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ONGOING POLICY MANAGEMENT

Creating a Bridge from 'Life Insurance' to 'Lifetime Assurance'

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If you've been reading along so far in this book you have seen this chapter referenced numerous times. So, what's all the fuss about "managing" policies after they are sold, often for decades into the future? Is the need really that great, or is everyone crying wolf?

As I write this in July of 2017 it just so happens that a lawsuit was filed that has captured the attention of the entire life insurance industry. It perfectly highlights that the need is in fact real and also serves to dramatically illustrate just one of the many nightmare scenarios unfolding today that policy management is intended to prevent.

Case Study

LEBBIN ET AL V. TRANSAMERICA LIFE INSURANCE COMPANY

The suit details the story of a 99-year-old insured, Mr. Lebbin. Born in Germany in 1917, he fled Nazi persecution and came to the US with nothing, but went on to become a successful business man. In 1990, he purchased two policies from a

Transamerica agent, intended to deliver a $3.2 million death benefit. Over the past three decades, Lebbin paid over $1.5 million of premiums into the two policies which were owned by an irrevocable trust for the benefit of his children, grandchildren and great grandchildren. Lebbin gifted the premiums into the trust to establish a permanent tax-free death benefit for his family.

Fast forward to today and it now appears that the policies "mature" when he turns age 100 this year. As a result, Mr. Lebbin's heirs will receive only the cash value of the policies—substantially less than the death benefit that he and his family expected, and likely even less than the accumulated premiums he paid in.

WHAT WENT WRONG?

Here is what we know from the complaint. The policies in question contained language that does indeed state that the company will pay the lesser of the cash value or the death benefit at age 100. We also know that prevailing interest rates credited on these general account Universal Life policies dropped substantially when issued in the 1990's to the far lower *guaranteed rate* in the policy. We also know that Mr. Lebbin paid the premiums faithfully. Claims made in the filing suggested that neither he nor his trustees were made aware of the policy language in question and did not discover what the consequences would be to his policy until last year at age 98. It also appeared that neither the company nor the agent had given any advice to the client over the last 30 years!

Though not detailed in the complaint, here is what I can surmise happened based on my own decades of experience. At the time of sale, Mr. Lebbin would likely have been shown a computer-based projection of the policy that originally showed the cash value equaling or exceeding the death benefit. That would have been quite attractive.

Had this projection actually come true, the policy language in question would not matter, because the family would have received the same amount either way—$3.2 million or more. However, such policy illustrations are often based on a premium derived by forecasting *non-guaranteed elements*, projecting credited rates way into the future based on the prevailing rates of the day. In today's much lower interest rate environment, these forecasts were bound to be wrong and the premiums Lebbin paid were simply not enough to sustain the promised benefits. Mr. Lebbin needed ongoing advice to make adjustments to his policy along the way.

Did the agent read or understand the policy language in the actual contract before recommending it to Mr. Lebbin? We do not know. It is likely that Mr. Lebbin and his trustees were advised to carefully read the full contract language provided with the policies at the time they were delivered, but that this was ignored or forgotten over the intervening decades. Besides, what client would want to read, let alone be able to understand, 20+ or more pages of detailed insurance contract language? As a result, the client relied on the illustration, not the contract, and mistook the *illustrated premium* for the *actual cost*.

Because Lebbin's story culminates in a lawsuit, there is a strong likelihood that neither the agent nor the insurance company notified him over the years that the premiums needed to be increased to fully fund the promised death benefit. It also appears that the agent and Transamerica did not provide much, if anything, in the way of ongoing service or updates in the last 30 years. However, there's nothing on the surface that says they failed in their duties under state insurance law. The agent appears to have met all duties he owed Mr. Lebbin, which were few before the sale and none afterwards.

> *"Sadly, the Lebbin case brings to light the 'caveat emptor' nature of the insurance industry."*

Sadly, this case brings to light the *caveat emptor* business model of the insurance industry, where customers are expected to read and understand the contract language and then correctly manage it on their own after the agent cashes the check. It also highlights that:

- Contract language matters and differs greatly between companies.
- This policy ultimately failed to deliver because no one was monitoring it.

The role of monitoring a policy throughout its lifetime is simply not being filled today. It falls in a void somewhere between selling the policy (the agent) and paying out on the policy (the insurance company). Unfortunately, the only person standing in that gap, which often spans decades, is usually the policy owner who, most of the time, is completely unequipped to fill this role.

> *"The only person tasked with monitoring a policy is often the policy owner who, most of the time, is completely unequipped to fill this role."*

This chapter examines what is being done to address this void and will detail a solution that I believe is revolutionary in the life insurance industry.

WHO THIS CHAPTER WILL HELP

In the preceding chapters, we have traveled along a continuum that culminates with the implementation decision: the point of execution which is intended to bring all parties to a decision.

The pre-implementation process has consisted of three phases (as shown in *Figure 1*):

1. **Consultation:** which introduced the customized LA360 Design Process. (see *Chapter 7: Purposeful Design*)

2. **Underwriting Advocacy Process:** which is essential to establishing the best underwriting classification for the insured(s). (see *Chapter 8: Competitive Underwriting*)

3. **Execution:** during which the LA360 Blueprint produces options from which the final recommendation for the carrier and the product selection occurs.

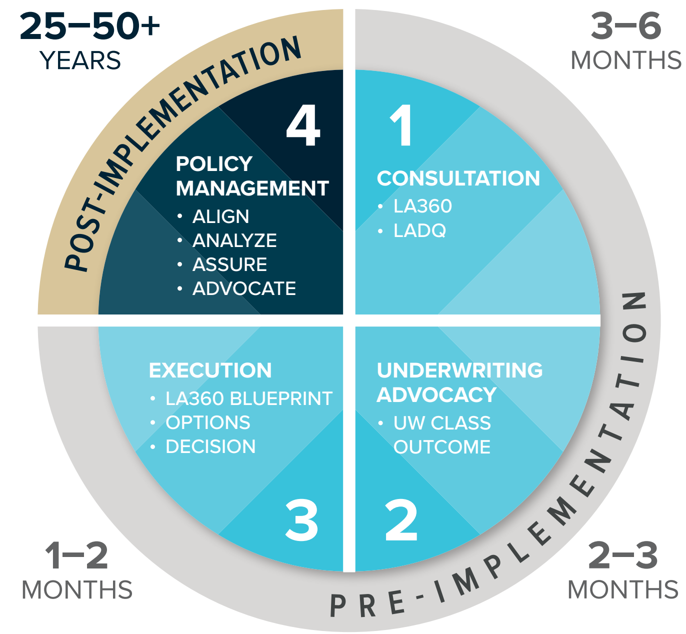

FIGURE 1

In the final quadrant of a policy's life, we introduce the role of *Policy Management* designed to serve as guardian, advocate and watchdog to ensure the treasured life insurance asset achieves its initial objective and arrives at its ultimate destination.

First, we will expand on and validate the need for policy management by briefly examining the various factors that threaten the viability of a policy over its lifespan. Next, we will introduce the solution Valmark has put forth and explain how it works to the advantage of all involved. Finally, we conclude with actual examples of the beneficial impact this is having in the real world and provide insights into how this new entity came to fruition.

While the policy owner and their intended beneficiaries ultimately benefits from ongoing policy management, I believe that the life insurance professional stands to gain just as much. For this is a service that is not only greatly needed today, it stands to differentiate any professional who offers it from those who simply sell insurance. It allows one to put forth a strong value proposition and demonstrate a tangible, ongoing commitment to the well-being of valued clients.

CHALLENGES AND RISKS FACING POLICIES TODAY

Much has been provided in this book about the selection and structure of life insurance policies. Despite the increased variety and complexity of the products available, it is likely that at least one of a client's professional advisors (attorney, trustee, financial advisor or accountant) can assist in the purchasing process to some degree. For example, prior to purchase great care is often exerted to ensure a proper balance of carrier strength, diversification, policy funding, and policy ownership considerations.

Unfortunately, this tends to be where the practical assistance ends, and the policy owner is often left to manage a strange and complicated asset on their own. Further complicating this burden is the timeframe where unforeseen and unfamiliar risks are most prevalent: after policy purchase.

Unlike a traditional investment portfolio, there is nothing in the daily news or reporting of financial markets that immediately alarms an owner to revisit their life insurance policy. "We'll take a look at that next year" becomes the soothing siren call that lulls the owner into a sense of false security. For these reasons, the most ominous enemies of a life policy might be summarized simply as *time and complacency*.

> *"The most ominous enemies of a life policy might be summarized simply as time and complacency."*

However, this is an oversimplification. The ways in which a policy can fall short of its intended purpose are in fact manifold, and arise from four categories of risk, as shown in *Figure 2*.

RISKS AFFECTING POLICY PERFORMANCE

POLICY ADMINISTRATION

- Premium payments and timing
- Withdrawals and loan payments
- Non-enacted planned events
- Beneficiary, address or trustee changes
- Utilization/termination of riders & conversion options

POLICY PERFORMANCE

- Crediting rate and dividends
- Subaccount allocation and performance
- Guarantee and shadow account challenges
- Cost of insurance increases

INSURANCE COMPANIES

- Insurer strength and stability
- Administrative and servicing errors
- Limited communication to owners and trustees
- Changes to products and features

INDUSTRY & ENVIRONMENT

- Low interest rate environment
- Changing laws and fiduciary requirements
- New products and solutions in the marketplace
- Tax and estate plan implications

FIGURE 2

What is most concerning about this list is that only the actions shown under Policy Administration are actually under the direct control of the policy holder. Not only is their control and influence limited over the risks in the other three categories, in most cases the owner is completely unaware when any of these other factors actually become a threat that can affect their own policy.

In the Lebbin case we opened with, the policy fell victim to at least three factors:

1. Limited communication to owners and trustees;
2. The low interest rate environment; and
3. Crediting rates and dividends.

None of these were under the direct control of the policy owner. However, were the policy to have been professionally managed by a Life Insurance 10X advisor and reviewed periodically, action could have been taken long before the policy was within a year of maturing, and this case might never have been brought.

WHY ONGOING POLICY MANAGEMENT IS IMPORTANT

With the rapid changes taking place in the life insurance industry over recent years, effective in-force policy management is more critical than ever. Many policies are not performing as originally intended while others no longer align with the client's changing needs and objectives.

On the surface, it would seem that anyone with enough knowledge to sell life insurance in the first place could easily review an in-force policy, find where it's performing inadequately and suggest remedial action. However, there are many obstacles that make the job far more difficult than it sounds, any of which might prevent one from providing sufficient in-force service for a policy.

The most common challenges preventing the service of in-force policies are:

- Inconsistent and unreliable information
- Disjointed service department
- Required third-party authorization
- Limited access to policy information
- Old products serviced by new companies
- Lack of support for products no longer sold
- Various professionals related to the policy with different needs
- Difficulty in understanding policy language
- Complexity of unique product features and riders
- Changing and obsolete products
- Loss of expertise through aging workforce
- Changing service agents

In my own experience, under the active management of the PMC (introduced next), approximately 1 in 4 in-force policies require action to improve the coverage for the benefit of the client. Such remediation may include restructuring the premium or face amount, adjusting subaccount allocations or reestablishing lapsed guarantees. From our reviews on policies that are actively managed at Valmark, at least 14% of policies are performing outside of expectations and need to be replaced or converted or seek the potential for a life settlement.

It is important to clarify that these stats are based on policies where active management is present.

What's more, this 14% only includes the issues that we have been able to uncover and resolve. Equally as important are the many unclaimed opportunities to improve policies that would move the client into a more favorable situation. Whether it is reducing premiums, guaranteeing coverage duration, or finding new products to improve the coverage, we have uncovered many ways to fine-tune policies for clients that will better meet their financial objectives. Ultimately, this can't help but foster greater trust and stronger relationships with clients.

> *"One study shows that 40% of unmanaged, flexible premium policies are illustrated to lapse within the insured's lifetime."*

For policies without active ongoing management, the stats are very difficult to determine and the effects are significantly more concerning. Consider the risks policies face and the challenges of in-force service. Without active and ongoing policy management, who would expect any positive results for policy owners? One study shows that 40% of unmanaged, flexible premium policies are illustrated to lapse within the insured's lifetime. In 2008, the study also showed that 1.1 million policies lapsed, representing $112 billion in total lost death benefits. The same study showed that in 2013 there was a policy lapse rate of 5.7% with 82% of them lapsing with $0 value to the policy owner.[1]

THE REVOLVING DOOR OF RESPONSIBILITY

Because of the way life insurance is presented and sold to the public, most clients are completely unaware of the need to regularly review policy performance and plan over time. Even if the policy owner recognized this necessity, and was confident at the time of purchase, they would still need an advisor who could competently serve his or her best interests and monitor the policy in the future. Time once again becomes the enemy.

It is safe to say that over the span of a life insurance policy, the majority of the originating agents will likely NOT be active when the benefits are delivered to the policyholder. They will either retire, leave the business, be absorbed into another carrier or they may be replaced when the client chooses to move to another advisor.

This challenge is further exacerbated for policies that are held in insurance trusts, where the very purpose of the structure is to distance ownership and management of the policy from the beneficiaries.

Caution

LIFE INSURANCE TRUSTS: DISCONNECTED FROM THEIR PURPOSE?

Life insurance policies held in Irrevocable Life Insurance Trusts (ILITs) are one of the most common wealth transfer techniques in planning for intergenerational transfers. However, using a trust to disconnect funding of the policy by the grantor ***from*** *the actual ownership of the policy may inadvertently cause a different problem: a trustee who is responsible for selection, configuration and monitoring of a policy for which he/she has little knowledge of, or guidance in, its true purpose.*

The grantor is making decisions on trust funding while the trustee is responsible for actual policy management issues. Even if this separation did not exist, the complex mechanics of how a cash value life insurance policy functions are mysterious to all but those who delight in understanding the multifaceted actuarial assumptions that go into a policy's construction. Failure to properly select, configure and manage ILIT policies can result in the loss or reduction of coverage, thus depriving trust beneficiaries of their anticipated benefit.[2]

This is an area that most certainly illustrates the dire need for a role that is solely dedicated to ongoing policy monitoring so that the life insurance policy will accomplish what it was intended to do: pay a death benefit at the death of the insured. We demonstrate this and the need for consistent, competent institutional ongoing policy management in detail in our white paper "Whose Policy Is It Anyway?"[3]

THE NEED FOR A NEW APPROACH

With so much at risk, and a myriad of obstacles and challenges that could potentially prevent a life insurance benefit from reaching its intended recipient, it's time to ask ourselves a question.

As professionals, with the best interest of our clients at heart, are we truly satisfied leaving the outcome to circumstance?

At this point, the issue becomes a matter of ethics. It is simply unacceptable to allow this fate to befall any client with our only excuse being that "it was someone else's responsibility" or "the client should have read their contract."

> *"As professionals, with the best interest of our clients at heart, are we truly satisfied leaving the outcome to circumstance?"*

A 10X Life Insurance advisor is better than that.

What's needed is a new role, one that is capable of, and solely dedicated to, the management of today's complex policies over very long periods of time, all in the interest of the owner and beneficiary.

Enter, the Valmark *Policy Management Company.*

THE PMC VALUE PROPOSITION

In 2011, the Valmark Policy Management Company (PMC) joined the Valmark Financial Group family of companies. Its purpose: to ensure that each and every policy under management (a) performs as designed and (b) continues to align with the objectives of the owners and interests of the beneficiaries, no matter the timeframe.

THE BENEFITS OF ACTIVE POLICY MANAGEMENT

To deliver on this promise, the PMC provides objective analysis and ongoing policy management in order to:

- Ensure life insurance policies perform as designed and continue to meet clients' needs
- Mitigate the risk of policy lapse or underperformance
- Resolve errors and prevent issues that can cause problems

- Confirm premium payments and planned changes are made
- Identify opportunities to maximize the value of the policies

As we've demonstrated, the need for ongoing policy management is great throughout the industry and a crucial component for every Life Insurance 10X advisor to incorporate in their suite of insurance solutions. As a Valmark Member Firm, my partnership with the PMC allows me to differentiate myself from the rest of the industry and provide a truly unique benefit for my clients.

THE PMC METHODOLOGY

As shown in *Figure 3,* the four cornerstones of the PMC that make up its value proposition include a suite of services which serve to ALIGN, ANALYZE, ASSURE, and ADVOCATE.

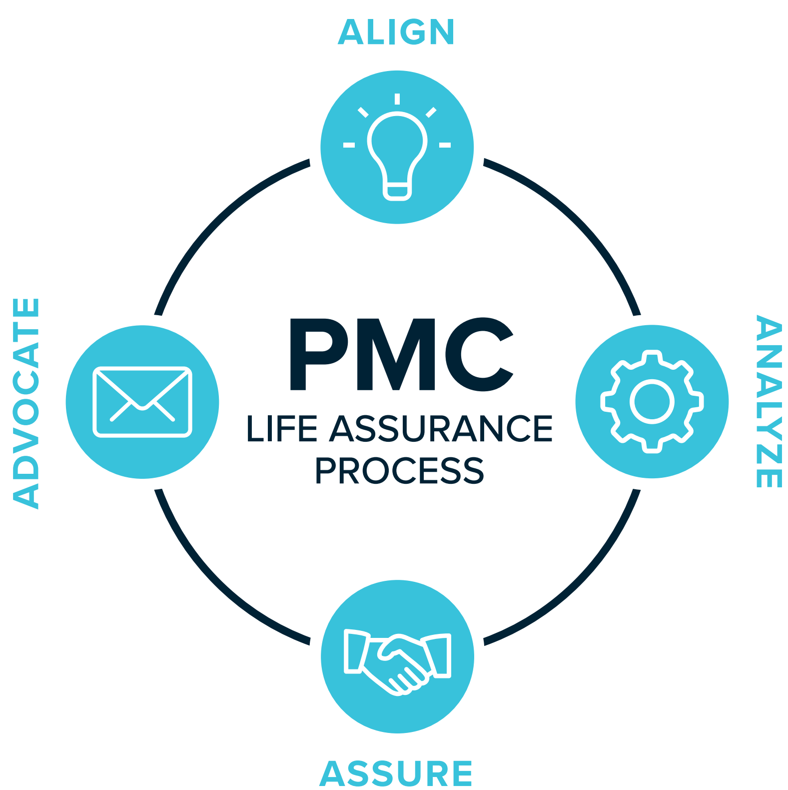

FIGURE 3

Each build upon the previous effort in order to ensure that nothing is overlooked in evaluating the policy's original structure, subsequent performance and future outlook, all while comparing these factors with the current expectations and needs of the owner.

ALIGN

SETUP & DESIGN

Setup & Design is the objective of this first policy management step. Using the LA360 Blueprint, it defines the original policy objectives, establishes tracking guidelines, stores and updates contract information, and performs a market comparison.

If the policy owner has not already done so, we begin by asking them to complete a Life Assurance Design Questionnaire (LADQ) with their insurance advisor to determine policy design objectives and guidelines for the policy. Any original documentation and current statements will be gathered and archived. This seeks to answer the following questions:

- What are the long-term objectives for the policy?
- Is the policy meeting the current needs?
- How should the performance be measured?

The LADQ and the LA360 Blueprint process have been covered in detail in *Chapter 7: Purposeful Design*. However, with respect to older policies that are being evaluated by the Valmark advisor, there are prudent reasons for revising the initial architecture underlying the original policy design and ALIGNING it back to the client's goals. Doing so can "uncover" opportunities or identify potential problems causing the underlying policy not to perform as expected. In addition, original objectives may have changed or the client's current needs may be different than they were several years ago when the plan was originally designed.

ANALYZE

ANALYSIS AND REPORTING

Analysis and reporting occurs in the second policy management step. This generates an industry leading client report that gives evidence of the most critical elements of the policy and confirms alignment with the original design of the policy through LA360.

After each policy anniversary, a thorough review is completed based on in-force illustrations and current policy values compared to the design and objectives. Policy performance is assessed and an annual report provides a bevy of critical forensic information, summarizing the current health and status of the coverage. The report includes commentary on policy performance and provides clear recommendations for the advisor and policy owner. It seeks to answer the following questions:

- How is the policy performing?
- Is the policy, riders, features and insurance company meeting expectations?
- Has anything changed in the current situation?

The effect this level of analysis might have had on the Lebbin case cannot be understated. Policy language matters and the best insurance advisors in the world look first to the contract before illustrations. The financial asset that needs ongoing monitoring most is life insurance and this is precisely why the PMC was created. Had the services provided by the PMC been in place for the Lebbin policy, the situation undoubtedly would have been remedied years ago.

See *Figure 4* for a sample Annual Policy Review Report.

THE POLICY MANAGEMENT COMPANY

Annual Policy Review

Bridging Expectations with Results

Prepared For: Owner Name
Prepared By: Agent Name
Prepared On: 5/11/2017

Executive Summary

Product Details		Policy Contacts	
Policy #	#####	Primary Insured	Insured Name
Policy Date	7/20/2005	Secondary Insured	Secondary Insured Name
Carrier	John Hancock	Owner	Owner Name
STAR Ranking[1]	4 Stars	Trustee	Trustee Name
Product	Survivorship UL	Beneficiary	Beneficiary Name
Riders[2]	Policy Protection, Age 100 Advantage		

Current Values[3]					
Death Benefit	$1,000,000	Annualized Premium	$14,991.00	Loan Amount	$0.00
Cash Value	$185,439.60	Cash Surrender Value	$159,540.59		

Commentary

- All annual premiums have been paid to date as planned. Initial 1035 was $13,327.44 less than projected.
- Current crediting rate is at 4.55%, down from 5.25% at issue but above guaranteed rate.
- Cash value is behind original design because of 1035 amount and crediting rate.
- Projected lapse age reduced from 120 to 99 due to Age 100 Advantage rider not being triggered.

Recommendations

- Adjust future annual premium payments to $17,446 to guarantee coverage to age 120.
- Monitor cash value and interest crediting rate to ensure policy performs as designed.
- Complete a LADQ and perform a current market comparison.

Page 1 of 3 Sample Annual Policy Review

	Design	Current Performance	Indicator[8]
Projected Coverage Age[10]	120	99	
Joint Life Expectancy (Years)[11]		13.19	
Probability of Outliving Coverage[12]		19.26%	

Policy Performance Analysis

	Original Design[13]	Current Performance[14]	Indicator[8]
Death Benefit	$1,000,000	$1,000,000	
Assumed Rate of Return	5.25%	4.55%	
Cash Value	$201,842	$172,077	
Cash Surrender Value	$190,781	$160,937	

Page 2 of 3 Sample Annual Policy Review

FIGURE 4

ASSURE

MONITORING AND MANAGEMENT

Monitoring and management takes center stage in the third phase of policy management. This establishes the components that will be critical to assess throughout the policy's life. It includes confirming premium payments, creating reminder alerts, handling in-force changes, and working with the product carriers directly.

In this phase, the policy is monitored based on the priorities and guidelines as designed. Alerts, reminders and notifications communicate the current performance while service requests and policy changes are facilitated to completion, *all in coordination with the insurance advisor*. Here we arrive at answers to the most vital questions for an in-force policy:

- Is the policy following the design guidelines?
- Are premiums being paid on time and in the correct amount?
- What in-force changes are needed?

There is a basic adage with respect to permanent life insurance arrangements that says: *"Whatever you do, make sure the policy does not die before you do!"* It's in this step where it is ASSURED to the policy owner that this will not happen.

ADVOCATE

RECOMMENDATIONS

Recommendations come to the forefront in this fourth and final phase of policy management. This is the where the PMC identifies solutions and opportunities based on objectives in order to recalibrate policies as needed.

Working with the PMC and using the annual policy review as a guide, the insurance advisor may take corrective action or provide recommendations to improve the current coverage as needed. Recommendations can be the result of a change in needs, underperformance of a policy, or can be triggered by other industry developments. The remedial action proposed may

include recalibrating the current policy, evaluating new coverage or updating the policy management design. Here we answer:

- Does the policy align with future goals and objectives?
- What actions would improve the coverage?
- Are there alternative options for the client?

Advocacy, by definition, connotes a person or collaborative alliance that will proactively support, defend or intercede on behalf of its clients to produce a favorable action or outcome. The Valmark Policy Management Company exists in order to ADVOCATE for its policy owners during the entire lifetime of the policy—decades into the future. Valmark insurance advisors typically play fiduciary roles in their consultation with clients by seeking to uncover potential problems that could undermine the policy's performance.

EXAMPLES OF POLICY MANAGEMENT "WINS"

The following case studies demonstrate real life scenarios in which positive "results-driven" outcomes were achieved through an annual analysis by the PMC. They will shed some light on the answer to the important question "Why Policy Management" and provide evidence to our own internal statistic that 90% of what is important about life insurance happens after the policy is issued.

Case Study

ONE PREMIUM PAYMENT WAS ROUNDED OFF

One important client of mine held a $10M policy with secondary guarantees. It was set up as a 5-pay, with a contractual death benefit guarantee until the insured reaches age 100, requiring an annual premium of $500,309.

In year 4, which happened to be 2014, the trustee mistakenly sent a check for $500,000. The client, with only one premium payment remaining, was unaware that the secondary guarantee had dropped *by 19 years because of the mere difference of just $309. Only as a result of seeking out and undergoing the holistic PMC policy review process was this devastating change in the guarantee discovered.*

***Action Taken:** A premium check for $500,750 in year 5 made up the shortfall and brought the policy back to the original design.*

Were this minor error not caught, think about what would have happened 15–20 years down the road when the policy abruptly matured and coverage ended. Who knows what the catch-up amount needed would have been to bring the policy back into force—if that was even possible. An annual reconciliation of the policy to original expectations is crucial, and requires contacting the life insurance company to compare payment records and the current status of all guarantees.

Case Study

OVERPAYMENT IMPACTS POLICY

*In this case involving a dual survivorship Universal Life contract, the client had unknowingly paid an **extra** annual premium back in 2013. The client then continued to pay the full $9,598 annual premium. One might think that discovering this fact would simply save the client that same amount of the overpaid annual premium, but that would be a giant understatement.*

***Action Taken:** Once policy management was put in place, the annual premiums were reduced to $8,492 ($1,106 less than the original annual premium) for the next 19 years—a total of $21,014 in savings. What's more, the client owned TWO policies, each with a similar structure, making for a total savings of $42,028!*

These examples demonstrate the enormous impact that slight variations can have on a policy if they go unnoticed. While a life policy serves as insurance on a person's life, policy management is essentially *insurance on the life insurance.*

It's important to remember that life insurance is primarily a risk management tool, but can only guard against factors built into the design. Unforeseen risks outside of the policy owners' control include interest rate fluctuations, regulation changes and significant personal life changes on the client's side.

GIVING ALL CREDIT TO THE ADVISOR

One of the most important features in how the PMC operates is that all the actions, inquiry, reporting and recommendations are conducted in concert and coordination with the advisor who has the relationship with the policy owner. To the client, the PMC is in the background, nowhere to be seen. The nature of this relationship is shown in *Figure 5*.

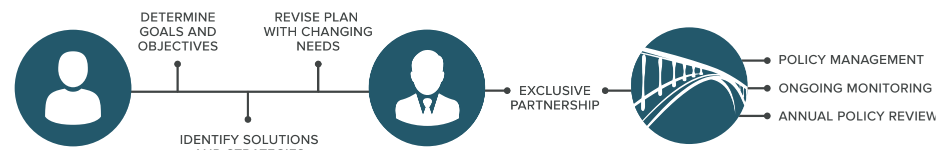

FIGURE 5

This desire to give credit to the advisor is in line with the way Valmark conducts all of its business affairs. The company's prime focus has always been to support the autonomy of its Member Firms and help them create leverage and efficiency in their own practice. Through the Valmark Policy Management Company, any independent advisor wishing to engage PMC services has the opportunity to gain that same support and focus. The other reason for structuring the interaction in this manner is practical: the advisor has the closest relationship with the client and is most in tune with their needs. This relationship is especially important when remedial action, sometimes unexpected or costly, is required to rescue a faltering policy. In those instances, it is the advisor who can help the client reconnect with their original motivations for purchasing the policy—a situation which embodies the word *caritas*.

LIFE INSURANCE IS FOR BENEFICIARIES

Caritas is a Latin word that translates roughly to love of humanity, goodwill or charity. However, it is distinguished from these other well-meaning intentions, for caritas implies a high price or staunch effort, thus revealing the dearness of the recipient.

If it weren't for beneficiaries, life insurance would not exist. I was reminded of this when meeting recently with a client to review their policy portfolio. The first question that I was asked went like this: "So remind me, Freddy, why did we acquire this life insurance policy ten years ago?"

Regardless of the specific objectives of any client, there is always but one answer to this question. It comes from my father, Fred V McNair, III, when he wanted to impress upon me why life insurance is "bought and not sold." My Dad was a remarkable life insurance adviser, manager, coach, mentor and tremendous leader and producer in the life insurance business for more than 40 years. One of his many encouragements that he imparted to me early on in my career is priceless:

"Son, people buy life insurance and keep it because they love someone or something more than themselves."

That someone may be a family member, business partner or key employee, and the something could be an alma mater, philanthropic institution, private foundation, church or synagogue.

A life insurance policy is a contract that combines a personal "legacy of love" with an investment that provides certainty (a specified amount at a specified time). However, it is the emotional and psychological catalyst that sustains this commitment over decades.

This emotional commitment by the insured provides a significant benefit to heirs or beneficiaries that transcends the insured's life as a legacy of love. This emotional catalyst that identifies with *caritas* underlies the client's commitment to their life insurance plan and drives the Valmark advisor along with the PMC to establish the policy and ensure the plan is fulfilled as designed and expected.

Throughout Valmark's entire organizational culture, we've been motivated by both *caritas* and The Golden Rule—the heart working in concert with a clear moral and ethical compass. The Valmark Policy Management Company aligns intrinsically with its stated corporate

mission and the mutuality of its clients' interests in a purposeful and principled commitment to fulfilling the cherished objective for which the permanent life insurance asset was implemented.

For precisely these reasons, I believe the PMC is destined to become an industry-leading change agent for the protection of legacy planning strategies. It will always strive to deliver on its promise to assure success of a client's life insurance plan.

CONCLUSION

While Term Life can essentially be thought of as premature death insurance, Permanent Life Insurance in all its variations serves a much wider purpose. Because of its duration and the promise it holds, I would liken it to *lifetime insurance*. Unfortunately, there are too many risks that serve to undermine the proper functioning of a policy. And since life insurance is all about managing risk, policy management is essentially insurance on the insurance policy, or what I call *lifetime assurance for life insurance*.

Of all the financial products available to consumers today, the one that calls out the greatest need for ongoing monitoring and management is life insurance. Policy management is the best way I can see to be absolutely sure one's policy delivers as expected, regardless of inadvertent missteps by the policy owner, changes at the carrier level, shifts in the marketplace, the vagaries of regulation, and the coming and going of trustees or insurance agents. Only *institutional* professional policy management fills the gap between initial expectations and actual outcomes in the real world.

"Of all the financial products available to consumers today, the one that calls out the greatest need for ongoing monitoring and management is life insurance."

This is what I mean when I say that *caritas* is the driving motivation behind PMC. It means ensuring that clients not only get what they expect, but that their investment in and partnership with the PMC gives lifetime assurance to their life insurance. I would go so far as to say that if a person does not love someone or something in this life more than they do themselves, they do not need policy management, and I dare say, they are not even a proper candidate for life insurance to begin with.

Albert Einstein, one of the world's most recognized geniuses from the 20th century also came to discover caritas. Although he is best known for his $E = mc^2$ formula, in a letter only recently made accessible to the public, he intimately reveals another profound discovery to his beloved daughter, Lieserl…

> *"There is a force so extremely powerful, that science has still not found a way to explain it… It is a power that engulfs and governs all other powers. I believe it is also in charge of all phenomena in the Universe, many of which we have not seen or explained yet. This universal force is LOVE…*
>
> *Love is power that brings out and multiplies the best of all life. Through this force we can explain everything and find meaning in our lives."*

As Valmark Life Insurance 10X professionals, our mission is to always align with our clients' vision. We believe that the Valmark PMC value proposition is an imperative investment in ensuring the very best result for the client and perhaps the single, most important differentiator in creating a post-implementation outcome for the client that is 10X better.

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1 "The Life Insurance Policy Crisis." By Whitelaw and Montag. *American Bar Association.* June 2017.

2 "No One in the Pilot's Seat." *ValMark Advisors, Inc*. 2012.

3 "Whose Policy Is It Anyway? The Management of Insurance Policies for ILITs." By Lawrence J. Rybka and Frederick V. McNair IV. *Journal of Practical Estate Planning, CCH Incorporated*. 2002.

PROFESSIONAL DESIGNATION DEFINITIONS

- Certified Financial Planner (CFP®) – The CFP® certification marks identify professionals who have met the high standards of competency and ethics established and enforced by CFP Board. CFP Board's Standards of Professional Conduct require CFP® professionals to act in their clients' best interests. For more information, see https://www.cfp.net/about-cfp-board/cfp-certification-the-standard-of-excellence

- Certified Public Accountant (CPA) – As with many other professions, accountants have a number of professional credentials and certifications designed to ensure a high level of professionalism. The most widely sought credential is the CPA, or certified public accountant. It is both a designation and a certification process. For more information, see http://www.aicpa.org/BecomeACPA/Pages/default.aspx

- Chartered Financial Consultant (ChFC®) – A professional designation representing completion of a comprehensive course consisting of financial education, examinations and practical experience. Chartered Financial Consultant designations are granted by The American College upon completion of seven required courses and two elective courses. For more information, see https://www.theamericancollege.edu/designations-degrees/ChFC

- Chartered Life Underwriter (CLU®) – A chartered life underwriter (CLU) is a professional designation for individuals who wish to specialize in life insurance and estate planning. Individuals must complete five core courses and three elective courses, and successfully pass all eight two-hour, 100-question examinations in order to receive the designation. For more information, see https://www.theamericancollege.edu/designations-degrees/CLU

- Million Dollar Round Table (MDRT), Top of the Table (TOT) – for a list of membership requirements, see: https://www.mdrt.org/membership/requirements/

- Association for Advanced Life Underwriting (AALU) – for a list of membership requirements, see: https://www.aalu.org/membership/join-aalu/

- Life Underwriter Training Council Fellow (LUTCF) – NAIFA's Life Underwriter Training Council Fellow (LUTCF®) Designation Program is often considered the first designation any insurance professional should earn and has delivered value to more than 70,000 professionals since 1984. For more information, see http://www.naifa.org/professional-development/pdp/lutcf

- Registered Financial Consultant (RFC®) – A professional designation awarded by the IARFC to financial consultants who meet high standards of education, experience and integrity. For more information, see: http://www.iarfc.org/default.asp

- Licensed Insurance Consultant (LIC) – A counselor's license will allow a person to counsel in one or more of the following areas with the proper qualifications: life (LI) insurance, accident and health (AH) insurance and/or property and casualty (P&C) insurance. Persons admitted to the practice of law in Michigan may counsel insurance without obtaining a license, but cannot represent themselves as licensed counselors by the State of Michigan. For more information, see http://www.michigan.gov/difs/0,5269,7-303-22535_60490_23035---,00.html

- Trust and Estate Practitioner (TEP) – A designation that is recognized worldwide and is a way to formally identify qualified trust and estate practitioners and distinguish them from non-specialists who occasionally deal with trusts and estates. For more information, see https://www.step.org/sites/default/files/Basic_principles_of_marketing/Why_Become_a_TEP_2011.pdf

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