



## REVIEW RESCUES CONVERSION PRIVILEGE

### RAPID RESPONSE ENSURES POLICY OWNER RETAINS LIFETIME COVERAGE

#### THE SITUATION

Doug Miller<sup>1</sup>, age 64, is a senior executive with an automotive manufacturing company. Sixteen years ago, he purchased a \$1 million term policy, at a Preferred Plus underwriting status, for wealth protection purposes. Doug's Valmark Advisor arranged for the policy to be managed and monitored by the Valmark Policy Management Company (PMC).

#### THE RESCUE

While preparing an initial review of Doug's policy just prior to the policy's anniversary date, the PMC team discovered that the policy had a deadline of only three days to exercise the conversion privilege. This would enable the coverage (which would expire in five years) to be converted to a new policy using the original underwriting. The PMC immediately reached out to the Valmark Advisor to provide this information and next steps. The advisor subsequently confirmed that Doug wanted to proceed with the conversion as he had suffered a decline in health since the original policy was placed.

The PMC team provided conversion options with market comparison and illustrations to find the right policy design for Doug's situation. Due to the time sensitivity, the team also initiated a partnership with Valmark's Concierge Services to speed up the process of accurately completing and submitting the conversion paperwork.

#### THE OUTCOME

Because the PMC highlighted a conversion opportunity that otherwise would have been missed, and the Concierge Services team was able to carefully facilitate the conversion process, Doug now has lifetime coverage in place to protect his family. This coverage would not have been available due to the change in Doug's health over the years.

<sup>1</sup> Client name has been changed to protect confidentiality.  
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## **REVIEW UNCOVERS CARRIER MISTAKE AND PREVENTS POLICY LAPSE**

### **THE SITUATION**

Joe Rizzini<sup>1</sup>, age 73, and his wife, Rose, age 72, owned and operated a successful winery in upstate New York. In 1998, the couple purchased two Variable Adjustable Life (VAL) Second Death policies on each of their lives. Both policies were owned by a family trust and the Rizzini's Valmark Advisor had arranged for their policies to be managed and monitored by the Valmark Policy Management Company (PMC).

Just before Joe's 2018 policy anniversary date, the Valmark Advisor requested that the policy include a "Zero Pay" provision that automatically pays the premium from the policy's cash value after a certain number of years. The policy on Rose's life already included the Zero Pay provision.

While preparing the annual review on Rose's policy (her policy anniversary date fell two months after Joe's policy anniversary date), the PMC team discovered that Rose's policy had lapsed.

### **WHAT WENT WRONG**

Upon investigation, the PMC team discovered that the insurance company's administrator mistook Rose's policy for Joe's. Since the administrator had recently implemented a Zero Pay provision on Joe's policy, and then saw a very similar policy number under the same family trust in her queue, she ignored the task on Rose's policy to re-extend the guarantee to keep it from lapsing, thinking she had already completed the task.

### **THE OUTCOME**

Prompted by the PMC team's inquiry and follow up, the insurance company discovered their error and reinstated Rose's policy. The PMC resolved the issue proactively on behalf of the client before the client and advisor became aware of the problem.

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## REVIEW SAVES AN UNDERPERFORMING POLICY AND REALIGNS COVERAGE WITH CLIENT OBJECTIVES

### THE SITUATION

Jim MacDonald<sup>1</sup>, age 61, is a senior executive with a telecommunications company. Ten years ago, he purchased a \$765,000 Variable Universal Life (VUL) policy for wealth protection purposes. The policy had an increasing death benefit feature. According to the original plan design, the projected death benefit at age 87 was \$3.2 million. Jim's Valmark Advisor had arranged for the policy to be managed and monitored by the Valmark Policy Management Company (PMC).

### WHAT WENT WRONG

While preparing Jim's annual policy review, the PMC team discovered that Jim had been paying premiums that were far less than the planned amount. As a result, the guaranteed coverage age dropped from age 80 to age 75 and the cash value and projected death benefit were significantly behind the original projections. If left untended, the policy would have lapsed prematurely.

### SUMMARY

ANNUALIZED PREMIUM  
GUARANTEED COVERAGE AGE  
CASH VALUE  
INCREASING DEATH BENEFIT

### ORIGINAL DESIGN

\$25,000  
80  
\$199,585  
\$3,272,912

### CURRENT PERFORMANCE

\$11,101  
75  
\$107,696  
\$1,372,192

### THE SOLUTION

The PMC team determined that Jim's options were to either increase the amount of premium payments to restore the policy's guarantee, or replace the policy with a more efficient design. In reviewing the policy review with his advisor, Jim explained he was most interested in accumulating cash value in the policy but didn't want to increase his premium payments. The PMC Team performed a market study and found that Jim could achieve his objective with a replacement policy that had a more efficient design and lower premium amount.

### THE OUTCOME

With the new policy, Jim saved \$500 per year in premiums, extended the guaranteed coverage age to his full life expectancy, and was able to get back on track with accumulating cash value. He said that had he not had the policy review, he wouldn't have been aware of the policy's under-performance, and would have risked having the policy lapse at age 75.



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## POLICY MONITORING DISCOVERS CARRIER MISPLACED CLIENT'S PREMIUM PAYMENT

### THE SITUATION

Jim Walsh<sup>1</sup>, a 57-year-old orthopedic surgeon, owned a \$7.5 million term policy and had a perfect record of paying his \$10,000 annual premium on time. This was due in part to the fact that Jim's Valmark Advisor had arranged for Jim's policy to be managed and monitored by the Valmark Policy Management Company (PMC).

In preparing Jim's annual policy review, the PMC team discovered that Jim's premium hadn't been received by the insurance company. The team sent a reminder notice to Jim to ensure the premium would be paid. Meanwhile, Jim received a lapse notification for unpaid premium from the insurance company.

### WHAT WENT WRONG

Upon investigation, the PMC team learned that Jim had correctly paid his premium a month early and his check had been immediately cashed by the insurance company. However, the payment ended up not being applied to the policy, even a month after the premium payment was processed, "due to a major clerical error by the carrier."

### THE OUTCOME

This policy would have eventually lapsed without the planned premium payment. Prompted by the PMC team's inquiry and follow up, the insurance company found the payment, applied the payment to Jim's policy, and dated it as being paid on the policy's anniversary date. This enabled the policy to continue to perform as originally intended.

The PMC team's experience, attention to detail, and focus on timely solutions are among the reasons why Jim commented to his agent, "This is exactly why I'm glad I have the Policy Management Company looking after my policy. It provides peace of mind to my family and me."

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## REVIEW FINDS ROUNDING ERROR CAUSED REDUCED GUARANTEE



### THE SITUATION

Bill and Helen Stuart, ages 72 and 74, purchased a \$10 million Survivorship Variable Universal Life policy with a secondary guarantee to provide coverage to age 100. Bill had recently sold his manufacturing company and wanted to provide an inheritance for his adult children. The couple's policy was held in an Irrevocable Trust and was to be paid in five annual premium installments of \$500,309.

### WHAT WENT WRONG

In Year 4 (after the fourth premium installment had been paid), the policy's *guaranteed* coverage age was reduced from age 100 to age 81 which was significantly below the couple's life expectancies. Further, the policy's cash value and *projected* coverage age were behind due to the policy performing less than originally illustrated.

When the Policy Management Company (PMC) was brought in to review the policy, they discovered that the trustee had mistakenly sent a check in Year 4 for \$500,000 instead of the full premium amount. With only one premium payment remaining, the Stuart's were unaware that the policy's guaranteed coverage age had dropped by 19 years because of a mere difference of \$309.

#### SUMMARY

GUARANTEED COVERAGE AGE

#### ORIGINAL POLICY DESIGN

AGE 100

#### CURRENT POLICY

AGE 81

### THE OUTCOME

The PMC worked with the insurance carrier to resolve the issue. A premium check for \$500,750 in Year 5 made up the shortfall and brought the policy back to the original design and guaranteed coverage duration. The policy was subsequently scheduled for performance monitoring and annual reviews by the PMC.

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## REVIEW UNCOVERS ERROR WHEN POLICY WAS ISSUED

### THE SITUATION

Jim and Susan Tremont<sup>1</sup>, ages 55 and 54, are successful corporate executives who purchased a \$1.5 million Survivorship Universal Life policy in 2004. The policy was held in a trust and managed by a professional trustee.

### WHAT WENT WRONG

Although the original policy was designed with a projected and guaranteed coverage age of 116, the coverage age had been reduced to age 94 in 2017 when the Policy Management Company (PMC) was brought in to review the policy. Because Jim and Susan are in excellent health, there was a high probability they would outlive their coverage.

The PMC uncovered an error when the policy was issued. The original signed **illustration** from the insurance carrier showed a **level** death benefit in all years. However, the policy **application** showed the selection of an **increasing** death benefit option, which increased the cost of insurance. The policy ended up being issued with an increasing death benefit.

The PMC's analysis showed there was virtually no advantage to the increasing death benefit because the death benefit was projected to peak at age 81 and reduce back to the base death benefit of \$1.5 million at joint life expectancy. In its current state, the policy would require an increase in future annual premium payments from \$8,582 to \$10,358 through age 100 in order to guarantee coverage to age 116 (the age in the original policy design).

### SUMMARY

COVERAGE AGE  
DEATH BENEFIT  
ANNUAL PREMIUM

### ORIGINAL POLICY DESIGN

AGE 116  
\$1,500,000  
\$8,582

### CURRENT POLICY PERFORMANCE

**AGE 94**  
\$1,631,774  
**\$10,358 TO AGE 100 TO ENSURE  
COVERAGE TO AGE 116**

### THE OUTCOME

The PMC worked with the insurance carrier to resolve the error and provide options that benefited the Tremont's. This included correcting the policy retroactively to its original design or the current increased death benefit could be maintained.



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## SUBACCOUNT ALLOCATION AFFECTS POLICY PERFORMANCE

### THE SITUATION

In 2008, Richard and Susan Snyder <sup>1</sup> established a trust which purchased a \$7 million Survivorship Variable Universal Life policy on both of their lives. After the market crash a year later, the Snyder's trustee moved 100% of the policy's cash value into a Money Market fund subaccount, despite the fact that the policy was guaranteed to earn a minimum of 3% in a fixed account.

### WHAT WENT WRONG

The policy's cash value remained in the Money Market subaccount for seven years and missed out not only on equity opportunities resulting from the market recovery, but also, at a minimum, on the fixed account returns which were over 4% in 2016 when the Policy Management Company (PMC) was brought in to review the policy.

The PMC also identified an issue with the duration of coverage stemming from the lack of growth in the policy's cash value. Since the cash value was originally projected to grow at 8%, the projected coverage duration was reduced from age 125 to age 114. This projected age would continue to decrease if the 8% target was not achieved.

SUMMARY	ORIGINAL POLICY DESIGN	CURRENT POLICY PERFORMANCE
PROJECTED COVERAGE	AGE 125	<b>AGE 114</b>
CASH VALUE	\$268,451	<b>\$218,757</b>
CASH SURRENDER VALUE	\$242,470	<b>\$192,776</b>

### THE OUTCOME

With the goal of recalibrating the policy to return its guarantees and projections to plan, The PMC recommended a subaccount review and allocation based on the Snyder's risk tolerance. With the Snyder's approval, the PMC immediately moved the policy's cash value to a fixed account currently earning 4.05% and set up Dollar Cost Averaging for the next 12 months to move into subaccount allocation. In addition, annual reviews were scheduled to monitor the policy's performance.

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## BUSINESS OWNERS BENEFIT FROM ANNUAL POLICY REVIEW

### THE SITUATION

Jack Dawes, age 70, and Carl Mueller, age 60, are partners in a successful real estate development company in the Midwest. Ten years ago, the partners each purchased a \$7 million Variable Universal Life policy to fund a buy-sell agreement. At that time, the partners each had underwriting complications that prevented them from obtaining the best possible price on their policies: Jack had medical issues that prevented him from obtaining the best underwriting rating class; and Carl engaged in two high-risk hobbies, private piloting and scuba diving, which negatively affected his rating class.

### WHAT WENT WRONG

When The Policy Management Company (PMC) was brought in by Jack and Carl's Valmark Advisor for a standard annual policy review, the PMC team found that the policies' cash values, cash surrender values and coverage ages were lagging behind the original plan design. Moreover, when the PMC team performed a life expectancy analysis on the partners, they found that Jack and Carl were likely to outlive their respective coverage ages. Also, the partners' company had grown considerably over the last decade and the buy-sell agreement was now underfunded.

### SOLUTION

The PMC team performed an in-depth analysis of various planning scenarios and market comparisons to see if the partners' coverage could be enhanced. The PMC team also brought in Valmark's Underwriting Advocacy team to perform a private underwriting inquiry on Jack and Carl to see if their underwriting rating classifications could be improved which would lower their costs of insurance.

### THE OUTCOME

With Jack and Carl's approval, the PMC team and Valmark Advisor prepared an updated insurance plan that would provide improved funding for the buy-sell agreement and extend coverage on both partners through life expectancy. To help the partners obtain the best possible pricing, the Underwriting Advocacy team leveraged their longtime relationship with the prospective insurer and went through several rounds of negotiations to position the partners medical and avocation information in the best possible light. Ultimately, the insurer granted Jack and Carl an improved underwriting rating which lowered their costs of insurance compared to their prior policies.

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## THE CASE OF THE MISSING LOAN REPAYMENT



### THE SITUATION

Gary Sanford,<sup>1</sup> a 55-year-old architect, had a \$2.5 million policy in place at a carrier that was experiencing financial instability. Gary's advisor recommended taking out a max loan to conserve the policy value and transfer the remaining value to a new carrier. The cash value and loan were transferred to a new Variable Universal Life policy and Gary repaid the loan in full, plus interest, in Year 2 according to plan.

### WHAT WENT WRONG

When the Policy Management Company (PMC) was brought in to review the policy at the end of the fifth policy year, it found there was still a loan balance on the policy which resulted in a reduced death benefit and reduced guaranteed coverage duration.

SUMMARY	ORIGINAL POLICY DESIGN	CURRENT POLICY PERFORMANCE
DEATH BENEFIT	\$2,502,506	<b>\$2,488,211</b>
LOAN AMOUNT	\$0	<b>\$14,356</b>
GUARANTEED COVERAGE LENGTH	30 YEARS (AGE 85)	<b>16 YEARS (AGE 71)</b>

After an investigation with the insurance company, PMC discovered:

- The loan was never carried over from the original carrier.
- When the new carrier received the check for the loan repayment, they assumed the payment was for additional premium since there was no outstanding loan on the books. They refunded Gary an overpayment of \$10,731 to prevent a Modified Endowment Contract (MEC).
- Three years later, the new carrier noticed the loan was never carried over and went back and changed the premium to a loan repayment. However, due to the refund they sent Gary, there was still an outstanding balance on the loan, which had subsequently increased to \$14,356 after interest had accrued.

### THE OUTCOME

PMC, through their relationship with the new carrier, identified the error as being 100% the fault of the carrier for not carrying over the loan at the time of issue. The carrier agreed to accept the \$10,731 that was refunded incorrectly to Gary to pay off the balance of the loan and eliminate any accrued interest. The policy's death benefit and guaranteed coverage duration were restored to the original designed values.

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## INSURANCE REVIEW UNCOVERS PENDING POLICY LAPSE

### RECOMMENDED LIFE SETTLEMENT SOLUTION PRODUCES 6X THE POLICY'S CASH SURRENDER VALUE

#### THE SITUATION

Josephine Woods<sup>1</sup> purchased a \$500,000 universal life insurance policy in 2000 for her husband's survivor needs. Josephine, now age 85, was referred by her accountant to a ValMark Advisor for a comprehensive life insurance review by Valmark's Policy Management Company. The detailed analysis discovered that the duration of Josephine's guaranteed coverage was reduced from age 108 to age 85. It was also determined that she had a 90% chance of outliving her projected coverage if she didn't increase premium payments substantially. The review also found that the policy was no longer needed for survivor needs, since Josephine's husband was deceased.

#### SUMMARY

Death Benefit  
Guaranteed Coverage Length  
Premium  
Premium Required To  
Extend Coverage

#### ORIGINAL POLICY DESIGN

\$500,000  
Age 108  
\$0 (10-PAY)

#### CURRENT POLICY PERFORMANCE

**\$500,000 (Not Guaranteed)**  
**Age 85**  
**Premium Not Paid As Planned**  
**\$28,674 Per Year Through Age 100**

#### FOUR OPTIONS

Based on the Policy Management Company's findings and recommendations, the ValMark Advisor provided Josephine and her children (who were trustees of the insurance trust) with four options: surrender the policy for a cash surrender value of \$25,000, reduce the death benefit, begin paying increased premiums, or the fourth option—sell the policy. Josephine wanted to see her children enjoy the money now and decided to pursue selling the policy through a life settlement.

#### THE OUTCOME

The Policy Management Company worked with ValMark's Life Settlement Team to complete a Policy Appraisal Report which determined that Josephine was a candidate for a life settlement. Her projected life expectancy was 7 years. The Life Settlement Team worked with multiple providers through a professional bidding process and negotiated a settlement offer which resulted in a total gross offer of **\$155,000 or 6X the cash surrender value** (before commissions and expenses<sup>2</sup>).

#### SUMMARY

Death Benefit	\$500,000
Cash Surrender Value	\$25,000
Life Settlement Offer	\$155,000 Gross <sup>2</sup>

<sup>1</sup> Client name has been changed to protect confidentiality. | <sup>2</sup> The gross offer will be reduced by commissions and expenses related to the sale. | Each client's experience varies, and there is no guarantee that a life settlement will generate an offer greater than the current cash surrender value. In such cases, the client can always surrender their policy to the carrier if the coverage is no longer needed. This material is intended for informational purposes only and should not be construed as legal or tax advice or investment recommendations. Consult a qualified attorney, tax advisor, investment professional or insurance agent about the issues discussed herein. Securities offered through ValMark Securities, Inc. Member FINRA/SIPC.