



POLICY EVALUATION PROGRAM

The industry's leading turnkey system for policy review



POLICY EVALUATION PROGRAM

INTRODUCTION

A number of state and federal regulations in recent years have brought an increased focus on carefully matching insurance policies with individual client needs, often referred to as “best interest” review. In-force policies may have been sold with fewer questions asked about client goals and resources, and these also may have shifted over time. In addition, older policies may have been designed and sold based on interest rate and expense assumptions that no longer hold true, putting the policies in danger of lapse or failing to meet client goals in the foreseeable future. At the same time, a new generation of life insurance products continues to enter the marketplace with more robust features and benefits, along with competitive death benefit guarantee options. Just because a life insurance policy is “permanent” doesn’t mean the owner should set it and forget it!

What does this mean for you?

It represents a great opportunity to visit with clients to evaluate their existing life insurance portfolio. If you don’t do it, someone else will!

We have a program to help you evaluate whether your clients’ policies are performing as they should. If they are not, we will help you identify solutions designed to improve the situation.



PROGRAM BASICS

1) In-force Ledger Review

Provide us with an in-force ledger on the existing permanent life insurance policy showing the existing premium stream and outcome. If the existing premium stream is no longer projected to be sufficient to meet the client’s policy goals, we’ll provide an illustration with a recommended premium stream.

2) Alternative Solutions

We’ll compare the in-force ledgers on the existing policy to alternative solutions, if appropriate. In some instances, the client’s situation may be enhanced with a new policy. In other situations, adjusting premium or death benefit for an existing policy will put it back on track. In yet others, the client will gain security knowing his or her existing course of action is working. In any case, you are advancing your client’s best interest with a review.

3) Underwriting

If a new policy appears to be a viable option, we will help you through the underwriting process to obtain a new policy.

We make it easier to review your clients’ policies and help grow your business!

All guarantees subject to the claims paying ability of the issuing insurer.

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POLICY EVALUATION PROGRAM

GETTING STARTED

IDENTIFYING YOUR POTENTIAL CANDIDATES

Complete this form and you could have at least 15 qualified leads!

Part 1 | Your Clients

The first and most logical place to start is your present block of business. This is the business that you are responsible for and the business that is most important for you to review.

Ask yourself:

- Do you have clients whose financial, business or personal situation has changed? A major part of this program is servicing your clients' changing situations.
- Have you placed any rated cases? Have you contacted those clients about any health changes? Many ailments and illnesses are underwritten differently now than they were just a few years ago. Would they now be eligible for a Table Shave Program? Changes in Table Shave Programs over the last few years have created opportunities to improve your clients' situations.
- Have you written any Whole Life (WL) cases? New generation Guaranteed UL policies might be more competitive than WL in providing a guaranteed death benefit.
- What were the largest cases you've placed?
- Have you received any in-force policy requests from your clients? More and more clients are requesting and expecting this service as they seek greater value for their premium dollars.
- Have you performed any policy audits? If not, the Policy Evaluation Program (PEP) and its turnkey methodology is a great way to start the process.
- Are you over 55? Have you been in the financial services business for more than 20 years? If so, you probably have a number of clients who may benefit from this analysis.

List five of your largest placed cases/or clients who would value a Policy Evaluation Program review.

Client Name	Policy Date	Policy Premium/Policy Type
1.		
2.		
3.		
4.		
5.		

Once you have identified those clients who you wish to meet with, you can use the Program Overview and FAQ to provide pre-meeting information. Use the Prospecting Letter for Clients to create a letter for use on your letterhead.

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Getting Started: Page 1 of 2

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Part 2 | New Prospects

Anybody with a permanent life insurance policy that has been in force for several years or more is a prospect for this service. A customizable agent flyer provides you with an inexpensive method of generating interest. The Prospecting Letter for Prospects can be used on your letterhead. Use the Program Overview and FAQ to provide information once you have interest.

List five prospects you have spoken to in the last year who have large life insurance policies that could be reviewed.

Client Name	Policy Date	Policy Premium/Policy Type
1.		
2.		
3.		
4.		
5.		

Part 3 | Advisors/Trustees/CPAs/Attorneys

Anyone who has advised a client on the purchase of life insurance, or is responsible for the maintenance of life insurance, is a prospect for the service. A customizable agent flyer provides you with an inexpensive method of generating interest. The Prospecting Letter for Advisors can be used on your letterhead. You can use a mailing list to contact CPAs, Trust Attorneys or Trustees. Use the Program Overview and FAQ to provide information to those who indicate interest.

List five Advisors/Strategic Partners you have worked with who may recognize the value of PEP (CPAs, CFPs, Attorneys, Bank Trustees, etc.)

Client Name	Policy Date	Policy Premium/Policy Type
1.		
2.		
3.		
4.		
5.		

Getting a Customized Report

Use the Fact Finder as the basis for gathering information about the insured. Place special emphasis on changes, including financial, business, and personal changes, as well as any health changes. Use a cover memo, if necessary, to provide pertinent information about the case. Send the information to Tellus for processing. The carrier response time can vary from one to four weeks. Depending on the carrier, we may ask your assistance in obtaining the in force ledgers. Although most carriers are cooperative, we have no control over the carriers' response and some will not correspond with a third party, regardless of the policy owner's authorization.

If you are not the Broker of Record on the current policy, you may want to use the prototype Authorization Letter on your letterhead to create a version for your exclusive use. This will better assure you of being the Broker of Record for any alternative or additional coverage that may transpire as a result of the review.

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Getting Started: Page 2 of 2

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POLICY EVALUATION PROGRAM

PROGRAM FACT FINDER

Producer Information

Name	Phone Number	Email Address
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Client/Policy Information *(Note: if there is more than one policy, attach additional Fact Finder(s) with relevant policy information.)*

First Insured Name	Date of Birth	Proposed Underwriting Class <small>(Indicate any health-related concerns in the Notes section)</small>	
Second Insured Name	Date of Birth	Proposed Underwriting Class <small>(Indicate any health-related concerns in the Notes section)</small>	
Policy Number <small>(Required for in-force ledger)</small>	Company		Policy Date
State of Issue	Policy Type		

Original Purpose of Insurance

Estate Planning Death Benefit Cash Value Accumulation Qualified Retirement Plan Buy-Sell Long-term/chronic care benefits

Is original purpose still valid for the policy? YES NO (If no, please explain in Notes section)

Has the insured(s) health changed since policy was issued? YES NO

Has the insured(s) tobacco use status changed since policy was issued? YES NO

New Illustration Design (Check all that apply)

Use current policy design

Change policy design

Change death benefit to \$ _____

Guaranteed premium solve

Pay premium for _____ years to solve for _____ at age 100

Premium solve

Pay premium for _____ years to solve for _____ at age 100

Other/Please call advisor to discuss

Crediting Rate Assumptions

If WL or UL — Use carrier's current crediting rate Illustrate alternative rate _____

Are there any loans against the policy's cash value? YES NO If yes, how much? _____

What is the policy's accumulation value *(not subtracting loans or surrender charges)*? _____

If different from the policy's accumulation value, what is the policy's cash surrender value? _____

What is the policy's basis? _____

Please submit a copy of the in-force ledger along with any other pertinent information. If you are not the Agent of Record, please provide Agent Authorization Letter.

Additional Notes (Include any changes in health status. Attach additional sheets if necessary.) _____

This Fact Finder is designed to assist insurance professionals in gathering important information about a proposed insured in order to better determine appropriate products and solutions to meet each individual's needs.

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POLICY EVALUATION PROGRAM

REQUEST FOR IN-FORCE POLICY ILLUSTRATION

Insurance Carrier _____

Insured(s) _____

Policy Number _____

SS# or Tax ID# _____

Please provide the following information for the insurance policy or policies listed above based on current assumptions:

- 1. In-force illustration at current premium schedule
- 2. In-force illustration showing minimum premium to endow
- 3. Policy cost basis
- 4. Other _____

Please forward the requested information to:

Policy Owner/Trustee Signature

Policy Owner/Trustee Signature

Date

Street Address

City

State

ZIP

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POLICY EVALUATION PROGRAM

ARE YOU TRULY COVERED?

THE IMPORTANCE OF REVIEWING YOUR CURRENT LIFE INSURANCE POLICY

When you purchase a permanent life insurance policy, you are purchasing a financial vehicle that is designed to last a lifetime. Yet a policy is often tucked away and forgotten, with no thought given to evaluating ongoing performance. This is unfortunate because a permanent life insurance policy is unlike any other financial vehicle. Its strength relies on many variables that are constantly changing, including the investment returns on premiums paid to the carrier, internal expenses, and assumptions about life expectancy related to health indicators.

The Policy Evaluation Program (PEP) allows you and your insurance professional to review your current policy to determine if it is performing as expected.



Permanent life insurance is a complex financial instrument that should be reviewed periodically to gauge actual policy performance against original expectations and current needs.

PROGRAM HIGHLIGHTS

- You will receive valuable information on the state of the life insurance marketplace today.
- PEP provides an in-depth analysis of the present condition of your existing life insurance policy in an easy-to-read format.
- This analysis allows you to easily see the options that might be available if alterations or modifications must be made to your policy.
- PEP can help you review the value of your policy.

Contact your insurance professional for more information today!

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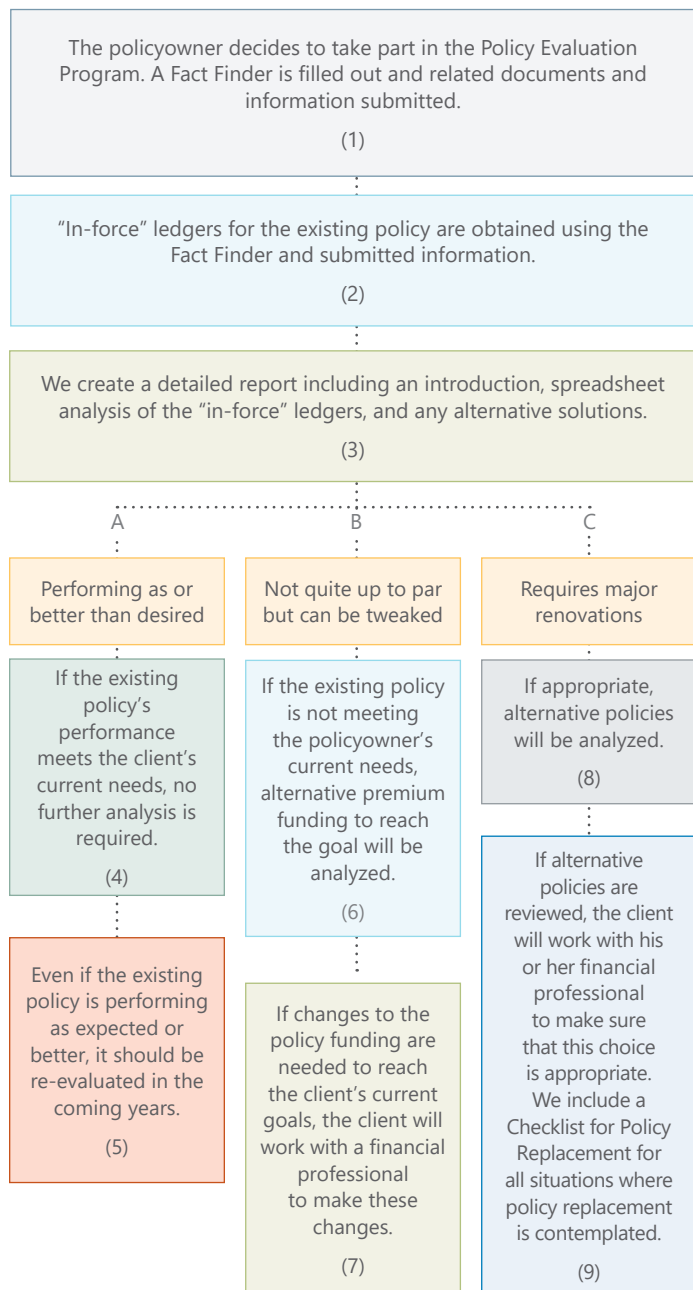




POLICY EVALUATION PROGRAM

PROGRAM OVERVIEW

Ideal Candidates: Individuals or entities with permanent life insurance policies who would like an evaluation to determine if their policies continue to meet their needs.



1. A life insurance policy is a complex instrument. The relationship between the premiums paid, cash surrender value, and death benefit inevitably changes over time as interest rates, carrier investment returns and expenses fluctuate, and can also be impacted by owners choosing to take out loans or make other changes to the policy. As a result, life insurance policies should be reviewed regularly to make sure that they can fulfill their objectives and meet the owners' needs.
2. The insurance professional submits a completed Fact Finder and signed request for an in-force ledger to Tellus. An in-force ledger is a re-projection of the "sales illustration" using the current assumptions on the policy going forward.
3. The report generated using the in-force ledgers provides a financial analysis of the current policy evaluating the cash value and death benefit using updated information and assumptions. If needed, the premium funding is analyzed to provide alternative solutions to reaching the goal. In some situations, alternative policies may be analyzed if appropriate.
4. If the policy goals are met, no further analysis is needed.
5. Policies should be reviewed periodically, especially when there have been major life or financial changes.
6. If policy performance is not projected to fully meet the client's needs, the report will show alternative funding to help reach the goal.
7. The client will work with his/her financial professional to make sure that the necessary changes are made to the policy.
8. There may be certain situations when the use of a new, more efficient policy may be contemplated. This would only be undertaken if there were specific and clear benefits to the policyholder.
9. If the client decides that alternative policies will be evaluated, Tellus will assist the insurance professional in the evaluation and underwriting process.

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POLICY EVALUATION PROGRAM

FREQUENTLY ASKED QUESTIONS

WHAT IS THE POLICY EVALUATION PROGRAM (PEP)?

It is a program designed to provide a systematic analysis of a permanent life insurance policy that is presently in force. The program is designed to give life insurance consumers an understanding of their policy performance, with an eye toward maximizing value. All life insurance policies should be periodically reviewed to measure actual policy performance against original expectations or changing needs, to make sure that the policy will reach the intended goals.

WHAT TYPES OF POLICIES MAY BE EVALUATED?

Permanent policies include whole life, universal life, guaranteed universal life (GUL), indexed universal life (IUL) and linked long-term care with life insurance products. Variable products are out of scope for the Policy Evaluation Program and comments on such products are provided for educational purposes only. Variable products can only be sold by registered representatives of FINRA member firms.

IS THERE ANY COST FOR THIS SERVICE?

No, this is a complimentary service.

WHAT ARE THE COMPONENTS OF THE PROGRAM?

A report is generated on each policy that consists of the following:

- An introduction that succinctly discusses the purpose of the report and certain life insurance terminology.
- A one-page spreadsheet analysis of the “in-force” ledgers showing an overview of illustration data comparing existing coverage with modifications or new policies, projected cash values at various intervals, the number of years that the policy will stay in-force under current assumptions, and the number of years the policy is guaranteed* to stay in-force.
- If appropriate, the report may include optional policy alternatives, but only if there is a distinct client advantage.
- All in-force ledgers and new product illustrations used to create the spreadsheet will be attached.

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FAQs: Page 1 of 4

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FREQUENTLY ASKED QUESTIONS, CONT.

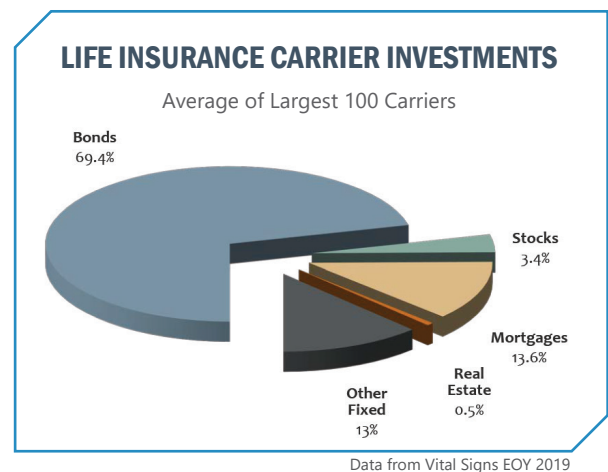
WHAT IS AN IN-FORCE LEDGER?

Different from an annual statement, which is a snap-shot of a policy's performance, an in-force ledger is a "re-projection" of the values of a permanent life insurance policy that is already in-force. An in-force ledger uses a policy's cash values as of the date of the "in-force" ledger and then projects values into the future based on premium levels and other variables that can be chosen. It is a way to analyze the performance of the policy versus the original projections. The effect on the policy of changing premium levels, death benefits, etc., can be analyzed.

WHAT FACTORS MAY AFFECT THE PERFORMANCE OF EXISTING PERMANENT LIFE INSURANCE POLICIES?

There are three major factors that affect the performance of a life insurance policy:

- The first is the interest rate return on the underlying investment that provides the cash value in the policy. In Universal Life (UL) and Whole Life (WL) policies this investment account is in insurance company-directed investments. As you can see from the chart on the right, it consists mostly of bonds, with some real estate assets.
- The second factor is the expenses in the policy, including the acquisition costs (commissions, underwriting expenses, etc.)
- And the third factor is the actual mortality charges within the policy.



Of the three factors noted, the one that more significantly affects the actual performance of the policy versus that projected in the sales illustration is the interest rate obtained. The actual expenses and mortality charges used in original illustrations are easier to project and predict than the investment return. In all illustrations there is an assumed projection and a guaranteed projection. The assumed projection is a "best guess" of what will occur in the policy going forward using the current assumptions for expense, mortality and investment return. The guaranteed projection uses only those factors that are guaranteed when it projects the outcome. If the actual current interest rate that is obtained in the policy is less than the projected rate, the policy will not perform as well as expected.

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FAQs: Page 2 of 4

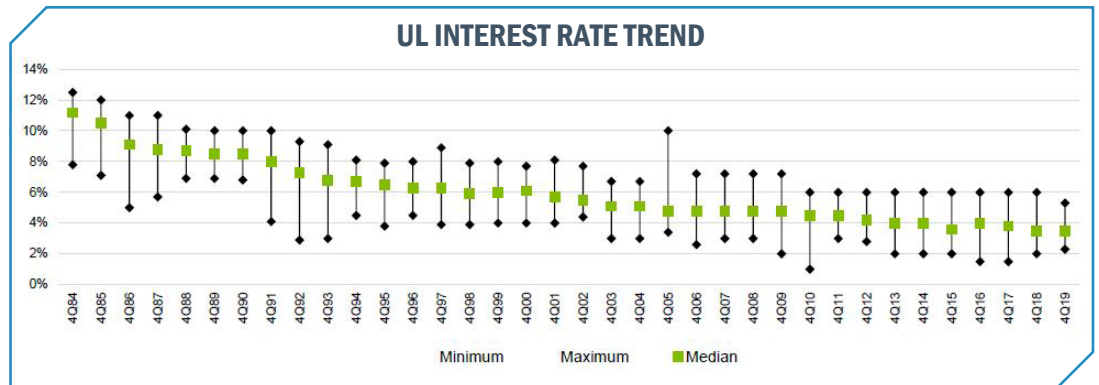
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FREQUENTLY ASKED QUESTIONS, CONT.

HOW HAVE ACTUAL INVESTMENT RETURNS AFFECTED THE EXPECTED PERFORMANCE OF EXISTING POLICIES?

Over the course of the last 30+ years, the interest rates credited to UL policies for the most part have dropped, as demonstrated by the chart to the right. The chart represents the actual credited interest rates issued by major life insurance carriers. In 1984, the current interest rate was almost 12%; since that time, the current rate has dropped.



U.S. Retail Individual Life Insurance Sales Technical Supplement, Fourth Quarter 2019, LIMRA

WL policies operate somewhat differently than UL policies. The underlying investment returns are just one component of any dividends that a whole life policy may receive. Dividends represent a “return of premium” that is dependent on not just the insurance company’s investment returns, but also the “gains” in the mortality and expenses where the company’s actual experience proves less costly than what was illustrated.

Lower returns in the underlying investment of the life insurance policies purchased may cause actual policy cash values to be lower than the original illustrated values. If investment returns lag for an extended period of time, the policy may lapse, or a higher premium may need to be contributed for the policy to reach the original goals.

As you can see from the table below, the investment return in the policy can dramatically affect the amount of premium that needs to be contributed to reach a goal.

This analysis shows the effect of an interest crediting rate on the performance of a Universal Life policy. The 7% credited rate approximates the rate paid on UL policies two decades ago. The 4.15% rate is in line with what most UL policies are crediting today. As you can see, it would take approximately 64% more premium at the lower interest rate to keep the policy from lapsing before age 100.

PREMIUM NEEDED TO FUND POLICY TO AGE 100 AT DIFFERENT CREDITED INTEREST RATES	
at 7%	at 4.15%
\$14,208	\$23,363

Assumes \$2.5M Universal Life policy for a male, age 45 and preferred non-smoker, paying premium all years with \$100,000 cash value at age 100.

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FAQs: Page 3 of 4

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FREQUENTLY ASKED QUESTIONS, CONT.

HAVE RECENT EVENTS IN THE CAPITAL MARKETS AFFECTED MY PERMANENT POLICY'S PERFORMANCE?

Possibly. Market results can and will affect a policy's performance. In the case of variable products, less than anticipated market results may not allow a policy to equal its originally projected results. As shown in the previous section, general account products tend not to be as affected by market fluctuations as variable account products due to their underlying investments. Nevertheless, fluctuations in the marketplace may cause the respective current dividend scales and current interest rates of return for whole life and general account universal life products to be lower than projected.

If crediting rates are not met, a policy may not meet the policy owner's needs. The recent volatility in the capital markets has only served to make the need for current policy review all the more critical.

WHAT WILL I HAVE TO DO TO TAKE PART IN THE PROGRAM?

Your insurance professional will be asked to fill out a Policy Evaluation Program Fact Finder. An in-force ledger for the policy will be required if available. You may be asked to sign a document allowing your insurance professional to gather information about your policie(s) from the life insurance carrier(s) issuing the policie(s). And if warranted, you may be asked to fill out information on your present health situation.

ARE CARRIER RATINGS IMPORTANT?

If you are making the decision to replace an existing policy with a new policy based on a sales illustration that relies on "guaranteed assumptions," understand that the policy guarantees will be only as strong as the carrier backing them. Review the ratings of the selected carrier against this listing of top ratings. A company's ratings should be monitored for change.

In addition to the ratings, it is wise to select a carrier that has a favorable Comdex rating. The Comdex rating is the average percentile ranking for all of the ratings received by a company. As such, it is not another rating, but rather an objective scale that can be used to easily compare the ratings of different companies.

Rank	AM Best	Fitch Ratings	Standard & Poors	Moody's
1	A++ (Superior)	AAA (Exceptionally Strong)	AAA (Extremely Strong)	Aaa (Exceptional)
2	A+ (Superior)	AA+ (Very Strong)	AA+ (Very Strong)	Aa1 (Excellent)
3	A (Excellent)	AA (Very Strong)	AA (Very Strong)	Aa2 (Excellent)
4	A- (Excellent)	AA- (Very Strong)	AA- (Very Strong)	Aa3 (Excellent)
5	B++ (Very Good)	A+ (Strong)	A+ (Strong)	A1 (Good)
6	B+ (Good)	A (Strong)	A (Strong)	A2 (Good)
7	B (Fair)	A- (Strong)	A- (Strong)	A3 (Good)
8	B- (Fair)	BBB+ (Good)	BBB+ (Good)	Baa1 (Adequate)
9	C++ (Marginal)	BBB (Good)	BBB (Good)	Baa2 (Adequate)
10	C+ (Marginal)	BBB- (Good)	BBB- (Good)	Baa3 (Adequate)
11	C (Weak)	BB+ (Moderately Weak)	BB+ (Marginal)	Ba1 (Questionable)
12	C- D (Weak)	BB (Moderately Weak)	BB (Marginal)	Ba2 (Questionable)
13	D (Poor)	BB- (Moderately Weak)	BB- (Marginal)	Ba3 (Questionable)
14	E (Under State Supervision)	B+ (Weak)	B+ (Weak)	B1 (Poor)
15	F (In Liquidation)	B (Weak)	B (Weak)	B2 (Poor)
16		B- (Weak)	B- (Weak)	B3 (Poor)
17		CCC+ (Very Weak)	CCC+ (Very Weak)	Caa1 (Very Poor)
18		CCC (Very Weak)	CCC (Very Weak)	Caa2 (Very Poor)
19		CCC- (Very Weak)	CCC- (Very Weak)	Caa3 (Very Poor)
20		CC (Extremely Weak)	CC (Extremely Weak)	Ca (Extremely Poor)
21		C (Distressed)		C (Lowest)

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