

**“WHAT I WOULD LIKE TO KNOW ABOUT THE LIFE INSURANCE  
BUSINESS IF I DIDN’T ALREADY KNOW IT  
(or at least thought I did!)”**

Presented By

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**to**

**THE ESTATE PLANNING COUNCIL OF PITTSBURGH**

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- I. Insurance company mergers and conversions.
  - A. Merger examples (internal)
    - 1. Connecticut Mutual/Mass Mutual
    - 2. New England/Metropolitan
    - 3. AIG/American General
  - B. Merger examples (external)
    - 1. Citibank, Travelers, Smith Barney
  - C. Conversions
    - 1. Demutualization
    - 2. Mutual holding company
  - D. Why all this activity?
    - 1. Public capital (equity and/or debt)
    - 2. Increased market exposure/cross-selling opportunities
    - 3. Economies of scale
    - 4. Stock options to attract/retain top management.
  - E. Recommendations:
    - 1. Deal with companies that have financial strength (ratings) and good reputations.
    - 2. Buy insurance from insurance companies; buy securities from securities companies; contract for banking and trust services from banks and trust companies (now there is a novel approach!).
- II. "New Products?" (recycled?!)
  - A. Variable Life (VUL, VWL, etc.)
    - 1. Equity Life (1960s-70s!)
    - 2. Single premium until 1987
  - B. Universal Life with death benefit guarantees!
    - 1. Actuarial Guideline 38
  - C. Long Term Care policies
    - 1. Disability income to LTC
    - 2. Life insurance (or annuities) to LTC
  - D. Annuities
    - 1. Variable
    - 2. Indexed
    - 3. Guaranteed Immediate!
  - E. General traits
    - 1. Premium and benefit enhancements are accompanied by less risk shifting!

### III. New tax laws

- A. Treasury has always tried to tax the inside build-up of cash values!
- B. They are now going after the death benefit (EOLI).
- C. ATRA 2012
  - 1. “Permanent?” - Maybe
  - 2. We have been saying “Estate Planning is about more than just taxes.” Now it is time to put our money where our mouth is!
  - 3. Check out “The Future for Estate Planners” presented by NAEPC’s Futures Task Force on November 16, 2011 ([www.naepc.org](http://www.naepc.org)).

### IV. Trustee involvement in irrevocable life insurance trusts (ILITS)

- A. Communicate early on about fiduciary requirements and Crummey withdrawal provisions.
- B. Individual trustee may actually have to serve!
- C. Corporate trustees often inherit the mess!
- D. Test the policies regularly!
- E. “But he is a good friend who is involved each year. He would **never** sue me!” (It’s the **kids and their lawyers**, Dummy!)

### V. What about life insurance and equity products (mutual funds, variable annuities etc) being sold by CPAs and/or attorneys?

- A. For that matter, will we have “multiple discipline practices” (MDPs)?

### VI. Buy/Sell planning for CPA (and law) firms for death, disability, and retirement!

- A. Most such plans are drawn to lower standards than would be acceptable to or for those firms’ clients!
  - 1. Emphasis is on billings/accounts receivable formula so firm payout is tax-deductible and, therefore, taxable to recipient.

## VII. “Vanishing” premiums! (Premium offset)

### A. Origin

1. Early 80s: high interest rates followed by high bond and mortgage yields.
2. Current (then) interest rates (universal life) and dividends (participating whole life) sufficient to support premium “vanish” in just 7 or 8 years after issue.

### B. The problem.

1. What goes up usually comes down. It did.
2. “Vanish” point kept creeping further into the future (sometimes 15-20 years).
3. Lawsuits were (are) plentiful.

### C. Solution is to understand that an illustration is not the policy!

## VIII. Life Settlements

A. Threat (minor?) to carriers: no lapses!?

B. Convertible Term policies now included.

C. Botherome math: Do the smart guys on Wall Street know something that we don't?

## IX. Stranger Owned Life Insurance (SOLI)

A. Premium financing complicates.

B. Not in the fairway.

C. Insurable interest?