

CARRIER UPDATES

► New UL from John Hancock

John Hancock's new Performance UL is the lowest cost permanent life insurance policy in our portfolio, in many cases it's the lowest in the industry. Performance UL remains extremely competitive for lifetime level-pay scenarios at older ages and now features significant premium reductions at ages 40+! Take a look at the new Performance UL today it's a performance you don't want to miss!

► Trans Expanded Maximum Issue Ages

Transamerica announces expanded mamium issue ages for their Term 1009 Trendsetter Super Series.

		Maximum Issue Age	Level Premium Through Age
15-Year	Nonsmoker	78	93
	Smoker	73	88
20-Year	Nonsmoker	70	90
	Smoker	65	85
25-Year	Nonsmoker	65	90
	Smoker	60	85
30-Year	Nonsmoker	58	88
	Smoker	53	83

► LBL Exit Strategy with 1035 Exchanges

LBL's Liquidity Guarantee Rider offers an exit strategy for customers age 65 and under at no additional cost. This unique feature guarantees customers will receive a significant percentage of their premium dollars

back, up to 100% in some cases, if they choose to surrender their policy anytime after the surrender charge period.

The rider is also a great alternative for customers over age 65. While they don't receive the Liquidity Guarantee Rider, customers over 65 will still build up strong cash accumulation when compared to similar products offering death benefit guarantees. If the unexpected happens and customers need to access their cash value, they can take loans, withdrawals or even surrender their contract.

For more information, contact your PBS sales rep at 215-517-4080 today!

► Updated SUL from LFG

Effective May 26, 2009, Lincoln will introduce the newest survivorship product in its universal life insurance portfolio: Lincoln LifeGuaranteeSM SUL (2009), which is an update to the product originally made available in 2007. The new product provides the same type of affordable, flexible and guaranteed protection on the lives of two insureds as the original product.

Key features include:

- Lower cost on Level Pays
- No premiums needed after age 100
- Competitive premium in lump sum and 1035 scenerios
- Flexibility in timing on 1035's

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► **LBL Step Up Program**

Lincoln Benefit Life's STEP (Simplified Term Exchange Program) may be just the solution to your customer's needs. STEP provides the opportunity for a term policyholder with an eligible carrier to purchase a permanent life insurance policy from LBL, with simplified underwriting.

Benefits include:

- Underwriting limited to tele-interview, prescription drug check and MIB
- Available up to age 65
- Coverage available up to one million dollars
- Up to 50% Prime Term Rider blend allowed

FINANCIAL UPDATES

► **Obama Proposes Tax Changes**

By Arthur Postal – 5/11/09 – National Underwriter

The Obama administration has proposed changing estate, gift-tax, annuity and life insurance tax rules to raise some of the revenue needed to pay for expanding access to subsidized health coverage.

If implemented, the proposed revisions would raise \$12.7 billion in revenue over 10 years, administration officials predict.

The administration proposal apparently would affect the estate and gift tax system by requiring consistent valuation for transfer and income tax purposes, modifying rules on valuation discounts, and requiring a minimum term for grantor-retained annuity trusts, according to officials at the Association for Advanced Life Underwriting, Falls Church, Va.

The proposal also would modify the rules that apply to "certain life insurance contracts," change the dividends-received deduction for "certain life insurance company separate accounts," and expand the pro-rata interest expense disallowance.

The administration is justifying the changes by arguing that they target "valuation games played by those facing estate and gift taxes that allow them to undervalue transferred property."

More details are supposed to come out later this afternoon.

COLI: William Sweetnam, a principal at the Groom Law Group, Washington, says the proposal might have a "big—and adverse—financial impact on companies" that buy corporate-owned life insurance.

"The provision, if enacted, would make it exceptionally expensive for companies to purchase these type of policies for their executives and employees," Sweetnam says. The proposal would increase the cost of COLI by disallowing part of the interest expense incurred when companies buy contracts insuring executives and employees, he said.

The only exemption would be for a company that is buying a COLI policy insuring an individual who owns 20% or more of a business, Sweetnam said.

Life Settlements: The "green book" that the administration released today also has suggested that the Obama administration will be calling for reporting requirement changes that could affect life settlement transactions. The reporting changes could yield \$812 million in revenue over 10 years, the administration estimates.

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The administration seems to be saying that individuals selling life insurance policies would have to include sale proceeds in taxable income.

The Dividend-Received Deduction: The dividend-received deduction involves tax code provisions designed to prevent double taxation of corporate earnings, according to an official at the American Council of Life Insurers, Washington. For many years, life insurers have been taking a deduction relating to assets held in separate accounts. The provisions in the Obama administration tax proposal would expand the pro-rata interest expense disallowance life insurers receive, the official says.

Reactions: Sarah Spear, director of policy and public affairs at the AALU, says the insurance industry's work is "cut out for us."

ACLI President Frank Keating also has expressed concern. "Seventy-five million American families rely on the products offered by life insurers for their financial and retirement security," Keating says. "This is absolutely the wrong time to make it more expensive for families to obtain the security and peace of mind our products provide."

SPOTLIGHT ON ANNUITIES

▶ Gift or Assignment of an Annuity to Charity

From Transamerica

An annuity holder can make a gift of an annuity in one of two ways. He or she can surrender the annuity in full, pay income tax on the gain (i.e., amount received less his or her basis) in the annuity, and make a gift of the remaining funds. The annuity holder's basis is likely to be the amount of premiums he or she paid into the contract, so at the time of surrender the annuity holder must recognize income on any gain in the annuity contract. He or she should also know about the additional 10% penalty tax for premature distributions if he or she surrenders the contract prior to age 59 1/2. In addition to penalty taxes, the annuity holder should be aware of any possible gift tax that may be due. An individual is allowed to make \$12,000 in annual gifts to a donee without incurring a gift tax. If the gift of the remaining funds is to a charity, the annuity holder would receive a charitable deduction from the gift tax for the gift to charity. He or she may also receive a federal income tax deduction for the charitable gift.

The other option would be for the annuity holder to make a gift (by assignment or otherwise) of the entire annuity contract. Assigning the ownership of the annuity contract allows the gift recipient the choice of retaining the contract, and thus retaining the income tax deferral of the interest earned within the annuity. Of course, the recipient can also

surrender the contract and receive the cash immediately. For contracts issued after April 22, 1987 that are owned by individuals, when making an assignment or transfer the annuity owner is treated as having received an amount equal to the gain in the annuity (i.e., cash surrender value of the contract at the time of the gift, less his or her basis in the contract—the premiums paid). Thus, the annuity owner must immediately recognize as ordinary income any gain in the contract and the transferee/recipient's basis is increased by the amount taxed to the donor. This rule does not apply to transfers between spouses, or transfers incident to divorce. If it is an assignment of a contract issued before April 23, 1987, the annuity owner does not recognize gains until the maturity or surrender of the contract by the transferee/recipient. The cost basis is carried over and the annuity recipient recognizes income on distributions from the annuity based on the exclusion ratio of the contract.

The annuity owner cannot avoid recognizing gains experienced in a deferred annuity by making a gift of the annuity to a charity. The annuity holder would be allowed an income tax deduction for the charitable gift of the contract. In the year of the gift, the annuity owner must recognize any gain in the policy. However, the annuity owner does not need to reduce the value of the charitable gift by the amount of the gain.

ANNUITY RATES

Looking for the most up-to-date annuity rates? Visit us at:
<http://www.premierbrokerage.com/annuitycorner.php>

UNDERWRITING CORNER

This month, we are featuring a special article written by our National Accounts Director, Brenda Davis.

► Savvy Underwriting

By Brenda Davis, CLU, ChFC – National Accounts Director, Premier Brokerage

You've spent weeks (often time months) collecting data from your clients, identifying their objectives, discussing wealth management techniques, and ultimately recommending a life insurance strategy. The process doesn't stop there --- you then must search through the universe of life insurance products to determine which is the best fit, and of course complete due diligence on the financial strength of the insurance carriers that you are recommending. When all is said and done, you meet with your client yet again, and hopefully are able to convince them to agree to the plan that you have laid out. If you are successful, **A SALE HAS BEEN MADE** and you are ready to turn your attention to the next client needing your help.

A perfect picture of the sales process perhaps, but not a realistic depiction of the reality of the life insurance business today. There was a time when the sales process stopped once the client agreed to "buy" your product, and the rest was just considered to be an "administrative" necessity. That clearly is no longer the case. No longer do we have the days of "underwriting fairs", where underwriters would make aggressive underwriting offers "on the spot". The reality is that **uncompromising reinsurance treaties** have tightened the underwriting process; more and more **"first dollar risk"** is being ceded; and **the risk factors of an aging population** (with more and more diagnostic tools and treatments available) are getting increasingly difficult to evaluate.

The bottom line is that the most successful insurance producers in today's environment are those individuals who understand that the sales process does not end when the application is signed, and who commit equal time, resources and planning to the underwriting portion of the process. The savvy insurance agent understands that issues such as carrier capacity and reinsurance must be evaluated to ensure success, and sets his/herself apart from the competition by paying attention to things that other agents, simply put, ignore!

The following lists 5 items that the most successful agents in our industry are taking the time to do --- and you might not be. While some may seem simple, making these basis steps a part of your day-to-day sales process WILL allow you to say with confidence that you have positioned your clients to receive the most favorable possible underwriting consideration.

They Paint a Powerful Picture

A detailed cover letter is not a requirement, but often turns out to be a critical element in the underwriting process. The cover letter is the first thing that an underwriter picks up when they review your client's application for insurance. By

UNDERWRITING CORNER (CONTINUED)

painting a picture of your client's current situation up front, you will not only avoid needless questions and delays, but will also **create an environment where the underwriter is part of - rather than an obstacle to - the sales process.**

They Provide Complete and Consistent Data

The savvy insurance agent ALWAYS records his/her client's medical history completely and accurately in the non-medical section of the application, even when it is not required. This allows them to fully understand their client's medical situation up front. You would never recommend a wealth management strategy without collecting and understanding all of the applicable data; how could you possibly recommend the best insurance strategy without doing the same? ***Remember, underwriters make unfavorable decisions more often based on what they don't know (but suspect) than on what they do know.***

They Prepare their Clients for the Process

Limra statistics say that when a client has been advised of the underwriting process in advance, the agent is 47% more likely to place the insurance policy. When a client understands that the underwriting process is ultimately for their benefit (after all, if insurers took on every risk at the same cost, can you imagine how much life insurance would cost?!), they are much more likely to be comfortable. Additionally, preparing for an exam just makes sense --- taking the right pre-exam precautions can result in better cholesterol, better blood pressure and ultimately a better rate class! The underwriting process is still a mystery to most in the financial professionals and especially to their clients. The savvy agents understand that by educating their clients on the underwriting process (rather than apologizing for it) they provide a value service that others are not.

They Know that Size Does Matter

Even if someone wants life insurance, is willing to pay for it, and the coverage is financially justified, it does not automatically mean that an insurance company will offer to insure them. The savvy insurance agent knows the importance of terms such as jumbo limits, autobinding, first dollar quota share and internal retention, and recognizes when they might come into play. They know that insurance capacity is entirely different than financial justification, and that something as simple as the order in which you submit your applications could make millions of dollars of difference of available coverage.

They Bring in the Experts

More than anything, the Savvy Insurance agent embraces the value of partnering with firms that provide the same level of expertise and professionalism that they do. They know that it is more important now than ever to work with underwriting experts that are uniquely experienced to respond to their needs. At Premier Brokerage we consider ourselves to be visionaries, always ahead of future underwriting trends. We are a proactive force, creating success rather than waiting for it to happen. And we believe the true measure of our worth is our ability to help you build a more profitable business.

Premier Brokerage has a clear understanding of the intricate process, and specializes in helping you place your most important life insurance cases. Thank you for giving us the opportunity to earn your business --- we salute you for your past accomplishments, and look forward to continuing to be a part of your future successes!!

LIFE SETTLEMENTS

IRS Posts Life Settlement Rulings

By Allison Bell – Published – 5/4/09 – National Underwriter

The Internal Revenue Service has come out with two batches of advice discussing how buyers and sellers of in-force life policies should treat the transactions.

<http://www.irs.gov/pub/irs-drop/rr-09-13.pdf> discusses the tax implications for insureds who sell policies.

IRS Revenue Ruling 2009-14 discusses the tax implications for companies or others that buy policies and receive the benefits when the insureds die.

In the first ruling, officials one situation involving an policyholder insured who surrenders a policy from a U.S. insurer with a cash surrender value of \$78,000 in policy year 8; a second situation involving a policyholder insured who sells the same policy in policy year 8; and a third situation involving a policyholder insured who sells a policy with no cash value in policy year 8.

If the insured surrenders the policy and the cash surrender value is greater than the amount of premiums the insured has paid, then the difference between the cash surrender value and the total premiums paid for coverage will be taxed as ordinary income, officials write.

If the insured sells the same policy, then the insured must calculate the "adjusted basis" by totaling the amount of premiums paid, then subtracting the cost of the insurance protection from the premium total. If, for example, the insured has paid \$64,000 for coverage with a \$10,000 cost of insurance, and then sells the policy for \$80,000, the adjusted basis is equal to \$64,000 minus \$10,000, or \$54,000.

The insured must pay taxes on an amount equal to the sale price minus the adjusted basis. In the example given, the amount would be \$26,000 -- \$80,000 minus \$54,000.

The difference between the policy's cash surrender value and the total amount premiums paid -- in this case, \$78,000 minus \$64,000, or \$14,000 -- will be taxed as ordinary income, and

the rest of the sale price will be taxed as a long-term capital gain, officials write.

In the third case, involved a term life contract, the insured would end up having to pay taxes on most of life settlement transaction proceeds, and the proceeds would be treated as long-term capital gains, officials write.

In IRS Revenue Ruling 14, officials describe one situation involving a company that pays \$20,000 for an in-force life contract written by a U.S. insurer. The policy will pay \$100,000 in death benefits. The company pays \$9,000 in premiums to keep the policy in force, and then the insured dies.

In the second situation, the insured stays alive, and the first purchaser of the policy sells it to a second party unrelated to it or the insured.

In the third situation, the buyer of the policy is a foreign corporation.

In the first situation, officials write, the taxed amount is equal to the death benefit, minus the total value of premiums the company pays to keep the policy in force, minus the amount paid to the insured. In the example given, the taxable amount would be \$71,000 -- \$100,000, minus \$9,000, minus \$20,000.

The amount taxed would be treated as ordinary income, officials write.

The sum of the premiums paid and the amount paid to the insured -- \$29,000 in this case -- would be the life settlement company's adjusted basis.

In the second situation, if the life settlement company that bought the policy had an adjusted basis of \$29,000 and then sold the policy to another company for \$30,000, it would have to recognize \$1,000 in revenue -- the difference between the adjusted basis and the resale price -- and the revenue would be taxed as a long-term capital gain, officials write.

In the third situation, involving a foreign life settlement company buyer, the buyer still would have to recognize \$71,000 in taxable income, just as in the first situation, officials write.