LOW LOAD News
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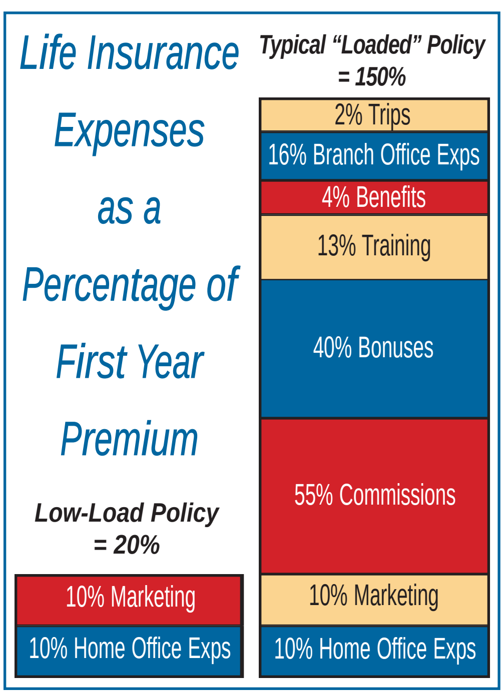
What is Low Load Life Insurance?

We recently interviewed Keith Maurer, CLU, at the offices of Low Load Insurance Services, Inc. Keith has over 30 years of experience in the life insurance industry as both a home office product design specialist and a field marketer, but his specialty is Low Load life insurance. He believes that clients shouldn't be at greater risk after buying a life insurance policy than before. That's why he likes Low Load and talked to us about it in detail.

Q. What is Low Load life insurance?

A. Low Load insurance is designed without the traditional policy loads of 140% to 165% of first-year premium. Of that, the agent and/or general agent gets about 95% and the rest includes home office marketing, sales and support office expenses. A Low Load policy, on the other hand, carries much smaller loads…an average of 20% of first-year premium. These loads cover the costs of underwriting, marketing and distributing policies. See chart.



Q. Is there any difference between Low Load and No Load?

A. Not really. Usually it's just semantics. Some companies use Low Load, some use No Load; but in all cases, it means there are no usual agent commissions. There are costs associated with putting any policy in force, but in these products, the costs are significantly less.

Q. How do these greatly reduced loads translate into benefits for my clients?

A. First, Low Load policies cost less. And from the beginning, Low Load policies have high immediate cash surrender values with NO surrender charges.

Q. Why should I care about high first-year cash values if my client is buying permanent insurance for a permanent need?

A. Cash values offer a safety net of cash that traditional life insurance policies can't provide. A client can pay thousands of dollars in premiums for a traditional policy and not be able to borrow against it or get any money back for many years.

People's lives change, often without warning. With Low Load policies, your clients have flexibility because of the high immediate cash values. A client might be able to skip a premium or take a policy loan if they are laid off, or their child doesn't get the college scholarship as planned. A Low Load policy lets your client breathe easier because they have access to their cash values during such crises.

Q. Why is flexibility an issue in estate planning?

A. With today's uncertain tax law environment, a Low Load policy can be structured to meet the tax liability today, but if the estate tax goes away, the policy may be surrendered without penalty.

Q. Isn't access to cash values important to a business?

A. Yes, Low Load policies work especially well in business insurance planning. The high immediate cash surrender values are carried as an asset on the corporate books so no assets leave the corporation. Companies can fund employee benefits using corporate dollars and reduce their at-risk capital.

Q. What products are available on a Low Load basis?

A. There are several Low Load permanent life insurance products available in most states. These include individual life policies, survivorship life policies, variable life, variable deferred annuities and immediate annuities. Product availability varies among states and among companies. There is no disability or long-term care available at this time and the term our firm offers is not Low Load.

Q. Where can I get quotes for Low Load policies for my clients?

A. You can call our toll-free number at 877-254-4429 or log onto the Quote Request page on our website at www.LLIS.com. Some prod-

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CASE STUDY CORNER

Term/Perm Combo: More Coverage; Less Cost!

How does an advisor find the life insurance coverage needed by clients for risk protection and meet their needs for conservative premium dollars? Brian Shea, CFP, EA who practices in New Canaan, CT found a solution. His 45 year-old client Sandra Gupta needed 20-year term insurance now since she had young children and was the family's primary income earner.

She also needed some permanent insurance and already owned a $250,000 Whole Life policy that was issued 17 years ago with a "vanish" premium schedule. Brian had his client order an in force illustration from the company home office for review. Unfortunately the policy would only carry to Sandra's age 70, unless she started paying annual premiums of $2400 for eight more years. This old policy had a current cash surrender value of $47,290.

To meet her current need for income replacement, Sandra applied for a 20-year term policy with a face amount of $1,500,000. She was approved at Preferred Plus rates.

After reviewing the old whole life policy, Brian asked LLIS to propose a solution to the bad news of the recurring premium. LLIS recommended using a tax free 1035 exchange of cash values into a new low load guaranteed paid up policy. Amazingly, the cash values were sufficient for Sandra to discontinue premiums altogether and have a guaranteed policy with an increased face amount of $386,000. Because of the increased face amount of the guaranteed permanent policy, she was able to reduce the face amount of the 20-year term to $1,150,000 thus lowering that premium to $1064.

Brian's client was able to implement the plan for $1,536,000 of coverage for 20 years, with $386,000 of paid up permanent insurance. All this was done for lower premium then Sandra was paying for just $250,000 of insurance and for less than the original premium for the 20-year term. More coverage, less cost—everyone wins!

If your client has an old whole life or universal life policy with some cash values and no surrender charges, ask us to run a quote for a guaranteed premium universal life for your review. Log onto www.LLIS.com. ◆

Advisors are sometimes surprised by the huge difference between the rates for smokers and non-smokers, particularly for term insurance. When we complete insurance application interviews with your clients, we ask very specific questions about smoking habits. There are vast differences among companies in how tobacco use is considered, so these details help us obtain the best possible rates for your client. What about the type of tobacco used? How does that affect the rates?

Let's look at rates for a male non smoker, age 55 applying for $500,000 of 10-year term who has never smoked or quit completely 5 years ago. If he's Super Preferred, he would pay $930 per year. If Preferred $1,125 and if Standard $1,605. What if he uses tobacco?

Cigar Use:

Clients who smoke 12 cigars or less per year and who qualify in all other ways for the best rates could be considered Preferred Non Smokers with one company and Standard Non Smoker for another. This is *only* true if the current nicotine test is negative on the exam required by the insurance company.

Alternative Tobacco Use:

Clients who use cigars (more than 12 a year), pipes, chewing tobacco, dip, snuff, nicotine patches or nicotine gum may qualify for a special Tobacco rate class with one company that is priced lower than Smoker rates but higher than Standard Non-Tobacco rates. Our 55 year-old would pay $1,600 per year if he is Preferred Alternative and $2,080 if he is Standard Alternative.

Preferred Smoker:

This group smokes no more than one pack of cigarettes per day and has the nicotine test guidelines to verify that use. They need to also satisfy all the requirements needed for the Preferred Non-Tobacco class for the appropriate issue age. This would include family history, build and personal history. Our 55 year-old would pay $3,410 per year.

Standard Smoker:

This group uses tobacco and does not qualify for Preferred rates. Our 55 year-old would pay $3,815 per year, enough reason to consider quitting!

How many years must your client be a Non-Smoker before they can qualify for Non-Smoker Rates? It varies greatly among companies! See the chart below.

Company	A,B,C	D,E	F
Super Preferred	5 Years	3	3
Preferred	3	2	1
Standard Non-Smoker	1	1	1

We recently quoted Super Preferred rates for a client who told his advisor he didn't smoke. When he had his exam, a trace of nicotine showed up in his labs and he admitted to the examiner that he smoked a "couple of cigarettes a day". We had started out with a company with the lowest Super Preferred rates and had to switch to the company with the lowest Preferred Smoker rates, making double work for the client and everyone involved.

Bottom line, whether you're calling, using the website or asking your client to call us, be sure we get these important details so we can quote the lowest possible rate for your client. For a preliminary underwriting review for a smoker or for any other special risk, feel free to contact Judith Maurer at (877) 254-4429. ◆

Long Term Care Funding Strategies

When it comes to Long Term Care, most advisors automatically consider a specific policy designed to cover LTC needs. But what other funding strategies should be considered? Should clients plan to fund their LTC with their cash retirement assets, a LTC policy, an annuity or life insurance?

MetLife recently released their "Long-Term Care IQ Test." This study revealed how truly ignorant most Americans are about the basic issues of aging. To understand LTC, people need to understand two important points about longevity and most don't. These points are one, that if they live to age 65, they are probably going to live at least 18 more years and two, they eventually are likely to need help with several activities of daily living. (See the article *Life Expectancy Isn't What You Expect* in Sept/Oct 2004 Newsletter available on the web at www.LLIS.com.)

Additionally, many respondents to the test underestimated how much LTC was going to cost and still believed that the government would pay the bills. They also didn't understand the increased cost of waiting to buy LTC insurance until an older age or the fact that most long-term care takes place in the home.

Advisors may need to consider some basic education for their clients when doing retirement planning regarding the sources of funding for a LTC event. Let's consider the advantages and disadvantages of four ways to pay for LTC costs.

Retirement Assets. With the present costs of LTC averaging $50,000 or more annually, how long can an individual afford this care without invading their principal or without depleting their retirement assets? More importantly, if retirement funds are used up for LTC, will a spouse be able to live on a reduced amount? Cash reserves can't last indefinitely and some form of risk protection is needed. The advantage is that it's simple to write checks for long term care; the disadvantage is the risk of living too long and needing that care for so many years that the money runs out.

Another consideration is the impact that LTC can have on families. Families take care of families; but if one family member, a son or daughter takes over the responsibility of caring for a dependant parent, they know that every check they write depletes their inheritance. Siblings in other states might resent the fact that the assets they expected to receive are being depleted.

LTC Policy. The premiums are not inexpensive, but a good LTC policy with basic benefits can be paired with other assets to fund long-term care. A younger client might keep premiums low by buying a small daily benefit now and including a compound inflation option. Benefits bought by someone in their late 70's should differ from benefits for someone in their early 50's. The disadvantage of LTC is that it's expensive and your client doesn't know for sure if they will ever benefit from the policy. The advantage is peace of mind that at least a portion of their LTC expenses could be covered.

Annuity. Many retirees have deferred annuities purchased during their earnings years. They don't plan to use them for income but plan to use them in the event of the need for LTC. The advantage of annuitizing is that you can't outlive the benefit; the disadvantage is that your client may die too soon and may not even recover the principal from the annuity.

Life Insurance. Life insurance can provide asset protection during a client's income earning years. And life insurance can also replace assets "spent down" paying for LTC.

Children might even pitch in to pay a parent's long-term care costs if they knew at the parent's death they would receive a life insurance benefit check. Life insurance provides protection against dying too soon and living too long. The advantage is that everyone dies and a death benefit will be paid. The disadvantage is that a person must be healthy when the policy is underwritten to get the lowest rates.

With most long-term care currently taking place in the home — not in a nursing home or assisted living facility — families are burdened with a big responsibility and armed with little knowledge. Advisors might want to consider a combination of options such as spending retirement assets, a LTC policy, annuities or life insurance when addressing the sources of LTC funding.

If you'd like nursing home costs statistics for your state, please email MarkMaurer@LLIS.com. ◆

LOW LOAD INSURANCE, CONTINUED FROM P. 1

ucts are available directly from the insurance company home office where the client takes responsibility for the paperwork, but there is no price advantage for your client. In fact, using a firm like LLIS gives you access to a number of different Low Load products with one request from one source. And we handle the process from quote request, through the application process and policy delivery. The advisor is kept in the loop every step of the way.

Q. What do you see for the future of Low Load insurance products?

A. With more and more emphasis on full disclosure and with insurance companies looking for ways to add to their bottom line and reduce expenses, Low Load products meet the needs of clients, advisors and home offices. We're working right now with some new companies to develop new products for an ever-growing number of fee-for-service financial advisors across the company.

For more information, contact KeithMaurer@LLIS.com ◆

At this Holiday Season, our thoughts
turn gratefully to those
who have made our progress possible.
It is in this spirit we say...

Thank You
And Best Wishes for the holidays
And a New Year
Of health, happiness and prosperity.

The Associates of Low Load Insurance Services, Inc.
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Stephanie, Judith, Judy

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