORY CHANGES

State and federal laws change over time and may affect planning objectives and results.

LOANS AND WITHDRAWALS

Lifetime distributions from permanent cash value life insurance products will affect policy performance. Periodic monitoring and review are essential to ensure policies are meeting the intended objectives and to avoid unexpected tax consequences.

CARRIER FINANCIAL PERFORMANCE

Like other major financial institutions, life insurance companies are reviewed by rating agencies to analyze their strength and stability.

CREDITING RATE AND POLICY CHARGE ASSUMPTIONS

Life insurance policies are often illustrated under certain assumptions that may change over time, both positively and negatively. This may impact policy performance.

MEDICAL ADVANCES

Improvements in how conditions are detected and treated may affect the underlying mortality assumptions used to price life insurance products. Newer products may provide superior overall financial performance.

FAVORABLE TAX TREATMENT ON EXCHANGES

Life insurance is a unique asset that receives special treatment under Section 1035 of the Internal Revenue Code. If an opportunity exists to improve on an existing life insurance policy, in most instances, a permanent life insurance policy may be exchanged and allow the policyowner to obtain a new permanent life insurance policy while continuing to defer income taxation on any accumulated gain.

Life Insurance Trusts

Life insurance trusts are frequently utilized as a part of sound planning. As with any other asset held in trust, the trustee of a life insurance policy has a fiduciary responsibility to review trust-owned life insurance and ensure that policies are performing adequately. Failure to do so may result in litigation for which the trustee is personally liable, per the Uniform Prudent Investor Act (UPIA).

Trustees may seek the services of a life insurance professional to evaluate the performance of the policy and advise on appropriate actions. An insurance professional can also help the trustee assess whether the current level of life insurance protection is appropriate to fulfill the trust's financial objectives.

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