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## Insurance Policy Reviews



The following considerations can bring significant value and insights to keeping your insurance policies aligned with your personal and professional circumstances. IAG offers insurance policy reviews as an ongoing value-added service to our clients to effectively tailor their insurance policy solutions to their current and anticipated lifestyle demands. Relevant topics to address in your insurance policy review include:

### 1. Have your needs changed?

Is the original reason you purchased your policies still applicable? Often the need for life insurance changes due to the following factors:

- Your children are grown and you no longer need to support them financially;



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- You may have sold your business and require estate planning and capital preservation advice;
- You may now need life insurance to fund capital gains tax and other estate costs;
- You may have a desire toward charitable giving or philanthropic bequests;
- Income changing as a result of life changes (i.e. significant pay raise, new, job retirement); and
- Other insurance products applicable to changing circumstances (i.e. disability, critical illness, or long-term care insurance).

A review of your insurance can help you determine why you may or may not need life insurance today and will allow you to adjust your life insurance portfolio accordingly.

## **2. Has your health or lifestyle changed?**

Changes in your health or lifestyle can have a profound effect on policy costs or on the type of coverage needed, depending on the following conditions:

- If you have stopped smoking, your premiums may be reduced substantially;
- If you no longer engage in activities, such as piloting private aircraft, scuba diving or racing motorized vehicles, your rates may be lowered;
- If your health has declined, you may wish to convert temporary term insurance policies to permanent policies to lock in the lower rates not available to you through a new policy.

A policy review will also help make sure your lifestyle and health are reflected in your policy.

## **3. Is your coverage competitively priced?**

Term life insurance premiums are being driven down by:



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- Improved mortality; and
- Intense competition among carriers.

A review of your coverage pricing will determine whether your coverage is cost-effective or can be obtained from another carrier for less money.

#### **4. Is the amount of insurance coverage aligned with your needs?**

As your net worth increases, it is not unusual for there to be a need to increase your coverage. The purchase of additional life insurance to meet your family's needs may be warranted. In contrast, occasionally your needs may change in a way that allows you to decrease your coverage. In both cases, it is important to have your coverage aligned with your current needs. If your current coverage exceeds your current need, you may be able to adjust benefits; alternatively, you may consider naming a charity as beneficiary or surrender unneeded policies for cash. If coverage is inadequate, you may be able to purchase additional life insurance to meet your family's needs. A review determines the appropriate amount of life insurance you should maintain.

#### **5. Is your life insurance coordinated with your overall estate or business plan?**

Lack of coordination between life insurance and an estate and/or business plan can be devastating, but avoided by considering the following:

- How you have developed or modified an estate or business plan that integrate your life insurance policies; and
- How tax benefits of life insurance can be maximized through a proper ownership and beneficiary design.



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A review of your estate and succession planning by an IAG Advisor can help identify gaps and offer you options to mitigate their effects.

## **6. Are the beneficiaries you have designated appropriate for your current circumstances?**

Do your beneficiary designations continue to align with your wishes? Often circumstances change, but beneficiary designations have not.

- Are all beneficiaries and contingent beneficiaries above the age of majority and competent to manage what might be considerable amounts of capital?
- What tax implications, if any, do your current beneficiary designations create?

A review of your designated beneficiaries will allow you to consider whether beneficiary changes are warranted.

## **7. Do you have the most appropriate policy type for your circumstances?**

Since 2000, the types of life insurance products available have changed dramatically. Term and permanent life insurance policies are now available in many forms. Each type has unique characteristics that may be better suited for some situations than others. A review helps determine if existing coverage is adequate or if a new product may be superior in performance, cost-effectiveness, and compatibility. A review of your life insurance may result in your desire to exchange your current coverage for different coverage. If exchanging your policy to another, you should consider the following issues before committing to the exchange:

- There are different features in different insurance products. Be clear on the features as well as the cost before you exchange your current policy;



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- There are differences in premium and other costs for different policies. Be sure to understand the premiums that will have to be paid now, and in the future, and the costs involved before you exchange your current policy; and
- If replacing a policy, there are provisions in the first two years of most policies that could impact the insurer's obligation to pay a claim.

If life insurance products, such as Universal Life or Participating Whole Life Insurance, are recommended for use with the planning concept, then these products must be accompanied by a disclaimer. It is critical to review the material thoroughly with an advisor before purchasing these products.

## **8. Is your policy performing as originally presented?**

Changes in the interest rate, or dividend rate, and the cost of insurance can affect several aspects of your policy, including the amount of your premium, the length of the premium paying period and the duration of your policy. A periodic review will help determine if adjustments will improve performance or are necessary to preserve the benefits under the policy.

## **9. Will a permanent insurance strategy save taxes?**

Do you have investment assets that create significant taxable income and are intended to be willed to children or grandchildren? Permanent life insurance allows for the tax deferral of investment earnings and upon death are passed totally tax free to beneficiaries.

## **10. Have you lost track of how much insurance you have?**

Many people buy insurance from various sources over the years. They may get one policy from work, and then add some on their own. They may also get extra insurance when



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they get a mortgage or take out a loan. If you don't keep track, you may not be able to determine if you have enough coverage or if you may be paying for coverage you don't need. An IAG Advisor can review your insurance coverage as part of your annual financial check-up.

For more information about insurance policy reviews, please contact an IAG Advisor today.

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