PREMIER
BROKERAGE SERVICES
A Gallagher Company

THE BOTTOM LINE

Volume 14, Issue 1 | January 2021

Premier Brokerage Service's Monthly Industry Newsletter

Please Join Us For A Special Webinar

Tuesday, February 23, 2021, at 11:30 AM EST

Building Effective LTC Strategies For Your Clients

Long-Term Care is part of a solid retirement plan, but it's a conversation that is too often avoided or suffers from lack of success. Please come join us to learn how to customize LTC planning for your clients and how these strategies can help lead to more success.

Our discussion will include:

- **Guiding you through the LTC conversation with clients**
- **Using LTC cost calculators effectively**
- **How men and women differ in their attitude towards LTC planning**
- **Being a Problem Solver vs. a Salesperson**
- **Handling client misconceptions**
- **Sales ideas to get you started**

Date:
Tuesday, February 23, 2021

Time:
11:30 AM EST

Webinar Link:
Join the Meeting
(https://tinyurl.com/2021-LTC-Webinar)
Meeting number (access code): 652-848-517
Dial by phone: (646) 749-3122

RSVP to your Premier Sales Rep by Feburary 19th

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PREMIER NEWS

Steven Katz Recognized by NAILBA for his Contributions to the Insurance Profession

Steven J. Katz has been selected as a **2020 NAILBA ID Award Winner**, honoring Independent Distribution's most courageous innovators, change-makers, trailblazers, visionaries, leaders, techies, marketers and operations gurus!

The award winners were announced Dec. 16, 2020, during NAILBA's annual conference, which this year extends from the traditional three-day event to a three-month virtual experience ending Feb. 24, 2021. Steven Katz and the other award winners are featured on NAILBA.org, spotlighted in the first quarter edition of NAILBA's Perspectives magazine and contacted throughout 2021 for their expert insight on various industry issues.

A committee of seven BGA principals, carrier representatives and industry partners selected the award winners from more than 50 nominations. NAILBA sought nominations from the industry (promoted via social media and direct email) for twenty insurance professionals who have made important contributions to the insurance profession.

ABOUT NAILBA

NAILBA is the premier trade association promoting financial security and consumer choice in the insurance and financial services marketplace through independent, wholesale brokerage distribution channels. As the largest community of independent agencies and advisors, NAILBA advocates for America's life, health, annuity, and other supplemental insurance distributors, while also providing resources, educational information and tools through its digital and print platforms.

CARRIER NEWS

AIG

Announces New Select-a-Term Rates

We are saying cheers to a new year-and new Select-a-Term rates. As of **January 19, 2021**, there will be premium rate changes which will consist of a mix of increases and decreases with some cells being left unchanged.

Here's how strong we are in our target cells ($250,000 and up):

- Over 70% of the premiums rank in the top 3, and nearly half rank in the top 2

We are especially strong for larger face amounts ($500,000 and up):

- Among these cells, over half of the premiums, 53%, rank number 1; 70% are in the top 2; and 84% are in the top 3

With the new rates, there is a renewed emphasis on the 10-year duration at face amounts $250,000 and above:

- Nearly one-third are in the top 2, and approaching half are in the top 3

Transition Rules

- Applications received in the Home Office before January 19, 2021, will automatically receive the old product rates unless the new product is specifically requested.
- **Any requests to get the new product must be made prior to policy issue or conditionally issue.**
- Applications received in the Home Office starting January 19, 2021, through February 14, 2021, will **manually** be given the product with the lowest rates **prior to policy issue**.
- Applications received in the Home Office February 15, 2021, and later will automatically be given the new product rates.
- Reissue requests to new plan will NOT be honored.
- New applications submitted to replace existing inforce coverage with the new rates will not be honored within 90 days of the existing coverage going inforce.

Applications Received via AG Quick Ticket

- Applications received in the Home Office before January 19, 2021, will automatically receive the old product rates unless the new product is specifically requested.
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- New applications submitted to replace existing inforce coverage with the new rates will not be honored within 90 days of the existing coverage going inforce.

Announces New Select-a-Term Rates – New York

We are saying cheers to a new year-and new Select-a-Term rates in New York. As of **January 19, 2021,** there will be premium rate changes which will consist of a mix of increases and decreases with some cells being left unchanged.

Here's how strong we are in our target cells ($250,000 and up) in New York:

- About two-thirds of the premiums rank in the top 3; approaching half are in the top 2, and almost a quarter are ranked #1

We are even more competitive for larger face amounts ($500,000 and up):

- Around 70% are in the top 3; roughly half in the top 2; and almost a quarter rank number 1

With the new rates, there is a renewed emphasis on the 10-year duration at face amounts $250,000 and above:

- Over half are in the top 3, and over 35% are in the top 2

Transition Rules

- Applications received in the Home Office before January 19, 2021, will automatically receive the old product rates unless the new product is specifically requested.
- **Any requests to get the new product must be made prior to policy issue or conditionally issue.**
- Applications received in the Home Office starting January 19, 2021, through February 14, 2021, will **manually** be given the product with the lowest rates **prior to policy issue**.
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- Reissue requests to new plan will NOT be honored.
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EQUITABLE

Announces the Removal of IUL Protect Series 160 for New Sales

We continue to review our life product offering and sales volumes. Accordingly, we are making a change to the new business portfolio.

Effective January 8, 2021, IUL Protect Series 160 will no longer be available for sale in all jurisdictions for the general market.

Applications signed by and received at the Equitable Life Operations Center by the close of business on January 8, 2021, will be permitted.

JOHN HANCOCK

Announces Temporary Term Minimum Changes

We want to begin by thanking you for your continued partnership in 2020. Despite challenges at every turn, together we were able to keep business moving forward. We hope you were able to take time over the holidays to rest and gear up for what is sure to be a busy and successful year.

As we start 2021, we acknowledge that we continue to fall short of expectations in the New Business and Underwriting operations areas. Volumes are

up sharply and, when paired with the iterative interruptions and delays caused by our recent conversion to a new application processing platform, many have experienced processing times that are not on par with our normal service levels. We apologize for any inconvenience this has caused you or your clients and are working every day to improve.

In order to accelerate a return to service levels that are consistent with our commitment to you, effective January 28, 2021, we are temporarily raising our minimum face amount for term insurance to $750,000.

Temporary term change minimum changes

- Applications under $750K in face amount must be signed and received by the John Hancock home office on or before Wednesday, January 27, 2021, in order to be issued.
- Any application received on or after Thursday, January 28, 2021, with a face amount of $749,999 or lower will be returned.

At the close of last year, we successfully completed the conversion to the new processing system and have other initiatives planned for 2021 that we believe will alleviate delays and frustrations.

As those digital integrations progress, and we are able to support business with the high level of service you have come to expect from us, we will reevaluate and adjust term limits accordingly.

LINCOLN FINANCIAL

Announces Pricing Update: Lincoln LifeElements ® Level Term (2019)

Effective January 11, 2021, Lincoln is announcing pricing updates to Lincoln LifeElements® Level Term (2019) which will improve competitive positioning in key cells. Lincoln LifeElements® Level Term offers both a traditional paper application process and a streamlined Tele-App process for electronic and paper ticket submissions.

Pricing Updates

- The majority of the following core cells, all term durations, will rank in the top 3 compared to key competitors:
  - Face amounts of $1M and above, age 30 and above
  - Face amounts of $500k-999k, ages 50 and above
- Premium updates will be a mix of both decreases and increases

Transition Guidelines

For states that are approved at rollout, there is a 30-day transition period which begins on **January 11, 2021 and ends on February 10, 2021.** During the transition period:

- **New applications received and applications currently in underwriting** will automatically receive the lowest rates available.
- **For LincXpress Tele-App** cases a complete ticket and required solicitation forms must be received.
- **For policies already issued,** Lincoln will accept a written request to change to the Lincoln LifeElements® (2019) – 01/11/21 rates.
- **For policies already placed,** Lincoln will not allow rewrites to the Lincoln LifeElements ® (2019)- 01/11/21 rates.
- **States approved after rollout,** the above will automatically apply based on the availability date.Explore insurance & annuities/Lincoln VULONE (2019)/ Performance /Prospectus and Reports tab. Click here to view a copy of the prospectus.

Announces Pricing Update: Lincoln TermAccel ® Level Term (2019)

Effective January 11, 2021, Lincoln is announcing pricing updates to Lincoln TermAccel® Level Term (2019). Lincoln TermAccel® offers an entirely electronic, streamlined interview process with fully automated underwriting and no APS requirement.

Pricing Updates

- The majority of core cells, for all term durations, ages 30 – 60 and face amounts of $5OOK – $1M, will rank in the top 5 compared to key competitors.
- Preferred Plus class will remain ranked mainly in the top 4 – 8 compared to key competitors.
- Premium updates will be a mix of both decreases and increases.

Transition Guidelines

For states that are approved at rollout, there is a 30-day transition period which begins on **January 11, 2021 and ends on February 10, 2021.** During the transition period:

- **New applications received and applications currently in underwriting** will automatically receive the lowest rates available.
- **For policies already issued,** Lincoln will accept a written request to change to the Lincoln TermAccel® (2019) – 01/11/21 rates.
- **For policies already placed**, Lincoln will not allow rewrites to the Lincoln TermAccel ® (2019)- 01/11/21 rates.
- **For states approved after rollout**, the above will automatically apply based on the availability date. Lincoln TermAccel ® (2019) is not available in New York.

NATIONWIDE

Announces CareMatters® II Product Update

Nationwide is committed to carefully managing our life product portfolio to remain a strong, stable carrier you can rely on. To keep this commitment – and in response to the sustained low interest rate environment and regulatory updates – Nationwide will implement pricing updates to Nationwide CareMatters® II. This is a change to premiums and Guaranteed Cash Value tables only.

There are no changes to the product structure, contract language, forms, or types of benefits provided. There is no change to in-force policies because of this update.

Product Changes

We took a surgical approach in determining premium changes to ensure Nationwide remains competitive in our target market. Within our target market, ages 40 to 65, we chose to remain very competitive on multi-pay premium policies, specifically those with 3% compound inflation protection.

Effective January 11, 2021, for new business within our target market, you can expect the following premium increases, on average:

	3% Compound Inflation	No Inflation
Single Pay:	8%	11%
Multi Pays:	11%	16%

(Couple, Nontobacco, Minimum Refund of Premium with Maximum LTC Benefit option)

Premium changes outside of our target market will vary based on the characteristics of your case.

We have also increased the Guaranteed Cash Value tables as a part of this product update. For new

business, you can expect the following increases to Guaranteed Cash Value tables, on average:

Policy Year 20	Policy Year 25	Policy Year 30
8%	6%	4%

Increases will also vary by age and underwriting class.

While current interest rates and economic conditions necessitate these changes, Nationwide is committed to offering competitive long-term care solutions for you and your clients.

Transition Guidelines

Effective January 11, 2021, Nationwide is repricing the Nationwide CareMatters II product for all new business.

Important Dates:

Application Signed Date Sunday, January 10, 2021	"In Good Order" applications must be signed by January 10, 2021 to receive the old pricing (pre-January 11, 2021 pricing). Applications signed after this date will receive the new pricing. A Policy Date of January 10, 2021 or prior will be applied to the policy once issued if the additional criteria below are met. These same rules apply to pending cases as well.
Application Received Date Friday, January 22, 2021	Applications signed by January 10, 2021 must be received at Nationwide no later than January 22, 2021 in order to receive the old pricing.
Funding Deadline Friday, March 26, 2021	Applications signed by January 10, 2021 and received by January 22, 2021 must be in force and funded, or in the case of 1035 exchanges requested by March 26, 2021.

**For applications signed January 11th, 2021 or later please be sure you have a current sales proposal. Use the following link for a current version: https://nationwidefinancial.com/iApp/ssc/tool/illustrations/lifemgr.action*

Backdating

Reminder – backdating prior to the application signed date is not permitted on the Nationwide CareMatters II product for any reason.

Underwriting Deadline

Sunday, January 10, 2021

- Last day to reopen a current Nationwide CareMatters II application that was closed due to outstanding underwriting requirements or was considered "Not Taken."
- If not reopened by this date, it will be considered an application for the newly priced Nationwide CareMatters II product, regardless of the original application date.

PRINCIPAL
Announces Product Update including Suspension of GUL and SGUL

With the prolonged low-interest rate environment, we've made the difficult but prudent decision to discontinue the Principal Universal Life Protector V (UL Protector V) and Principal Survivorship Universal Life Protector III (SUL Protector III) products, **effective Jan. 15, 2021**. Important dates for getting these products while still available are:

- New applications must be received in the home office by **Jan. 15, 2021**. That date will also be the last day you'll be able to quote the products.
- All requirements, including premium, must be received in the home office by **Feb. 15, 2021.**

While we're not introducing a replacement survivorship product, we remain committed to the legacy and estate planning market. We'll continue to evaluate options for providing a solution designed to work well in that market in the future and will update you accordingly.

NEW - UL Provider Edge II

This new current assumption universal life product will feature the following:

- Affordable premiums with optional, extended no-lapse guarantees to age 100
- An accelerated death benefit option for chronic illness
- An innovative, optional rider that provides death benefit increases to keep pace with the increasing value of a business
- Cash value accumulation

These features make it an attractive alternative to guaranteed universal life insurance for cases where lower-cost protection is the priority—or for funding business solutions.

Principal's new current assumption product (which was introduced on January 19, 2021) is extremely competitive, offering premiums almost identical to the prior GUL premiums. The new product will provide **guarantees to age 100** as well as **cash accumulation which can be used for living needs and/or future exit strategies.** This product is expected to be a **big player in the protection life insurance market in 2021.**

We will have the ability to illustrate this new product (ULPE 2 with ENLG) on January 19th --- in the meanwhile, take an unofficial look at how the premiums stack up against the prior UL Protective V (GUL) premiums when you guarantee the death benefit to age 100. We will keep you posted as we learn more about this exciting new product!

1MM Face Amount to Age 100 Standard	UL Protector V Premium	ULPE 2 with ENLG Premium
Male Age 35		
1mm All Pay	7,020.75	7,019.08
20 Pay	11,143.36	11,140.45
10 Pay	18,626.01	18,621.33
Male Age 45		
1mm All Pay	9,874.97	9,874.01
20 Pay	14,811.04	14,809.43
10 Pay	24,616.27	24,613.71
Male Age 55		
1mm All Pay	15,833.94	15,834.12
20 Pay	22,030.44	22,030.71
10 Pay	35,930.63	35,931.07
Male Age 65		
1mm All Pay	26,780.36	26,777.24
20 Pay	33,183.63	33,179.20
10 Pay	52,912.71	52,905.94
Male Age 70		
1mm All Pay	38,347.03	38,338.11
20 Pay	43,550.79	43,540.67
10 Pay	66,782.64	66,765.10
Male Age 75		
1mm All Pay	52,795.39	52,766.10
20 Pay	55,926.72	55,895.68
10 Pay	83,748.19	83,693.80
Male Age 80		
1mm All Pay	97,063.49	97,048.13
20 Pay	97,063.49	97,048.13
10 Pay	132,361.60	132.328.81

UL Flex III

Pricing for this product will be updated for new policies, beginning Jan. 19, 2021. Important dates can be found in the UL Flex III transition guidelines. The following changes from the current product version will be part of the updated product:

- Policy charges include a combination of slight increases and decreases.
- The guaranteed minimum interest rate for cash value is reduced from 2% to 1%.
- The 10-year No Lapse Guarantee (NLG) provision is reduced at older issue ages to a minimum of five years.
- The policy loan charge rate and loan crediting rate are reduced.

Informal applications

We're lifting the temporary suspension of informal application submissions, effective Jan. 19. Beginning on that date, we'll start accepting informal applications that meet the requirements listed below. But we'll also monitor volumes and placement rates and will adjust the program's availability as needed.

- Minimum face amount of $5 million
- If less than $5 million, must meet $10,000 in planned annual premium
- Minimum issue age 50; maximum issue age 75
- Ratings continue to be limited to Table 6 for ages up to age 59 and Table 2 for age 60 and above
- Term or permanent product
- Cover sheet that includes planned premium amount and offer needed to win the case

Accelerated underwriting

While 2020 posed many challenges, it also presented opportunities. As we begin 2021, we're working on updates to the Principal Accelerated Underwriting program to further enhance the experience of the life insurance applicant during the purchase process. Stay tuned for more details on this program.

PROTECTIVE

Announces Pricing Updates for for Classic Choice Term

Starting January 11, 2021, Protective Classic Choice term will have even lower rates, putting it in the Top 3 or better 95% of the time in monthly pay scenarios and in the Top 3 or better 92% of the time in annual pay scenarios. We have also made several other changes, including raising the maximum issue ages in our 10 – 30 year term periods, to help you offer this market leading term product to even more clients.

Details about enhancements to the product:

- **Extending maturity age**
  - To help you serve more clients, we are increasing the maturity age from 90 to 95.
- **Increasing maximum issue ages**
  - We also increased maximum issue ages across several term periods to help you cover even more clients.

	10-Year	15-Year	20-Year	25-Year	30-Year	35-Year	40-Year
Select Preferred	18 – **80**	18 – **75**	18 – **70**	18 – **60**	18 – **58**	18 – 50	18 – 45
Preferred Non-Tobacco	18 – **80**	18 – **75**	18 – **70**	18 – **60**	18 – **58**	18 – 50	18 – 45
Non-Tobacco	18 – **80**	18 – **75**	18 – **70**	18 – **60**	18 – **58**	18 – 50	18 – 45
Tobacco	18 – 75	18 – 68	18 – 62	18 – 52	18 – 43	18 – 40	18 – 40

- **Increasing the policy fee**

Our policy fee will be increasing from $55.00 to $65.00, but will remain fully commissionable!

We recently added guaranteed, level-term options at 35 and 40 years, in addition to our 10-, 15-, 20-, 25- and 30-year term periods. Protective is now one of only three national carriers to offer more than 30 years of level term coverage. Plus, our maximum issue ages for our 35- and 40-year term periods are in line with (or better than) other top carriers. And as always, you can accelerate your business by using Protective Velocity – our suite of digital solutions.

Transition Rules:

- **For ticket business and direct writers:** applications must be signed and received by the Home Office on or before Monday, February 8 to receive current rates.
- **For paper business:** applications must be signed and received on or before Monday, January 25 to receive current rates.
- **Any application in underwriting on Monday, January 11** may choose between the old and new version of the product but will retain the rates initially quoted, unless otherwise requested up until the case has been approved.

SYMETRA

Announces the Discontinuation of Guaranteed Universal Life Product Sales

As you know, Symetra has long held to our guiding principles of Value, Transparency and Sustainability (VTS). Due to the continued and prolonged low interest rate environment and competitive landscape, we have decided to discontinue sales of our guaranteed universal life insurance products, which include our currently sold Symetra UL-G and the previously suspended Symetra Survivorship UL-G.

Please see below for important dates and transition rules.

Important transition rules

Dec. 31, 2020

- All formal Symetra UL-G applications must be received at Symetra's home office in good order (fully completed, signed and dated) to secure the product.
- Symetra UL-G will be removed from Symetra Life Illustrator and all other systems where the product is illustrated.

Jan. 29, 2021

- Cases must be issued/paid. For 1035 exchange cases, the deadline will be extended if the only outstanding requirement is the receipt of 1035 funds.

We appreciate the business you have placed with us and look forward to serving your future life insurance needs. We remain committed to the life insurance space and to offering strong and valuable product solutions to your clients, including Symetra Protector and Accumulator Indexed Universal Life and Symetra Term Life.

COMPETITIVE ANALYSIS: Stress Testing

In response to a growing demand for **Competitive Intelligence**, Premier Brokerage continues to provide LifeTrends analysis to our producers.

LifeTrends is one of the top consulting firms in the insurance industry, specializing in **Consultative Product Due Diligence**, **Competitive Intelligence**, & **Customized Benchmarking**.

What this means to you is the chance to "wow" your clients with information that they are not getting from their other advisors, keeping you one step ahead of your competition.

One thing that differentiates top producers from the competition is the ability to show their clients not only "numbers on an illustration", but also how the product holds up in the face of real life circumstances. Premier has commissioned LifeTrends to perform a number of Stress Tests which analyze how specific carriers and products perform under specified conditions.

LifeTrends has already completed its first three stress tests: 1) Catch Up Premium Analysis, 2) Missed Premium Analysis, and 3) Paid Up Death Benefit Analysis.

We can provide you with multiple reports at multiple ages and rates. If you would like a copy, please contact your sales representative: ***Corporate Headquarters:*** *800.543.5555;* ***Miami Office:*** *800.683.3077*

Gender	Male
Age	55
Risk Class	Preferred

Universal Life - No Lapse Guarantee - Catch-Up Premium

Male, Age 55, Preferred Risk Class, $1,000,000 Level Death Benefit

Pay the lifetime level premium and skip premium payment in a year, then solve to catch up the policy

				New Premium to Maturity with Missed Premium in:						One-Time Catch-Up Premium Immediately after Missed Premium in:					
				Year 4		Year 11		Year 20		Year 4		Year 11		Year 20	
Company	**Product**	**Rank**	**NLG Lifetime Premium**	**Premium**	**% Increase**	**Premium**	**% Increase**	**Premium**	**% Increase**	**Premium**	**Ratio**	**Premium**	**Ratio**	**Premium**	**Ratio**
Protective	Lifetime Assurance UL	1	$12,828	n/a	n/a	$13,750	7.19%	$13,750	7.19%	n/a	n/a	$25,750	2.0	$25,750	2.0
American National	Signature Guaranteed UL	2	$12,924	n/a	n/a	$14,000	8.33%	$14,250	10.26%	n/a	n/a	$26,500	2.1	$26,750	2.1
Principal	UL Protector V	3	$13,000	n/a	n/a	$14,000	7.69%	$14,000	7.69%	n/a	n/a	$28,250	2.2	$28,250	2.2
Penn Mutual	Guaranteed Protection UL	4	$13,002	$13,892	6.85%	n/a	n/a	n/a	n/a	$26,742	2.1	n/a	n/a	n/a	n/a
Nationwide	No-Lapse Guarantee UL II	5	$13,045	$14,693	12.63%	$14,743	13.02%	$14,844	13.79%	$37,451	2.9	$37,260	2.9	$35,928	2.8
Nationwide	Indexed UL Protector II	6	$13,245	$14,387	8.62%	$14,431	8.95%	$14,532	9.72%	$36,582	2.8	$36,454	2.8	$35,432	2.7
American General	Secure Lifetime GUL 3	7	$14,021	$15,500	10.55%	$15,750	12.33%	$16,250	15.90%	$29,250	2.1	$29,250	2.1	$32,500	2.3
Securian Financial	Eclipse Protector II IUL	8	$14,249	$15,250	7.03%	$15,500	8.78%	$15,750	10.53%	$30,750	2.2	$30,750	2.2	$30,750	2.2
Symetra	Symetra UL-G 7.0	9	$15,033	n/a	n/a	$15,716	4.54%	$15,758	4.82%	n/a	n/a	$30,653	2.0	$30,646	2.0
Protective	Advantage Choice UL 12-19	10	$15,210	$16,000	5.19%	$16,000	5.19%	$16,000	5.19%	$31,500	2.1	$31,000	2.0	$31,000	2.0
North American	Custom Guarantee (Gen 9)	11	$15,957	$17,000	6.54%	$17,000	6.54%	$17,250	8.10%	$31,250	2.0	$31,250	2.0	$31,250	2.0
North American	Protection Builder IUL	12	$15,957	$17,000	6.54%	$17,000	6.54%	$17,250	8.10%	$31,250	2.0	$31,250	2.0	$31,250	2.0
Protective	Indexed Choice UL 12-19	13	$15,971	$16,750	4.88%	$16,750	4.88%	$17,000	6.44%	$33,000	2.1	$32,750	2.1	$32,750	2.1
Lincoln Financial	VULOne (2019)	14	$16,080	$17,124	6.49%	$17,208	7.01%	$17,436	8.43%	$32,880	2.0	$32,868	2.0	$33,600	2.1
Lincoln Financial	LifeGuarantee UL (2019) - 05/11/20	15	$17,069	n/a	n/a	$18,309	7.26%	$18,389	7.73%	n/a	n/a	$43,855	2.6	$41,149	2.4

*Products without premium solve options are rounded to the nearest $250

Values derived from carrier illustrative systems. Not to be distributed to the general public.

LifeTrends®

ADVANCED SALES

Update on IRC 7702

The Consolidated Appropriations Act 2021 (CAA) which was signed into law on December 28, 2020, is a $2.3 trillion spending bill focused on economic stimulus relief. The bill includes a provision which did not receive a significant amount of immediate attention but **may position accumulation Life Insurance products to thrive in a low-interest rate environment**. The focus of the provision is the **reformation of IRC 7702**, the section of the Internal Revenue code which defines life insurance for tax purposes.

IRC Section 7702 states that for a contract to be treated as a life insurance for federal tax purposes, it must satisfy one of two actuarial tests which impose limitations on the amount of premiums paid into the contract and/or the amount of cash value which can accumulate relative to the level of death benefit protection. The limitations are based on complex actuarial calculations which determine the present value of future death benefits. **The minimum interest rate for these calculations was set at 4% in 1984 and has remained unchanged, despite that interest rates have declined for the past 30+ years and remain at unprecedented low levels**.

Section 205 of the CAA changes IRC 7702 by **incorporating a dynamic interest rate** model for defining statutory minimum interest rates, allowing the minimum interest rate to change over time in line with economic indices. The CAA changes will apply to **life insurance contracts issued after December 31, 2020;** there is speculation that further guidance may be forthcoming to assist insurers in transitioning to the new model.

What this Means to You and Your Clients

A full understanding of the changes to IRC 7702 is still evolving. What is important to keep in mind is that while section IRC 7702 now **allows** carriers to adopt the new model, it does not **mandate** that they do so. When considering the redesign of their accumulation products, carriers must determine how to handle the **potential impact on target premiums** as well as how to navigate their **existing premium caps**. Experts anticipate that it could be months before re-designed accumulation products are introduced; the ultimate design will determine the true impact on the efficiency of accumulation life insurance products.

What we do know is that under the revised IRC 7702, **policyowners may be able to put significantly more premium into certain life insurance products**. This will increase the policyowner's basis in the contract which, in turn, will allow them to **withdraw higher amounts from the policy on a Tax-Advantaged basis --- reinvigorating life insurance as an attractive investment vehicle**.

The ramification of CAA 2021's impact on the life insurance industry is expected to evolve throughout 2021. Your Premier team will work closely with the industry's top insurers and keep you apprised of the expected product changes as well as the emergence of significant opportunities for your clients.

REVENUE GENERATING SALES IDEA

Paying For Health Care Costs With Life Insurance

by: Welcome Funds, Inc.

A study released by the American Cancer Society in May 2019 found that the high cost of health care in the U.S. is causing financial hardship for more than half of all American adults. Based on data collected from the National Health Interview Survey, the study documented that 56% of adults reported at least one instance of financial struggle due to medical expenses in the past year.

The financial strain created by health care costs is especially acute among seniors, many of which have been forced to confront the unwelcome surprise of having their retirement budgets compromised by medical bills. In fact, a 65-year old couple retiring in 2019 can expect to spend $285,001 in health care and medical expenses throughout retirement (up from $280,000 in 2018), according to Fidelity Investments' 2019 Retiree Health Care Cost Estimate. For single retirees, the health care cost estimate is $150,000 for women and $135,000 for men.

"For many, loss of health can be the most devastating wildcard in retirement," according to a report from Age Wave, a firm that studies the aging population in the U.S. "Health problems and the cost of healthcare now top the list of retirement worries — and even more so among the affluent."

Seniors who are facing financial pressure created by unexpected health care expenses should explore a solution that can be extremely beneficial.

Rethinking Life Insurance Policy

As of last year, there were nearly 290 million life insurance policies in force in the U.S., making it one of the most common financial assets owned by American consumers. But what happens when life insurance policies no longer serve its original intended purpose?

To help assess whether a life insurance policy is still wanted or affordable, a few questions should be asked: Is any life insurance coverage still necessary to provide heirs financial protection? If so, what is the right amount of life insurance coverage to maintain? Are the current premiums on the policy exceeding the retirement budget? Have changes to estate or tax brackets affected the need for the policy? Is it necessary to generate cash from the policy to offset other retirement expenses, such as health care bills?

Potential Strategies to Consider

There are multiple policy exit strategies available to help pay health care bills, upon concluding that a life insurance policy is no longer serving its original purpose. Please find below eight strategies, which offer some degree of financial relief for seniors. All of these options should be considered prior to lapsing, canceling or surrendering a life insurance policy.

1. Living Benefits

Some policies include an Accelerated Death Benefit (ADB) rider allowing the option to accelerate a portion of the death benefit payment. Eligibility for this option typically requires the insured to have a certified life expectancy of less than 12 months from his/her attending physician. The ADB option, if available, may be defined in the life insurance contract and/or maybe verified through the life insurance company.

2. Premium Waiver

Some policies have a rider that allows the policy to remain in force in the event the insured becomes disabled. The life insurance company will reduce or eliminate the premium required as long as the insured qualifies for this provision. The Disability Waiver of Premium (DWP) option, if available, may be defined in the life insurance contract and/or maybe verified through the life insurance company.

3. Use Cash Value to Pay Premiums

Cash value policies may allow a policy owner to discontinue paying premiums if there is sufficient account value in the policy to cover the monthly cost

of insurance. This is typically only a short-term solution since the cash value will eventually be depleted.

4. Reduce Face Value of Policy

A life insurance company may permit the policy owner to lower the death benefit of the policy in order to decrease premium payments - such desired reductions should be communicated to the life insurance company.

5. Change to "Paid-Up" Policy

If there is significant cash value in the policy, then the life insurance company may offer a reduced death benefit and waive future premiums in exchange for keeping the entire cash value.

6. Policy Loan from the Life Insurance Company

If a policy has an accumulated account value, then the life insurance company may allow borrowing against a portion of it. The amount borrowed will be deducted from the death benefit, until the loan is repaid.

7. Third-Party Loan

It may be possible to secure a loan or credit line from a bank or another authorized lender. This third-party lender will typically require personal collateral or may use the life insurance policy as sole collateral. Qualification and closing requirements for third-party loans vary and may not be available in all states or to all policy owners.

8. Sell the Policy

The best option may be selling a policy in exchange for a lump sum cash settlement or retained death benefit - this is called a "life settlement" transaction. It is advisable to work with a licensed life settlement broker who determines policy eligibility and represents the policy owner's best interests throughout the process. The licensed broker will require a completed application, if eligible, which includes obtaining policy information and health details of the insured. The broker will then negotiate with multiple state licensed buyers who compete to extend the best offer to purchase the policy.

Conclusion

Of all these options, life settlements will likely generate the largest amount of immediate cash flow to help pay for immediate and ongoing health care bills. Life settlement transactions are highly regulated, with laws in over 40 states, and the industry has been experiencing steady growth in recent years as more seniors become aware of the option to sell their unneeded, unwanted and cost-prohibitive life insurance policies.

UNDERWRITING INSIGHTS

Underwriting in Q1-2021

by: Greg Rorer, VP of Underwriting

As we happily say good-bye to 2020, we all look forward to a new and improved 2021. It has to get better, right?

In the life insurance world, we must recognize that many of the Insurance carrier underwriting guidelines implemented during the COVID pandemic will remain in place at least through the first quarter of 2021. The life insurance carriers will continue to analyze data in an attempt to assess the long-range implications of COVID-19 on their mortality expectations.

As we kick off 2021, we are all strategizing the best way to succeed in the coming year. The need to social distance, the lack of available exam vendors, and the reluctance of clients to leave their homes put distance between you and your clients in 2020. This was unnatural for insurance professionals who thrive on personal interaction.

Like in most catastrophic events, there were some silver linings to our pandemic experience.

Personally, we were all able to spend more time with our families and find time to appreciate some things that are often overlooked in our busy lives. Professionally, the carriers were forced to make changes to remain viable that resulted in many permanent improvements.

1. In response to the COVID impact on "business as usual", the rush to accelerated underwriting processes skyrocketed. Many life insurance carriers reported record numbers of new business applications. The electronic application and accelerated underwriting platforms have been a wonderful enhancement to our life insurance process. Future increases to the face amounts and plans available through this process is expected.

2. The use of electronic health records to expedite the underwriting process in a more timely, cost-effective manner.

3. COVID-19 prompted a very real-time awareness by consumers for LTC which resulted in a huge boost in sales of the product.

4. The use of electronic deliveries and DocuSign are now commonplace.

5. You developed a new form of effective communication through Zoom, GoToMeeting, etc.

While these changes help you process your business, it will be more important than ever to spend time re-connecting with clients and sharpening your field underwriting skills to improve your success rate. I spent a great deal of my time in 2020 guiding producers through the fast-changing COVID underwriting landscape to make sure we positioned clients with the appropriate carrier, based on the risk factors they presented.

Quality field underwriting will be a vital tool for success in 2021!

While the electronic process provides faster results, it is not for everyone. It is important to identify possible risks upfront that could impact a successful transaction.

It is important to ask your clients questions about their health history to manage expectations.

Here are some basic questions that you should always ask your client. It is important to obtain dates related to any histories the client provides.

- What is your height/ weight?
- Do you use tobacco or marijuana? What form?
- How frequently?
- Do you have any health issues?
- Do you take any medications?
- Have you tested positive for COVID-19?
- Have you experienced any symptoms?

COVID exposure does not mean they cannot get insurance! Individuals who have been exposed to COVID-19 or tested positive for COVID-19 will be postponed for 30 days and will be reconsidered subject to satisfactory evidence showing they have fully recovered.

Do you have any co-morbidity COVID conditions such as cancer, heart disease, diabetes, cardiovascular conditions, and respiratory disorders? Carriers are underwriting these conditions more stringently today. Some carriers are limiting coverage based on an applicant's body mass index (BMI) alone. This type of field underwriting is critical in today's COVID environment, especially at the older ages.

The older age applicants will continue to be underwritten very carefully. The majority of carriers are currently not considering applicants over the age of 70. The few that might consider will only do so if they are considered Standard risks. You should question this age group carefully about their health and medications they may take.

Carriers have maintained rate class limitations for clients in the age 60 - 70 range that spans from Table 2 to Table 6. This is a wide variance. Obtaining health information upfront can help me steer you to the right carrier to avoid an unnecessary decline/ postpone "due to our current COVID underwriting criteria". This vague carrier response was commonplace in 2020.

It's my goal to drastically reduce this type of outcome in 2021. Successful underwriting requires an effective team approach. It starts with good field underwriting.

I urge you to reach out to me to discuss any applicant that presents with health histories mentioned above. I am here to help assess your client's health risk and facilitate the best outcome possible. I look forward to partnering with you to make 2021 a prosperous New Year!

ANNUITY CORNER

Study Big Financial Planning Opportunities In Women's Market

by: InsuranceNewsNet.com

According to the latest Women's Retirement Literacy Report from The American College of Financial Services, four out of five (82%) older American women report having a plan for retirement income.

Yet the results reveal a staggering gap between women with an idea about retirement income options and the ones who have a formal, written retirement plan in place, which is just one in three of the women surveyed.

The research also reveals nine in ten (94%) women with partners or spouses equally share or lead financial decision-making for their households, with female retirees and pre-retirees (ages 50-75) more open to financial advice than men.

This combination of decision-making power and openness to advice indicates that women are a critical audience for financial advisors[1]. The study shows this is a clear opportunity for financial professionals to expand their business by providing guidance to women to build financial strategies and close the planning gap. Women reported retirement income planning, guaranteed lifetime income, and health and long-term care among the greatest areas of concern.

These findings are part of the third iteration of the Retirement Income Literacy Survey from The American College of Financial Services, testing consumers' knowledge about retirement income concepts and focusing on the drawdown phase when Americans have limited or no ability to earn additional money through work. The 2020 study expanded the scope of those surveyed to include Americans ages 50-75.

"There are enough things to lose sleep over, but not having a financial plan should not be one of them," said Hilary Fiorella, Executive Director of the Center for Women in Financial Services at The American College of Financial Services. "Advisors need to understand that women may come to the table with different approaches to retirement planning, with many thinking about finances holistically and maybe more conservatively than men. Whether that conservatism is based on fear or misinformation is an ideal place to start a conversation with an advisor. While this research suggests lower retirement literacy levels than men, women also demonstrate an awareness of their knowledge level, admitting what they don't know and prioritizing financial education and advice – the sign of an ideal client relationship."

Closing the Knowledge Gap: Retirement Income Planning and Finding Guaranteed Income are Key Focus Areas for Women

Retirement literacy remains low overall, with 89% of women and 72% of men receiving a failing grade on a 38-question retirement literacy quiz. The research suggests retirement income plans are less formal or not well understood for men and women alike, further underscored by consumers' lack of confidence:

- Only one in four women (14%) feel knowledgeable about retirement income planning.
- Four in ten women (43%) feel less comfortable with investment risk because of the COVID-19 crisis.
- Only 16% of women feel very knowledgeable about investment considerations for retirement planning, though self-reported knowledge seems to increase with age and assets.

- Even fewer – 14% of women – feel knowledgeable about strategies for sustaining income in retirement.

Yet women demonstrate they are ready and willing to build a meaningful retirement plan. Six in ten women (61%) believe good advice from a financial professional is very important to satisfactory portfolio performance, more so than men who feel the same way.

Guaranteed income is also a major concern: seventy percent of women emphasize the value of guaranteed income sources, a total that is even higher among eight in ten (80%) Black women and Hispanic women (77%). Yet despite this perceived importance, women rate their own knowledge as low when it comes to the sources to build a guaranteed lifetime income:

- Only two in ten (20%) women feel highly knowledgeable about Social Security.
- Only one out of ten (10%) respondents feel educated about annuity products in retirement.
- "Women are concerned about running out of money in retirement and more than half want their advisors to educate them on strategies to protect against investment risk and on how to prudently spend each year to ensure they don't outlive their assets," said Timi Jorgensen, PhD, Assistant Professor and Director of Financial Literacy at The American College of Financial Services. "Women and their advisors should prioritize understanding of retirement savings vehicles and how guaranteed income fits into a retirement income strategy."

Long-Term Care Fraught with Concerns, Misconceptions: Gap Exists Between Care Need, Funding Plan

Women outscored men on the understanding of who pays for long-term care, though only three in ten women (30%) correctly stated that most expenses are paid for by Medicaid, compared to just one in five men. Still, half of women express a high level of concern about the cost of healthcare in retirement, with one-third (34%) saying they worry about paying for long-term care expenses.

Only 12% of women feel highly knowledgeable about long-term care, and the research reveals a sizable gap exists between believing long-term care is likely and having a funding plan to support it:

- 50% of women expect to require long-term care in the future, yet fewer than three in 10 (27%) have a plan to fund a long-term care need.
- Only one in four (27%) women claim they own any type of insurance that would cover long-term care needs.
- Black and Hispanic women are less likely to believe they will develop a care need, even though national studies suggest Black and Hispanic women are especially likely to be caregivers, and caregiving can negatively impact their health.

"There is a troublingly low level of self-reported and tested knowledge surrounding long-term care needs," said Jorgensen. "Long-term care is a critical issue for this audience, and advisors can help women close the gap from theoretical to practical in terms of expected long-term care need and how it's paid fo r."

For more information about the Retirement Income Literacy Survey results and to take the quiz, visit theamericancollege.edu/retirement-income-literacy-survey.

[1]A properly registered Investment Advisor Representative affiliated and supervised by a Registered Investment Advisor.