

PERFORMANCE EVALUATION

for your

*life insurance* **Policy**

FOR AGENT/PRODUCER USE  
ONLY.

NOT FOR USE WITH THE PUBLIC.

# Performance Enhancement

Performance Enhancement is a planning concept designed to assist you in exploring the need to review existing life insurance policies and comparing those to current market offerings. However, this presentation is not intended to be a retirement, benefit or estate plan nor is it a specific recommendation for a retirement, benefit or estate plan. This material is for informational purposes only. Although many of the topics presented may also involve legal, tax, accounting or other issues, there is absolutely no intention of offering such advice, and this presentation and any other oral or written communication should not be construed as such. Individuals interested in this topic should consult their own professional advisors to examine tax, legal, accounting, or financial planning aspects of this topic. As you explore your planning needs with your legal and tax advisors, we hope that you find this analysis useful.

Figures used in this program illustrate the Performance Enhancement concept, which is based on both assumptions and data provided by you, the client. Your furnishing of accurate data will help enhance the value of this analysis. This analysis is based on attained age, current cash flow and is for hypothetical comparative purposes only. This is a hypothetical comparative illustration summary and is not valid unless it refers to and is accompanied by a sales proposal and/or prospectus showing complete description of contract features, benefits and limitations, product details, caveats and guarantees. Please consult your contract.

Dividends, current interest and/or investment assumptions and current mortality are not guaranteed. Actual results will vary. This supplemental illustration assumes that the currently illustrated non-guaranteed elements will continue for all years shown. However, it is not likely that the non-guaranteed elements will perform exactly as shown in the illustration. In addition, the actual consequences of a particular planning alternative will depend on many variables, some of which may not be fully accounted for or described in this presentation. Premiums are payable in accordance with the terms of the insurance policy for which you apply, and non-payment of premiums may have a significant impact on the policy values and may cause the policy to lapse.

This material does not constitute tax, legal or accounting advice. It was not intended or written for use and cannot be used by any taxpayer for the purpose of avoiding any IRS penalty. It was written to support the marketing of the transactions or topics it addresses. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.

PERFORMANCE EVALUATION

---

# THE CONCEPT

FOR AGENT/PRODUCER USE ONLY. NOT FOR USE WITH THE PUBLIC.

*Performance Evaluation* integrates existing policy coverage and performance analysis with current life insurance needs and today's product efficiencies.

# Why Conduct a *Performance Evaluation?*

Substandard Policy Performance

Market Improvements in Product & Pricing

Updating the Needs Analysis

# Substandard Policy Performance

Current interest rates are hovering at historic lows, seriously affecting cash values, policy dividends and the adequacy of scheduled premiums. The result is widespread policy underperformance

Universal Life and other interest sensitive policies issued from inception (about 1980) through the late 1990's *may be off 200, 400, even 600 basis points from original illustration.*

Substandard Policy Performance

# UL Declared Interest Crediting Rates, 1991-2010

Carrier	Product	Credited Rate 1/1/1991	Credited Rate 2/1/2007	Drop Since 1/1/1991
GenAm (MetLife)	<i>UL to A100</i>	9.00%	5.55%	-3.45%
John Hancock	<i>UL-I</i>	8.50%	4.50%	-4.00%
New York Life	<i>Target Life II</i>	9.45%	4.90%	-4.55%
American General	<i>Lifestyle Plus</i>	8.50%	4.50%**	-4.00%
First Colony (GE)	<i>Life One Plus</i>	8.50%	4.00%**	-4.50%
Jefferson-Pilot	<i>Ultima 2</i>	8.00%	4.50%**	-3.50%
Manulife (Hancock)	<i>Financial Performer</i>	8.35%	4.00%**	-4.35%
MetLife	<i>Flex Prem UL</i>	8.25%	4.00%**	-4.25%

\*\*Policy's Guaranteed Minimum Interest Rate

# Improvements in Product & Pricing

The original policy, when purchased, may have been an excellent product – a market leader and well suited for the times.

Products today are more efficient than they have ever been. Medical advancements and healthier lifestyles contribute to longer life expectancies. New product developments, such as no-lapse guarantee pricing, have changed the landscape completely.

Even if your policy has performed up to par, the innovative products available today may improve cash accumulation, strengthen underlying guarantees or reduce premium outlay.

Improvements in Product & Pricing

# UL as a Death Benefit Need

No-Lapse Guarantee Pricing has created “baseline” premiums for permanent needs without the burden of cash accumulation.

- Inexpensive versus all base whole life
- Eliminates performance sensitivity to universal life, variable life, and “blended” whole life policies dependent on declining dividend scale performance
- Catch-up provisions offer lower-level funding with guaranteed “conversion” option that never expires.

## Improvements in Product & Pricing

# Cash Accumulation UL

Innovative product design and effective pricing methodologies have improved overall efficiency.

- Pricing:
  - Improved (guaranteed) mortality and lower internal expenses
- Product Design:
  - Enhanced Cash Value and Waiver of Surrender Charge Riders
  - Guaranteed Interest Rate Bonuses
  - Overloan Lapse Protection Riders
  - Short-Term No-Lapse Guarantees
- Performance:
  - Illustrating in today's low-interest rate environment
  - Indexed UL offers upside market potential with minimal risk

## Improvements in Product & Pricing

# Variable Universal Life

Variable universal life policies have undergone significant pricing and product improvements.

- Pricing:
  - Improved mortality & expense charges that drop off completely
- Product Design:
  - Enhanced Cash Value and Waiver of Surrender Charge Riders
  - Specific Fixed Account for paying policy charges
  - Overloan Lapse Protection Riders
  - Short-Term No-Lapse Guarantees eliminates short-term risk
- Performance:
  - Performance Modeling assists in market fluctuation
  - Lower fund charges

# Updating the Needs Analysis

The *Needs Analysis* is the most over-looked, and sometimes, most important information a life insurance professional can obtain.

## Benefits the Consumer

- Good financial strategy
- Reintroduces Need for Life Insurance
- Determines Goals & Objectives
- Reassures the Coverage will be there when it is needed.

## Benefits the Producer

- Strengthens Relationships
- Provides a Service
- Determines the Sale
- Uncovers additional Needs:
  - Life Insurance
  - Retirement Needs
  - Long Term Care
  - Multi-Generational Planning
  - Business Planning
- Prospecting & Referrals

# Policy Types Subject to *Performance Evaluation*

Permanent Life Insurance:  
Whole Life, UL, VL, VUL  
Trust-Owned Life Insurance  
Employer-Owned Life Insurance  
Insured's with an Impaired Risk Policy  
Policies with Loans  
Term Life Insurance

*Every policy should be subject to a  
Performance Evaluation every 3 to 5 years.*