LOW LOAD Insurance Services, Inc.[SM] News

VOLUME 6 • ISSUE 2

SEPTEMBER/OCTOBER FOR ADVISOR USE ONLY - NOT TO BE USED WITH THE PUBLIC 2004

The Truth About Increasing Term Rates

Rumors are circulating that insurance company term rates are going up. But the facts are that some are and some aren't. After years of widely fluctuating term rates, we're seeing a trend toward stabilization. Companies are changing rates either by tightening the requirements for qualifying for the best or lowest priced rates or by increasing rates slightly for all classes of insureds.

Another article in this newsletter talks about the 2000 CSO mortality table that shows mortality improvements. This new table actually had some people predicting even lower term rates due to the possibility of lower insurance company reserve requirements, but a second trend with an even larger impact on future term rates has been the consolidation of reinsurance companies. Without exception, the answer given by insurance companies when asked why they raised their rates has been the lack of competition among reinsurers for their business and thus increases in reinsurance rates.

Some companies have maintained their rates but have tightened the requirements for height/weight, family history, blood pressure and cholesterol. For example, in the family history qualification, some companies previously asked if a parent *died* of heart disease or cancer before age 60, but now they ask if they were *diagnosed* before age 60. In the past, former tobacco users could qualify for preferred rates if they hadn't smoked for a year. Now they must be non-smokers for 3 to 5 years, depending on the company.

For the very healthy person with no negative family history, there are still very low super-preferred rates available; it's just harder to qualify. The number of companies to choose from has dwindled but low rates are still there. For those who are not in "perfect" health, it has become even more important to pre-underwrite by gathering detailed health information and family histories to get the lowest rates.

Some people think that if one company has the best super-preferred rates it means they also have the lowest preferred rates and the lowest standard rates. The opposite is usually the case. In the chart below, the rates in bold type illustrate this fact.

At LLIS we work hard to get your clients the best offers from quality carriers. To do this, you can help by providing as much health and family history as possible for your clients. The Request A Quote form on our website asks the questions needed for us to provide the most accurate quotes for your clients. If your client has a history of a specific condition, such as diabetes, heart disease, sleep apnea, cancer or asthma, call or email us for a pre-underwriting questionnaire or have your client call for a pre-underwriting interview. Because of our long relationships with home office underwriters, if we know all the specific details of a condition, we can avoid unpleasant surprises. For more details please contact JudithMaurer@LLIS.com. ◆

Rates today for male age 40 for $1,000,000 of 30-year guaranteed term:

	Super Preferred	Preferred	Standard
Co. A	**$1,395.00**	$1,875.00	$3,235.00
Co. B	$1,420.00	**$1,620.00**	$3,110.00
Co. C	$1,560.00	$1,670.00	**$2,250.00**

Life Expectancy Isn't What You Expect

If you look up the definition of life expectancy you will get something like, 'the average expected length of life; the number of years that an average person of a given age can be expected to live'. But as Casey Stengle, the NY Yankees manager from the 60's, is credited for saying, "If you have one foot in a bucket of ice water and the other foot on a hot stove, on the *average* you're comfortable".

Life expectancy is a weighted average. Without going into the mathematical details, on average about 50% of people live to life expectancy and another 50% live past life expectancy. According to the new 2000 CSO Mortality table, a female age 40 has a life expectancy of 41 years. But according to the table, more than 50% of those women will actually live **past** age 81.

As a person gets older, life expectancy adjusts as well. For the 50%+ of the females still alive at age 81, their life expectancy at age 81 is 8 ½ years or 89 ½. But at age 89 ½ there are still approximately 25% of our original group of 40 year old females alive.

Averages are difficult to work with, especially when it concerns how long we're going to live. Possibly the best rule of thumb today is that people on average are living 3-5 years longer than their oldest parent (or grandparent).

Life expectancy calculations are important as you develop a client's personal financial plan both from an investment strategy and retirement point of view. From an insurance point of view, if you're attempting to have coverage until death, the length of time you need to plan for insurance coverage is affected by how you and your client choose to look at life expectancy. For 49% of our females age 40, having

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CASE STUDY CORNER

Group DI Coverage of 60%; Is It Enough?

Tim Brown of Brown Wealth Management, LLC in Woodbury , MN recently called about a client whose current disability insurance coverage was inadequate.

His 32 year-old client, Apu, is a Chief Technology Officer, with an annual income of $240,000 and 100% management/supervisory duties. His current group policy covers 60% of income with a $10,000 monthly benefit cap. If Apu were to become disabled, he would receive a maximum of $120,000 in long term annual disability benefits.

Because of the monthly cap, Apu is limited to benefits that only equal 50% of his annual income. And since the group is an employer-paid benefit, his monthly disability benefit payments would be taxed as income, further reducing the money coming into the household.

Disability carriers understand the limitations of group coverage, so they are willing to provide supplemental coverage based on the income lost to taxes and/or caps on monthly benefits. Even individuals with 70% group coverage can obtain individual coverage because of benefit reductions due to taxes.

In addition to his current group coverage, Apu was able to obtain an individual policy with $4,500 of base coverage – benefits that would be paid to him tax free since he is paying the premiums personally. Assuming a 20% net tax rate on his group benefits, combining both policies provides $12,500 of monthly take-home benefits or 62.5% of his pre-tax income.

We included the Catastrophic Disability Benefit Rider (CDBR) in his policy. We recommend this rider because it specifies that if an insured is catastrophically disabled due to illness or injury they are eligible for a monthly benefit **in addition** to the monthly disability benefit. Catastrophic disability is defined as:

1. ADL Disabled, meaning that the insured is unable to perform two or more activities of daily living without assistance; or
2. Cognitively Impaired, memory impairment significant enough to prevent independent functioning.
3. Presumptively Disabled, defined as the loss of power of speech, hearing in both ears, sight of both eyes, the use of both hands, both feet, or one hand and one foot.

This CDBR will pay Apu an extra $8,000 monthly (again tax-free) in the event that he becomes catastrophically disabled. In this case, monthly combined take-home benefits are **equal** to his pre-tax, pre-disability income! And the cost of this rider is $297 annually, less than 25% of the base premium for almost double the benefit.

As a side note, relating back to the article in last month's newsletter about group disability underwriters concerned with employees' weight, this policy was issued with a 25% rating due to applicant's build. Because we stress pre-underwriting at LLIS, we anticipated the rating and informed the client early. The policy was issued as illustrated with no surprises. To get a quote for disability income protection with a CDBR, log onto www.LLIS.com and click on *Quote Request* or contact MarkMaurer@LLIS.com. ◆

LIFE EXPECTANCY, CONTINUED FROM P. 1

coverage to age 81 would be long enough. To be 75% sure of meeting their insurance needs, you may need to plan until age 89 ½ and to be 90% sure, 25% would need coverage until age 95 or beyond. To be 100% sure, you would need a guaranteed lifetime benefit. (Refer to the lead article in the ***Low Load News***, August, 2004 Issue.)

But what if you and your client decide to work with the "80% rule"? This means the financial plan would be based on the age when 80% of the people a certain age will have died. This may be much longer than you realize and much longer than just life expectancy. The following chart is based on the 2000 CSO Male and Female Tables for the USA. It illustrates the life expectancy for certain ages followed by the "80% rule" or when more than 80%+ of those people have died. The implication for financial planners is that 20% of the people will still be alive—-even at the advanced ages.

The implications of life expectancy for financial plans looms large. As clients live longer they run a greater risk of outliving their retirement assets. Planning involves determining how much clients are spending and projecting those expenses into the future. It also takes into consideration the way clients wish to live out their retirement years. Managing their risk position means considering life insurance to replace assets lost by traveling the world, buying a retirement home or paying for unexpected illness or long term care.

If you would like a specific client's life expectancy calculation or the 80% rule for a specific age, contact KeithMaurer@LLIS.com or call us toll-free at (877) 254-4429. ◆

MALE			FEMALE		
Current Age	Life Expectancy	Age When 80% Will Have Died	Current Age	Life Expectancy	Age When 80% Will Have Died
30	76	87.5	30	80	91.5
40	77	88	40	81	92
50	78	88.5	50	82	92
60	80	89	60	83	92.5

A Low-Cost Tool to Help You Grow Your Client's Wealth

Looking for ways to help your clients build their wealth and reach their goals sooner? Do you have clients that have maxed out their 401(k) and IRA investment opportunities and are looking for other avenues for tax deferral?

Then put the power of the Ameritas No-Load Variable Annuity, issued by Ameritas Life Insurance Corp., to work in your practice. Not only does it have over 35 investment options managed by such well-known firms as Vanguard, Fidelity, Calvert, and Rydex plus a fixed interest account guaranteed by Ameritas, it has:

- No surrender charges.
- No commission loads.
- Low insurance expense: The current expense is only 55 basis points (not guaranteed), less than half the industry average according to AnnuityNet/Vards 2003 Expense Report.

That means more of your client's money goes to work from day one. Keep in mind that the investment options carry their own charges and variable annuities have investment risk including the possible loss of principal.

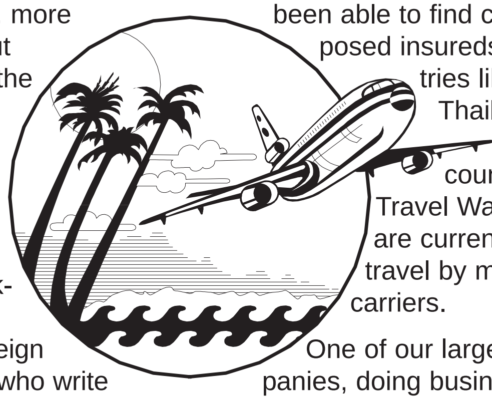
Whether you're considering the benefits of moving your client from a higher priced annuity or considering the benefits of adding an annuity to your client's investment portfolio, call toll-free 877-254-4429 and let an LLIS associate help you determine if exchanging an existing annuity is right for your client. There may be penalties and surrender charges when replacing, which can be substantial.

Call us to find out if the Ameritas No-Load Variable Annuity has a fit in your practice and to get a buyer's guide and prospectus. The prospectus has detailed information about risks, limitations, and expenses and is available online at www.ameritasdirect.com. ◆

The Ameritas No-Load Variable Annuity (form 4080) is issued by Ameritas Life Insurance Corp. and underwritten by its affiliate, Ameritas Investment Corp. Read the prospectus carefully before investing or sending money.

Rates Affected by Foreign Travel Plans

In the past, we knew that if your clients were planning to travel to countries on the US State Department Current Travel Warning list, they would likely be declined for life insurance. You can find this list at http://travel.state.gov/travel/warnings_current.htm. But a new, more restrictive attitude about travel is simmering on the back burner.



Companies still stir the underwriting pot with the ingredients of lab studies, medications, family history and smoking habits, but they've added a new spice; foreign travel. The head chefs who write the menus tell us the reinsurance companies have changed the rules by either adding extra charges or denying coverage to applicants planning to travel to certain countries outside the USA.

The problem is, it's not *every insurance company* and it's not *every country.*

When LLIS completes an application for your client who is planning to travel, we immediately call several insurance companies to discuss the destination. On a case-by-case basis, with lots of detail and a cover letter written to assist the underwriters, we've recently been able to find coverage for proposed insureds going to countries like China, Croatia, Thailand and South Africa. These countries aren't on the Travel Warning list, but they are currently out of favor for travel by most life insurance carriers.

One of our largest insurance companies, doing business all over the world, told us they have two staff members devoted full-time to assessing the risk of travel to foreign countries. They consider kidnapping statistics along with terror attacks and political unrest. And backpacking trekkers are viewed differently than organized tour group members.

Coming TO A Location Near You!

Low Load Insurance Services, Inc., a NAPFA Resource Partner, will be participating in NAPFA's 2004 regional conferences this fall.

Please plan to attend the conference near you and stop by our booth in the Exhibit Hall. We look forward to meeting new friends and touching base with old friends. To register for a NAPFA conference, please log on to their website at www.NAPFA.org.

West Region
October 2-5, 2004
Portola Plaza Hotel
Monterey, CA

Midwest Region
October 14-16, 2004
Lincolnshire Marriott
Lincolnshire (Chicago), IL

Northeast/Mid-Atlantic Region
October 20-23, 2004
Mystic Marriott
Mystic, CT

South Region
November 4-6, 2004
Grosvenor Resort
Lake Buena Vista (Orlando), FL

By working closely with underwriters from 10 quality insurance carriers, LLIS associates can find the best chefs to prepare the lowest priced insurance menu for your well-traveled clients. Bon Appetit! ◆

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We're the advisor's insurance advisor.

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ING Security Life of Denver

Low Load Survivorship Universal Life
Ameritas Life
ING Security Life of Denver
(coming fall 2004)

Low Load Variable Universal Life
Ameritas Life
ING Security Life of Denver

Annuities
Deferred & Immediate Annuities from Selected Carriers

Long Term Care Insurance
(Not Low Load)
GE Capital Assurance
John Hancock Life
UNUM

Disability Income Insurance
(Not Low Load)
Principal Financial Life
UNUMProvident Life
Standard Life

Term Life Insurance
(Not Low Load)
American General Life
Ameritas Life
Banner Life
Empire General
First Colony Life
John Hancock Life
North American Co. L&H
ING ReliaStar Life
West Coast Life

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American General Life
ING Security Life of Denver *(Low Load)*
John Hancock Life
Pacific Life
Principal Life

Not all products approved in all states.

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