

## CARRIER NEWS

### Lincoln Benefit Life

#### Rates Increase for Legacy Secure SL

Effective January 23, Lincoln Benefit will introduce targeted price increases on Legacy Secure SL. For level-pay series for issue ages 55-70, there is a generally less than 2 percent increase, with a 2-5 percent increase for issues age 70+ (there are no increases for level-pay scenarios issues ages under 55). For up-front funding, the increase will range from 5-12 percent depending on the amount of dump in & age.

Applications dated on or before January 22 and received in the home office by February 3, with all underwriting requirements received in the home office no later than March 23, will receive the old rates. The new rates will be used for any applications dated on or after January 23 and any applications received on or after February 4 regardless of the signed date.

### John Hancock

#### UL-G & SUL-G Reprice

Effective January 3, John Hancock repriced its UL-G 11 and SUL-G 11 products. Premiums will increase 12 percent at most issue ages. Target premium levels on the new products, UL-G 12 and SUL-G 12, are increasing proportionally with the premium increases. The Cash Value Advantage (CVA) rider will not be available on the new products.

In order to secure issue of the current products, John Hancock home office must receive a signed UL-G 11 or SUL-G 11 illustration and has made a tentative underwriting decision or it must receive a signed application for UL-G 11 with an illustration on the case by January 13, with John Hancock providing a final underwriting offer and receiving all administrative requirements to issue the policy by March 2.

### Principal

#### Rates Increase on SUL Protector

Effective January 23, Principal will increase rates on the SUL Protector, single-pay scenarios only.

Applications must be signed by February 23 to receive 2011 rates. Applications signed after February 23 will be issued with the new 2012 rates. Applications must be received in Principal's home office by March 9 to receive 2011 rates.

### Hartford

#### UL Freedom Series Reprice

Effective January 3, Hartford repriced its UL Freedom Series. Single premiums will increase by approximately 5 percent for both Bicentennial UL Joint Freedom II and Bicentennial UL Freedom, with a 10 percent increase for Bicentennial UL Freedom in California and Maryland.

There is typically less than a 1 percent impact on level pays for Bicentennial UL Joint Freedom II, with typically no impact on all pays on Bicentennial UL Freedom (there is, however, a less than 1 percent impact on Bicentennial UL Freedom in New York, California, and Maryland).

February 3 is the last date applications for both products will be accepted for the old rates. Applications must be received at the Hartford home office in good order by February 3. New York Regulation 60 paperwork must be initiated by January 15 and completed (formal application) by March 15 in order to receive the old rates.

### Transamerica

#### Compensation on Excess Premium Changes for TransAce Survivor 2010

Transamerica is eliminating commissions on premium received in excess of target in any policy year for its TransACE Survivor 2010 product.

This change will take effect on policies with application signature dates of January 17 and later. Applications with a signature date prior to January 17 must be received in

**CARRIER NEWS** | LBL, JH, Principal, Hartford, Transamerica, UOO, AVIVA

the Cedar Rapids Administrative office by end of business on January 31.

## United of Omaha Single Premiums and 1035 Exchange Limits Change

Effective December 1, United of Omaha made changes to its single premiums and 1035 exchange limits.

For its GUL Survivor product, if the Single Premium is over \$500,000, home office approval will be required before submitting the application.

For its GUL, GUL PPlus and AccumUL Plus products, if the Single Premium is over \$1,000,000, home office approval will be required before submitting the application.

Each case is given individual consideration.

## AVIVA Life Product Changes for the New Year

Effective January 1, AVIVA implemented changes to its life products, which will include the sales discontinuance of MultiChoice Indexed Single Premium Life; the introduction of the NLG premium rates on Guarantee UL Solution III for all face amounts of \$100,000 and above, issues ages 51 and above; lowered fixed crediting rates on Guarantee UL Solution II and III from 4.75 percent to 4.50 percent; lowered fixed crediting rates on AVIVA LifeStage UL from 5.25 percent to 5 percent; a 25 basis point decrease for credited rates on fixed crediting strategies on all IUL products; a 25 basis point decrease for the cap rate on the One-Year Point-to-Point Strategy on all IUL products; and a 50 basis point decrease for the cap rate on the Two-Year Point-to-Point Strategy on all IUL products. There will be no changes to NLG premiums on the Advantage Builder.

AVIVA also implemented changes to the illustrated rates on its IUL products. New illustrated rates will be as follows:

### *Lifetime Builder III*

- One-Year Point-to-Point Strategy
- The illustrated rate will decrease from 7.65% to 7.45%
- Monthly Average Strategy
- The illustrated rate will decrease from 6.45% to 6.30%
- Monthly Cap Strategy
- The illustrated rate will decrease from 8.70% to 8.40%
- Multiple Index Strategy
- The illustrated rate will increase from 7.10% to 7.15%
- Two-Year Point-to-Point Strategy
- The illustrated rate will decrease from 7.75% to 7.60%

### *Advantage Builder IV, Advantage Builder III, Advantage Builder II, Lifetime Builder II*

- One-Year Point-to-Point Strategy
- The illustrated rate will decrease from 7.30% to 7.15%
- Monthly Average Strategy
- The illustrated rate will decrease from 6.15% to 5.95%
- Monthly Cap Strategy
- The illustrated rate will decrease from 7.95% to 7.65%
- Multiple Index Strategy
- The illustrated rate will increase from 6.40% to 6.45%
- Two-Year Point-to-Point Strategy
- The illustrated rate will decrease from 7.65% to 7.50%

### *Indexed Survivor UL*

- One-Year Point-to-Point Strategy
- The illustrated rate will decrease from 6.85% to 6.65%
- Monthly Average Strategy
- The illustrated rate will decrease from 5.95% to 5.75%
- Monthly Cap Strategy
- The illustrated rate will decrease from 7.65% to 7.35%
- Multiple Index Strategy
- The illustrated rate will increase from 5.15% to 5.20%
- Two-Year Point-to-Point Strategy
- The illustrated rate will decrease from 7.2% to 7.1%

Applications for Indexed Single Premium Life must have been signed by December 31, 2011, and received in the home office by end of day January 20 (same rules apply to receive the current NLG premium rates on GUL Solution III).

The new IUL cap rates will apply to new segments created on or after January 1. For existing segments, the new rates will go into effect at the end of the current segment year. Letters to inform policyholders will be mailed notifying them of this important change. ■



|              |      |     |      |     |     |     |
|--------------|------|-----|------|-----|-----|-----|
| January 2012 |      |     |      |     |     |     |
| Mon          | Tues | Wed | Thur | Fri | Sat | Sun |
| 2            | 3    | 4   | 5    | 6   | 7   | 8   |
|              |      |     |      |     |     | 1   |

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| Company           | Product Name         | A.M. Best | S&P | 1st Year Rate                        | Rate Thereafter       | Average Annual | Guar Period |
|-------------------|----------------------|-----------|-----|--------------------------------------|-----------------------|----------------|-------------|
| Genworth          | SecureLiving Liberty | A+        | AA- | 4.05% (11)                           | 1.55% yr. 1           | 1.96% (11)     | 1           |
| American National | Palladium            |           |     | <b>PRODUCT TEMPORARILY WITHDRAWN</b> |                       |                |             |
| Genworth          | SecureLiving Liberty | A+        | AA- | 2.75%                                | 1.55% (yrs. 2-3)      | 2.15% (11)     | 3           |
| American National | Palladium            |           |     | <b>PRODUCT TEMPORARILY WITHDRAWN</b> |                       |                |             |
| American National | Palladium            | A+        | AA  | 2.00% (2)                            | 1.00% yrs. 2-5 (2.75) | 1.20%          | 5           |
| Genworth          | SecureLiving Liberty | A+        | AA- | 2.35% (11)                           | 1.55% (yrs. 2-5)      | 2.22% (11)     | 5           |
| Protective        | FutureSaver II       | A+        | AA  | 2.01% (1)                            | 1.20% yrs 2-5         | 1.36%          | 5           |
| American General  | HorizonMYG           | A++       | AA+ | 5.15%                                | 1.15% yrs. 2-6        | 1.81%          | 6           |
| American National | Palladium            | A+        | AA  | 1.70% (2)                            | 1.70% yrs. 2-6 (2)    | 1.70%          | 6           |
| Protective        | FutureSaver II       | A+        | AA  | 2.31% (1)                            | 1.47% yrs. 2-6        | 1.61%          | 6           |
| American National | Palladium            | A+        | AA  | 2.85% (2)                            | 2.85% yrs. 2-7 (2)    | 2.85%          | 7           |
| Protective        | FutureSaver II       | A+        | AA  | 2.57% (1)                            | 1.69% yrs. 2-7        | 1.82%          | 7           |
| American National | Palladium            | A+        | AA  | 2.55%                                | 2.55% yrs. 2-8 (2)    | 2.55%          | 8           |
| Protective        | FutureSaver II       | A+        | AA  | 2.82% (1)                            | 1.93% yrs. 2-8        | 2.04%          | 8           |
| American National | Palladium            | A+        | AA  | 4.05% (2)                            | 2.05% yrs. 2-8 (2)    | 2.27%          | 9           |
| Protective        | FutureSaver II       | A+        | AA  | 2.97% (1)                            | 2.06% yrs. 2-9        | 2.16%          | 9           |
| American National | Palladium            | A+        | AA  | 3.45% (2)                            | 2.45% yrs. 2-10 (2)   | 2.55%          | 10          |
| Protective        | FutureSaver II       | A+        | AA  | 3.12% (1)                            | 2.20% yrs. 2-10       | 2.29%          | 10          |

**For agent use only - Rates, product specs and commissions are subject to change without notice - Call for current rates and state availability.**

- (1) Includes bonus 100K+. (2) .10% add'l rate over 100K not included (3) Includes 2% Bonus for deposits 100K+. (4) Includes 3% Bonus for deposits 100K+.
- (5) Includes 4% Bonus for deposits over 100K. (6) .25% lower in UT, VT, WA. (7) 2% less comp in MN, PA, OR, WA. (8) .25 basis points less comp in IN, MD
- (9) Includes 1% first year bonus over 75K (10) Less at older ages (11) Rates for contracts 100K-249,999. Bailout Feature available. Average annual rate calculated using a base rate. - Call for more details

**\*3.00% in CT & OR**

Effective 1/9/2012

These are the current rates as of the last day of the previous month

# ADVANCED SALES

## Legacy Planning with Cash Value Life Insurance

By AXA

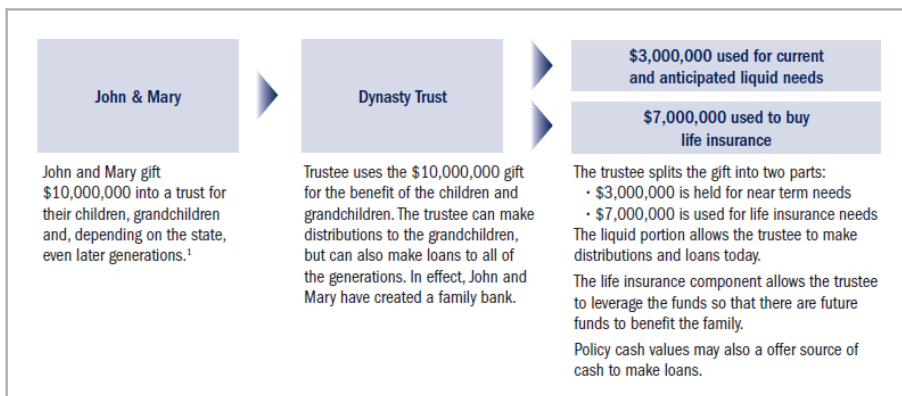
The Tax Reform Act of 2010 offers an unprecedented opportunity for transferring wealth to future generations. By re-unifying gift and estate tax rates, and raising the exemption to \$5,000,000 (\$10,000,000 for couples), the law allows you to transfer significant amounts of wealth to children and grandchildren before triggering any transfer taxes.

However, these rates are only part of a two-year patch enacted by Congress. Nobody knows if they will continue beyond 2012. Transferring assets into a trust for your family can move decades of growth out of your estate for their benefit. And, where you have a life insurance need, these gifts can be leveraged with life insurance death benefits. Even if you are older, and possibly uninsurable, AXA Equitable's creative financial underwriting may help make this planning possible.

### THE SITUATION

John and Mary want to leave their son and daughter an inheritance. They have the option to move millions of dollars in assets into a trust for their children and grandchildren. They know the assets can grow in the trust for decades for their family's benefit, but can they do more? See the chart below to see how this was accomplished.

#### John and Mary's Family Bank



You can use some of the gift to the trust to buy life insurance on yourself or your family.<sup>2</sup>

### A STRATEGY

Their insurance advisor shows them how they can create a legacy for future generations by taking advantage of the current tax laws, using a trust to protect the assets from creditors, and using life insurance to help leverage the benefits for their family. A cash value life insurance product can enhance the planning.

### THE POWER OF CASH VALUE

For an effective family bank plan, you would also want to use a policy with strong cash values to offer the trustee more flexibility if he or she wanted to access the policy to make loans or distributions to trust beneficiaries. Policy values may be maximized by paying premiums that are at or near the limits set by the Internal Revenue Code. The limit is commonly described as the "7-Pay" premium, which is the most premium you can pay into a life insurance policy over a seven-year period of time. This approach allows you to accumulate the greatest amount of cash value possible in your policy and can help provide tremendous flexibility to your trust.

#### CLIENT PROFILE

- ✓ You want to pass an inheritance to your children, grandchildren or later generations.
- ✓ You want to shelter assets from creditors and protect your family.
- ✓ You might be uninsurable, but need life insurance for wealth transfer.
- ✓ You might want to diversify and leverage your trusts with life insurance.

### FINANCIALLY UNDERWRITING A LEGACY IF YOU ARE UNINSURABLE

What if you are uninsurable? With AXA Equitable, you can still provide a life insurance benefit to your family through Family Underwriting. How does it work?

1. If you are older (over 75) or you are uninsurable,
2. If you have an established estate plan in place that provides for your children and grandchildren,
3. If insurance is purchased on one generation, up to 50% of the death benefit can also be purchased on your children.



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**ADVANCED SALES** | Legacy Planning**How Could Family Underwriting Work for John and Mary's Family?**

| Generation Two    | Generation Three   | Premium            | Generation Two Death Benefit | Generation Three Death Benefit |
|-------------------|--------------------|--------------------|------------------------------|--------------------------------|
| Son – Henry       |                    | \$375,000          | \$11,000,000                 |                                |
|                   | Grandchild – Jeff  | \$50,000           |                              | \$4,000,000                    |
| Daughter – Sandra | Grandchild – Joan  | \$50,000           |                              | \$5,000,000                    |
|                   | Grandchild – Liz   | \$50,000           |                              | \$5,000,000                    |
|                   | Grandchild – Ken   | \$50,000           |                              | \$5,000,000                    |
|                   | Grandchild – Holly | \$50,000           |                              | \$5,000,000                    |
| <b>TOTALS</b>     |                    | <b>\$1,000,000</b> | <b>\$24,000,000</b>          | <b>\$24,000,000</b>            |

Under this design, \$3,000,000 remains liquid for loans to all beneficiaries and distributions to the grandchildren.

Under this design, \$7,000,000 is used for life insurance on the children and grandchildren, with premiums paid over seven years. This "7-Pay" approach is used to maximize policy cash values that can be used to loan or distribute money to trust beneficiaries.

On Generation Two's death, an additional \$24,000,000 is available for loans to all beneficiaries and distributions to the grandchildren.

On Generation Three's death, an additional \$24,000,000 is available for loans to all beneficiaries and distributions for future generations.

**We show an example with a couple using their full \$10,000,000 gift tax exemption, but gift what ever amount you and your family are comfortable gifting.**

*1 Depending on how the gifts and trust are structured, you may incur taxes. If you exceed your lifetime exemptions or annual exclusion amounts, gift taxes may be triggered. If cash and non-life-insurance assets remain in the trust, some portion of the growth on those assets may be subject to income taxes. Work with a financial professional to help address the structure that works best for you.*

*2 The amount of life insurance you can purchase, and which type of policy, will vary from client to client. Work with your life insurance professional to determine the best policy for you and your specific needs. How much life insurance you can purchase will depend on many factors, including medical and financial underwriting.*

*3 Family underwriting is individually considered based on numerous factors. It will depend on the age and health of the first generation, evidence of an established wealth transfer plan and verification of a client's net worth. Children can be insured up to an amount based on their parent's death benefit. This amount may vary based on state laws. If children are underwritten based on their parent's death benefits, then all children must be underwritten and children cannot be selected. The total amount of death benefit will depend on all facts and circumstances based on all underwriting and new business guidelines.*

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# UNDERWRITING CORNER

## Making the Financial Underwriting Process Seamless For You & Your Clients

By AVIVA

Below is an article that AVIVA Life sent in October 2011. After reading, I thought it provided some good information about financial underwriting. While it may appear basic, I find that it has been very useful. There's always a need to re-review this important topic of underwriting.

These are AVIVA guidelines. Other companies are similar, with only minimal variations. One other important item that aids in the underwriting process is a good cover letter explaining any unusual aspects of a particular case, how the face was arrived at, etc...

As always, if you have any questions about this topic or any other, please contact me at [ktaylor@premierbrokerage.com](mailto:ktaylor@premierbrokerage.com).

-Keith Taylor, Vice President of Underwriting

Knowing the right questions to ask and collecting the necessary documents at the time of an application can ensure a quicker and more efficient underwriting process for you and your clients. To offer a better understanding of our financial underwriting process and the information you should gather while meeting with your client, we have outlined important guidelines below.

### INSURABLE INTEREST GUIDELINES

Purchasing a life insurance policy is a financial transaction in which a client must have an Insurable Interest, or have a vested interest and stand to suffer damages in the case of a loss. Financial Underwriting is the process by which we verify an applicant's insurable interest and make sure that the policy they are applying for matches their specific needs.

#### Guidelines:

1. There exists a long-term reasonable relationship between the amount of coverage applied for and the needs defined for the coverage.
2. The total amount of coverage on the application doesn't exceed the potential economic loss in case of a premature death.
3. The premiums for the coverage(s) are reasonable.
4. The personal information provided supports the need for the coverage and the information can be verified.

While the financial data requested on the application will be all that is needed for many cases, certain additional information may be required for larger face amounts, older ages and incomplete or unclear information provided on the application. Here are a few examples to take note of:

1. Amounts over \$1 million of coverage through \$5 million of coverage will require a financial questionnaire.
2. Amounts over \$5 million will also require an inspection report.
3. Third party financial verification along with validation of need and purpose.

### THIRD PARTY FINANCIAL VERIFICATION

- A statement confirming the assets, liabilities and net worth of the proposed insured.
- Written on an official letterhead.
- Signed by an independent, qualified professional not directly involved in sales process (e.g. CPA, CFO).
- Provided as an independent professional assessment with relevant disclosures in accordance with professional standards (GAAP or AICPA

standards).

### THIRD PARTY FINANCIAL GUIDELINES

Generally, third party financials should be submitted on the following cases:

- a. \$5 million+ face amount
- b. \$50,000+ target premium
- c. Applicants age 70+ with little or no history of life insurance
- d. We may also request third party financials when the underwriter deems necessary to further investigate the finances.

### LIST OF ACCEPTABLE PERSONAL & BUSINESS DOCUMENTS

- a. Statement from a CPA or tax preparer.
  - b. Statement from client's estate planning/tax attorney confirming the net worth of the applicant.
  - c. Complete tax returns for the past 2 years.
  - d. Brokerage account statement or portfolio summary of all assets under management.
  - e. Bank account statements.
  - f. If a bulk of the net worth is concentrated in real estate, form 16960 (schedule of real estate's owned) needs to be completed or at least itemized in a cover letter each property owned and the location.
  - g. Business valuation report.
  - h. Debt covenant/Loan agreement if purpose of coverage is debt protection.
  - i. Business financial statement (Balance Sheet, Income Statement & Statement of Cash flow)
- Aviva may request more than one of the above referenced documents.

### EXCEPTIONS

Before requesting third party financials Aviva will exhaust all internal means to validate net worth and income information from search engines such as Google and other online sources including Manta.com, Zillow.com, Accurint (Lexis Nexis), Zipskinny.com, Mergent Online, Yahoo finance, Dun and Bradstreet report, Indeed.com etc...

Providing a detailed cover letter at the time of the application is a key to a much faster financial underwriting decision as it helps us validate the finances internally. Also, submitting documents such as trusts and buy/sell agreements at the time of the application can help speed up the process. ■

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