



The Power of Policy Management

Enhancing Client Relationships and Maximizing Life Insurance Value

A simple yet powerful concept in financial planning is the policy review. Regular life insurance policy reviews can help you identify policies that aren't performing as expected or meeting your clients' current needs. Unfortunately, many people purchase life insurance policies and never look at them again, although the policies could be one of the largest assets they own. This oversight can mean the policies no longer align with their evolving life and financial goals. As financial professionals, you have a unique opportunity to deepen client relationships and enhance their financial security by integrating policy reviews into your practice. Doing so demonstrates your commitment to their long-term success and helps maximize the value of their life insurance.

Recent state and federal regulations emphasize aligning life insurance and annuity policies with client needs, often called a "best interest" review. Older policies may have been sold with fewer questions about goals and resources, which may have shifted over time. They may be based on outdated assumptions about interest rates and expenses, putting them at risk of lapsing or failing to meet client goals. Meanwhile, new life insurance products offer more robust features, benefits, and competitive death benefit guarantees.



A new generation of life insurance products continues to enter the marketplace with **more robust features and benefits and competitive death benefit** guarantee options.

What is Policy Management?

Policy management involves regularly reviewing, updating, and optimizing your clients' life insurance policies. This proactive approach ensures policies remain relevant, valuable, and aligned with clients' evolving needs. Proactive policy reviews can help prevent lapses, uncover opportunities for better coverage, and ensure your clients' financial strategies remain sound.

Reasons to Contact Your Clients About Their Life Insurance

Policy Performance | Due to actual interest rates differing from the as-sold illustrations, older permanent policies may underperform, risking cash depletion and lapse. Regular reviews allow for adjustments, such as switching to a different product or converting term policies to permanent coverage, better serving your clients' needs.

Policy Needs and Types | Clients may still be paying premiums for needs that no longer exist, like a mortgage or a young family. A policy review can reveal if reducing or eliminating premium obligations would add more value to their financial plan, especially as they approach retirement. Additionally, comparing your clients' current coverage to today's products may uncover opportunities to address multiple needs. For example, a life insurance policy with a long term care (LTC) rider may be a good fit for clients looking to solve potential costs with extended care planning.

Surge in Development of Innovative Life Insurance Products

Interest in incentivized activity tracking for wellness programs within life insurance policies has increased 33% since 2016.¹

Catering to modern consumer needs, one notable trend in life insurance products is the integration of wellness benefits into policies to provide more than just financial protection but also promote overall well-being. According to the LIMRA 2024 Insurance Barometer Study, 40% of adults say they would be willing to share personal health information with a life insurer in order to receive premium decreases, travel rewards, or other financial and gift incentives for healthy lifestyles.



Beneficiary Designations | Clients' intentions or family structures may change over time, making reviewing and updating beneficiary designations necessary. Policy review ensures assets are distributed according to their latest wishes, avoiding potential conflicts or legal challenges.

Policy Ownership and Estate Planning | Who owns the policy affects estate tax liabilities. For clients whose net worth has increased, transferring policy ownership to children or an irrevocable trust can minimize estate taxes. Policy reviews can identify opportunities to optimize estate planning, safeguarding wealth for future generations.

Client Showcase

A couple, ages 61 and 65, sold their business, resulting in a net worth of \$17 million, primarily in liquid assets.

Discovery and Solution: Owning multiple properties and building a new home, they were concerned that high insurance premiums would affect their budget and long-term goals. A policy review revealed opportunities to reduce costs and improve coverage.



The couple's financial professional recommended the following:

- Replacing their whole life policies with index universal life (IUL) policies featuring long-term care riders significantly reducing their premiums.
- Replacing their joint reimbursement long term care policy with two individual indemnity policies, doubling their coverage.
- Using some of the premium savings to fund a \$3 million second-to-die policy in an irrevocable life insurance trust (ILIT) for estate tax purposes.

These outcomes from a policy review reduced the couple's annual premiums from \$208,000 to \$89,000, saving nearly \$120,000 annually, and enhanced their financial stability while meeting current new risk management needs.

Bottom Line

In the fast-paced world of financial planning, life insurance policies are often treated as "set-it-and-forget-it" assets. However, the reality is that life happens—circumstances change, markets fluctuate, and clients' needs evolve. As financial professionals, you have a unique opportunity to deepen client relationships and enhance their financial security through regular policy reviews. By integrating these reviews into your practice, you can optimize your clients' financial outcomes and position yourself as a forward-thinking advisor committed to their success.

Contributors

Brandi Graver, CLU® is a Director of Advanced Sales at Crump Life Insurance Services. She has been with Crump for 25 years, helping drive the marketing efforts for the advanced sales teams. She regularly works with financial professionals to find solutions for complex business and estate planning cases.

End Notes

¹Reach New Life Insurance Buyers; 2024 Insurance Barometer Study

<https://www.limra.com/siteassets/research/research-abstracts/2024/2024-insurance-barometer/2024-insurance-barometer-study-report-2.pdf>



Case studies are used to show how insurance solutions can be useful in the marketplace. Examples shown do not guarantee similar results as individual results may vary. When case studies are based on real life situations, the personal and financial information is changed for privacy reasons.

For Financial Professional Use Only. Products and programs offered through Crump are not approved for use in all states. Not all applicants will qualify for coverage. Policy terms, conditions, and limitations will apply. Crump does not provide any tax or legal advice. Insurance products are available through Crump Life Insurance Services, LLC, AR License #100103477. Variable insurance material is for broker-dealer or registered representative use only.