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Information and Ideas You Can Use

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ContinUL Guarantees and Rolling Target?

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Do you have clients who pay full sticker price for their cars? Or pay bills not just on time, but ahead of time—-even without a discount? Or pay "extra" on their bills just to get ahead? If those are your clients, this *E-Sales Insights* is not for you.

However, if your clients are the type who want to pay as little as possible, and then hold on to their money until the last minute, this idea is for them.

With our ContinUL policy the client can dial-a-guarantee for their life insurance, but also retain the right to "lock in" lifetime guarantees as part of the deal. Reduce premium costs by going with a shorter guarantee. Have the option to extend to the guarantee longer. All without costing more than the original price for the lifetime guarantee.

The client is buying permanent life insurance for the death benefit only. They have no need for the cash values; in fact they prefer the cash values to be as low as possible. They don't like insurance for building future wealth, preferring to use other investments for saving goals. But they need the death benefit to be in force NO MATTER when death occurs. The premium for that lifetime benefit MUST be guaranteed, no maybes about it. ContinUL delivers.

An example.

Here's a case example of how this can work. We have a male, age 45. Rate class is preferred plus non-tobacco (but works the same for all classes, even substandard). He needs $250,000 of insurance no matter when he dies.

Simple sale would be to sell a fully guaranteed to age 100 ContinUL at an annual premium of $2,005. However, odds are he will not make it past age 85. So why pay extra premium today for coverage he may or may not need? If we go to age 86 on the guarantee, the premium drops to $1,377, a reduction of $628 per year.

I know what you are thinking….all that flexibility comes out of my pocket. Not true with ContinUL. This plan has rolling targets. We'll pay you first-year commission on the entire target premium no matter when it comes in. So in this case the target is $2,090. With the guarantee to 86 you'll get paid on $1,377 in the first year and first-year commission on $713 in year two, with the balance of year 2 premium being paid at excess rate. So you can save the client money, without it coming out of your pocket. It just gets deferred until next year. Everyone wins.

What happened to the client's need for coverage no matter when he dies? It's still there. The ContinUL has an interest-free, one time, catch-up provision (option to adjust) that will allow the guarantee to be extended to age 100 at a later date. Both the amount required for the catch-up and the future premiums to be paid are fixed and guaran-

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continued

teed. So the client knows today what his worst case is.

Back to the example. At age 86 if current values remain the same (or are worse) as today, the policy will lapse. However, if in year 41 the client elects the catch up he will pay a one-time premium of $27,138 and start paying a premium of $2,005 every year thereafter. The policy will now be guaranteed to remain in force for a lifetime. Note the ongoing premium of $2,005 is the same premium he would have paid if he started with the age 100 guarantee in the first place. Plus the catch up premium is the difference between the premium paid ($1,377) and the guaranteed premium ($2,005) times the number of years paid (40) plus the to-age-100 premium ($2,005) for the current year. That's the formula to figure the one-time catch-up. Notice no interest factor. So when death benefit is the prime reason for insurance why not pay less for as long as possible since it doesn't cost the client anything more in the long run? The cash value will likely be higher if the client pays the guarantee to 100 premium from day one, but the client in this scenario isn't looking for cash value.

That's the worst case. Now let's talk about what may happen. First of all, you don't want to wait until age 86 to look at your options. Instead, sometime around age 80 it's time to consider the next move. The first step is to get a re-proposal from the company for the policy. From that you can tell the current status of the policy at that point in time.

If interest rates have been better than originally projected (4.30 percent) the values will be higher. This may mean additional premium may not be needed to keep the policy in force. The starting point for the reproposal will be the actual cash value for both the current and guaranteed values. So even the guaranteed projections with a possible higher starting point may project out longer and no action is needed. So the current "health" of the policy will help determine if you need to do the catch-up or not.

The current health of the client is another factor. If the insured's health is poor all that may be needed is to keep the policy in force for a few more years, and not a "lifetime." But if the insured's health is very good, then a longer guarantee is needed, and the backstop of the catch-up becomes valuable.

As outlined at the beginning of this article, the annual difference in premium is $628. In 10 years that's $6,283. In 20 years that's $12,566. In 40 years it's $25,132. If death occurs anytime before age 40 the cost of funding the guarantee to age 100 is not incurred. Long term the clients will pay out the same amount of money if they live to age 100, or even past age 86, with both payment approaches. But they do NOT pay out any more for the option to pay less for the first 40 years.

As they say – you get what you pay for. With ContinUL you just may not have to pay for it all right now, or ever. Shorter guarantees with a guaranteed catch-up allows your client to pay for what they need and no more. With rolling targets you'll still get paid for what you earn. Isn't this a great business?

See the Quick Tips attached for how to run a "catch-up" ContinUL proposal.

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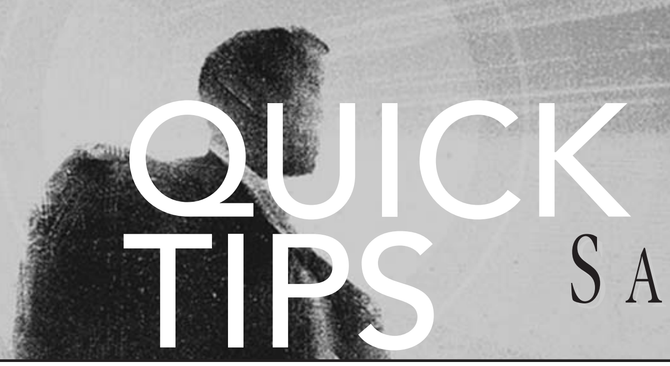

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HOW TO RUN A "CATCH-UP" CONTINUL PROPOSAL

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Running a catch up proposal in WinFlex requires two steps. First, run the proposal for the shorter guarantee period --- normal proposal premium solve with guarantee, but under "guarantee year" you enter the year you are going to guarantee to instead of "99." (Hint: Do not make it less than 20 years. It really doesn't work, and if they want less than 20 years they should consider a term plan with a conversion.) Write down the premium the system comes up with. Then, copy the proposal, this time running as a no solve. Input the premium amount from the first proposal for all years. Where it says "option to adjust solve" check YES. Then input the guaranteed year you solved for. Run the proposal. What you'll get is the premium to guarantee for the shorter period, the lump sum to catch up and the ongoing premium thereafter (which is the same as the to-age-100 guarantee).

Optional: Copy the first proposal over again. This time run it as a to-age-100 guarantee. Be sure to set sales concept to "ledger" on both the proposals. Then, print a "comparison" of the to-age-100 and the catch-up plan, so your client can see them side by side. You'll see the early premium savings for the catch-up with the trade off of lower cash value. But in the long run, the costs are the same and so are the cash values. Why pay more than you have to?