

The LIPM™ Snapshot

Fulfilling the promise of life insurance at its very best

Policy Owner:	Unknown
Insured:	John Doe
Advisor:	Estate Guru
ObjectiView Analyst:	Mark Pace
Input Illustration Date:	January 20, 2013
Snapshot Request Date:	January 30, 2013:
Snapshot Delivery Date:	February 8, 2013
Insured's Current Age:	66
Policy Type:	Universal Life
Policy #:	490987654
Policy Issue Date:	May 2, 1973
Company:	Hancock (Manulife)
Product Name:	UL Protector 2000
Underwriting Class:	Male/Standard/Non-smoking
Death Benefit:	\$2.5 million
Cash Value:	\$75,003
Annual Premium:	\$40,000
Total Investment To Date:	\$280,000

LIPM: Life Insurance Performance Management™

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Dual Probability Analysis

Will this policy work?

The Policy

If nothing is changed, this policy will **fail in 19 years**.

The Insured

Insured's age at the time of policy failure: 85

The probability of death for the insured before age 85 is 30%.

(Based on original underwriting class of male/standard/non-smoker.)

Analyst's Comments

The minimum industry norm for the survival of a policy is life expectancy which is 50% cumulative probability of death. In this case, that is an additional 18 years or age 88 for the insured. Our experience has been that once people understand that life expectancy is pegged at only 50% probability, most people want to set a minimum probability of 85% for making funding decisions. In this case that is an additional 25 years or age 95 for the insured. The longevity figures stated are based on the assumption the insured's health would still be rated as standard, non-smoker.

It is clear this policy is failing to meet even the minimum industry norms and will require significant remedial action or replacement.

Policy Type: Universal Life

Performance Characteristics

The performance rights included in every UL policy are:

- You can invest as little or as much as you wish in the policy at any time (within governmental guidelines)
- You can decrease your death benefit at any time (within contractual and government guidelines)

In addition, individual policies have many other performance management rights that are specific to each policy and the carrier that offers them.

UL is well suited to individuals who are unwilling to take market risk and desire flexibility in premium payments. Monitoring UL policy performance is important as the crediting rate of the policy changes based on the carrier's investment earnings. These earnings typically correlate to intermediate bond performance.

Being aware of and taking advantage of your policy's performance management rights is the best possible insurance you have for making your life insurance work at its very best.

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Choosing Management or Replacement

Most insurance owners want to know if the life insurance they own is worth keeping and, once they decide it is worth keeping, how to best manage it for optimal performance.

Analysis reveals there are two choices available:

- If the insured's health would still qualify for a standard, non-smoking underwriting level (or above) replacement is worth investigating. There are a number of carriers offering policies with better internal cost structures which results in the same amount of coverage available for lower projected premiums.
- If the insured has suffered health impairments, the high cost of new coverage makes managing the existing coverage for optimal performance the likely best choice. Additionally, health impairments are likely to decrease the insured's life expectancy, which adds even more appeal to managing the old policy for optimal performance. In short, if the insured is sick, it may make sense to invest the money required to ensure the policy survives the insured. Doing this will automatically create better returns because you will not have to invest in the policy for as long before it pays out.

Secondary Performance Characteristics

Policy Internal Cost Comparison

- Above average
- Average
- Below average

Carrier Performance Rating

- Top 10 percent
- Top 25 percent
- Below

5-Year Trend

- Trending Up
- Stable
- Trending Down

Decision Point (for discussion purposes)

Is a 30% probability of success acceptable? Yes ___ No ___

- Health Unchanged Option:** Investigate replacement to optimize investment
- Health Impaired Option:** Keep and manage existing policy to optimize performance

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Decision Conversation Guide

The following questions can assist an insurance owner and their advisor in determining the best course of action.

- **Does this policy still meet the needs, expectations and preferred level of risk?**
- **Has the insured's health changed?**
- **What can the owner afford to pay to keep this coverage?**
- **Is decreasing the death benefit acceptable?**
- **How long does this coverage need to last?**

Possible Next Steps with ObjectiView

The LIPM™ Snapshot creates an opportunity to make decisions with greater confidence and choose the next steps that are most appropriate for you, your current situation and your future. ObjectiView is available to further enhance your confidence and optimize the performance of existing and new life insurance through the following services:

Snapshot Review (included with each Snapshot): The senior analyst who managed the creation of your snapshot is available for a 30-minute review session. He or she will answer your questions, and provide additional background information on the findings and methodology used in your Snapshot. As well as helping understand the value available to you in choosing additional ObjectiView services.

Policy Optimizer: When managing an existing policy is the best choice (which is almost 75% of the cases we see), our team of fiduciary-level advisors create a policy optimization strategy. Using a generic or, if greater accuracy is desired, a personalized longevity study (see below: Life Span Advantage), and operating within the financial constraints you provide, we identify the best funding level and death benefit combination for creating the highest rate of return, with the highest probability of success. The strategies chosen are documented in a *LIPM™ Protocol*.

Policy Performance Manager: This service enables us to manage your policy in an environment of continuous change. We monitor policy performance, economic and market forces and any changes to your needs, health and financial circumstances. We deliver policy performance reports at pre-arranged intervals detailing the management actions required (or already taken) to ensure your LIPM™ Protocol is followed.

Life Span Advantage: This highly personalized longevity study provides as accurate an assessment as possible of the insured's cumulative probability of death. By going beyond standard tables, we are able to fine tune and verify policy optimization and performance management decisions.

Level 5 Underwriting: Level 5 Underwriting is an industry bypass: it reverses the traditional process by taking you and your medical data out of the system and out of the industry's impenetrable, profit-generating "rating black box". Using independent expert analysis and advocacy, we create the best underwriting decision possible.

How a Snapshot is created: Each snapshot uses an amalgam of objective data sources, independent of life insurance carriers, to assess performance compared to other policies and the probability the policy will survive its owner. When there is a need for corrective action, the snapshot gives you the ability to assess the degree of urgency and the impact of not taking action.

Important Considerations

- A Snapshot is not an attempt to discern the **appropriateness** of:
 - the product type that has been chosen
 - the underwriting classification
 - the amount of insurance purchased
- Each Snapshot is created based on the assumption the life insurance property owner desires a permanent form of coverage that will be in force whenever the insured dies.