

INSURANCE POLICY REVIEW

POLICY MANAGEMENT COMPANY



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PREPARED FOR: Nick & Sarah Anderson Family Insurance Trust

PREPARED BY: Policy Management Company

POLICY SUMMARY

Policy Information

Policy #: 0123456789	Insured(s): Nick Anderson
Issue Date: 1/11/2003	Sarah Anderson
Policy Year: 15	Owner: Nick & Sarah Anderson Family Insurance Trust
Carrier: Minnesota Life	
Product: VAL 2nd Death	Beneficiary: Nick & Sarah Anderson Family Insurance Trust
Purpose: Death Benefit Protection	
Riders: Extended Maturity Agreement	

Current Values (as of 09/17/2018)

Death Benefit: \$4,992,590	Cash Value: \$54,882.76	Loan Amount: \$7,066.96
Annualized Premium: \$6,500.00	Surrender Value: \$47,815.80	Is Policy a MEC? No

COMMENTARY

- All premiums have been paid to date. The year 8 premium was not paid and resulted in an automatic premium loan of \$6,500. This loan has accrued \$4,340.46 of interest at 8%. \$3,773.50 has been paid in interest, resulting in a loan balance of \$7,066.96.
- Nick Anderson's underwriting classification includes a permanent \$0.50 flat extra per thousand dollars of coverage, which is an annual cost of \$2,500 for the \$5,000,000 death benefit.
- Assuming the client pays the planned premium and annual interest, 8% gross and current charges, the current death benefit is projected to age 75 of the younger insured. The policy is guaranteed to age 59.
- Current cash value and surrender value are behind original design. This is due to subaccount performance less than original projection of 9.43%.
- Subaccount allocation is currently a mix of 8 subaccounts and is not set to systematic rebalancing.
- Joint life expectancy is beyond the projected coverage duration. Probability of outliving coverage is high.

RECOMMENDATIONS

PMC Recommendation: Replacement

- Review guaranteed and projected coverage ages based on duration of coverage needed.
- Consider options to extend coverage duration such as increased premium or replacement coverage.
- Complete a LA360 and perform a current market comparison.

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POLICY DESIGN

Purpose:	Death Benefit Protection	Design Date:	1/11/2003
Planned Changes:	No	Design Source:	Original Illustration

PREMIUM ANALYSIS

LAST PREMIUM PAID:	2/5/2018		
	Policy Design	Current Plan	Indicator
Year 1 Lump Sum/1035:	\$0.00	\$0.00	●
Annualized Premium:	\$6,500.00	\$6,500.00	●
Premium Structure:	Through Year 67	Through Year 67	●
Cumulative Premiums Paid:	\$104,000.00	\$104,000.00	●
Difference (Paid - Planned):		\$0.00	●

COVERAGE DURATION ANALYSIS

Insured(s):	Nick Anderson	Sarah Anderson
Age:	50	48
Underwriting Class:	Standard Non-Tobacco	Preferred Non-Tobacco

	Policy Design	Current Performance	Indicator
Guaranteed Coverage Age:	59	59	●
Projected Coverage Age:	120	75	●
Life Expectancy (Years):		44.72	●
Probability of Outliving Coverage:		94.81%	●

POLICY PERFORMANCE ANALYSIS

	Policy Design	Current Performance	Indicator
Death Benefit:	\$5,000,000	\$4,992,401	●
Assumed Rate of Return:	9.43%	8.00%	●
Cash Value:	\$104,827.00	\$50,339.35	●
Cash Surrender Value:	\$104,827.00	\$42,740.93	●

- - Desired
- - Acceptable
- - Unacceptable

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Definitions and Disclosures

Report Values – Values taken from policy illustrations, annual statements, information obtained from the carrier online, by phone and through data feeds; and other supporting documents provided by the insurance carrier. Illustration(s) contain hypothetical policy performance scenarios based on guaranteed as well as non-guaranteed assumptions including policy earnings and costs of insurance. These assumptions are subject to change and can be higher or lower than illustrated. Policy-owner actions will also influence the values. See illustration(s) for further details.

Carrier Ratings - Reflect the carrier financial strength and claims paying ability assigned by one of four Nationally Recognized Statistical Ratings Organizations (NRSROs): AM Best, Standard & Poor's, Moody's and Fitch. The Valmark Strength Tracking and Assessment Report™ (STAR) ranking is an analysis of the relative claims paying ability of insurance companies that maintain a selling agreement with ValMark Securities. The numerical equivalence is the number shown in parentheses next to each rating indicating where that rating ranks within that particular rating service's scale. The total number of ratings available from best to worst is listed in parentheses after the ratings service. The NRSRO ratings and STAR Rankings™ are as of the end of the last quarter and may change at any time.

Riders – Policies may offer optional riders and features which may be purchased to modify and enhance the benefits provided by the insurance product. The riders may affect various assumptions underlying the operation of the contract, including level of premium and coverage. See the policy contract for additional information concerning riders and the effect of any such rider(s) on the operation of the policy.

Policy Design – This is the benchmark comparison for the basis of the policy review. A policy design may include the original illustration, updated illustration, Policy Management Design Questionnaire or another tool used to document the objectives for the policy.

Current Performance Indicators – Shows either **green** (desired), **yellow** (acceptable) or **red** (unacceptable) as defined in the monitoring and management policy design guidelines. Guidelines for this policy are listed below.

	● Desired	● Acceptable	● Unacceptable
Lapse Age:	120	—	119
Death Benefit:	\$5,000,000	—	\$4,999,999
Cash Value:	\$104,827.00	—	\$99,585.65
Annualized Premium:	\$6,500.00	—	\$6,501.00
Premium Structure:	Through Year 67	—	Additional Premium

Life Expectancy (LE) – The average mortality age given a particular gender, issue age, smoking status and relative health/morbidity statistics. Values are determined by the 2017 Unloaded CSO Preferred Structure Age Nearest Birthday Mortality Tables (Society of Actuaries). Indicator shows green (desired) if LE age is less than the projected coverage age and red (unacceptable) if LE is greater than projected coverage age.

Guaranteed Coverage Age – Age the policy is guaranteed to lapse assuming guaranteed policy charges and the planned premium payment design. Guarantee is dependent on minimum premium amount and premium timing requirements as well as provisions related to use of certain policy features or benefits. Deviation from the illustrated assumptions may terminate the guarantees. Guarantee provisions are complex. See policy contract for detailed guarantee mechanics. Guarantees are backed by the financial strength and claims paying ability of the life insurance company.

Projected Coverage Age – Age the policy is illustrated to lapse assuming non-guaranteed policy charges, non-guaranteed rate of return and the planned premium payment design. Some policies allow carriers to charge expenses at a lower rate than the guaranteed expenses set forth in the contract. Such lower rates are used when referencing "current or projected" performance. The earnings rates in such instances use an assumed rate that will change over time. Guaranteed rates and guaranteed earnings (if any) are used when the report references guaranteed values.

Probability of Outliving Coverage – An estimated value that shows the potential that the insurance coverage will not be in place at the life expectancy age of the younger insured. Calculated using the projected policy lapse age compared to the age and LE of the younger insured. Indicator shows red (unacceptable) when probability of outliving coverage is over 50%, yellow (acceptable) when probability of outliving coverage is between 50% and 10%, and green (desired) when probability of outliving coverage is below 10%.

Death Benefit – The amount of benefit payable at death after reductions for policy loans (if any).

Assumed Rate of Return – A hypothetical gross investment return for the underlying cash value in the policy. Depending on the type of policy and product, the assumed rate of return may be the crediting rate, hypothetical rate for a subaccount allocation, dividend rate or another value provided by the insurance carrier to project non-guaranteed performance.

Cash Value and Cash Surrender Value – Policy design value is taken from the Policy Design Source for the current policy review year end. Current Performance value is taken from the recent annual statement or value as of the date prior to recent premium payment if paid before anniversary.

Commentary and Recommendations – Policy review commentary and recommendations are developed by the Valmark PMC in partnership with the insurance advisor using his or her professional judgement. The Insurance Policy Review does not constitute legal, tax or accounting services.

PMC Recommendation – Based on the analysis and review completed, the PMC provides a recommendation of monitor/manage, recalibrate, conversion, replacement, new coverage, life settlement or surrender. Policyowner has sole discretion to implement, accept, or reject the recommendations.