



THE POWER OF LIFE EXPECTANCY

Mary Kraft is a 63-year-old female who is a 50% partner in a thriving Health Care business. Her advisors recommended that her partner purchase a \$5,000,000 life insurance policy on Mary's life to fund a Buy Sell Agreement.

All parties agreed that life insurance was the ideal funding vehicle for the Buy Sell, and given that Mary had no intention of 'retiring' from the business, all felt that permanent insurance was the best solution.

During the underwriting process, it was uncovered that Mary had a history of coronary artery disease. **This medical history resulted in a Table D rate class and an increase in annual premium from \$88,106 to \$126,630.**

The advisor realized that the life expectancy for an individual rated Table D would be significantly lower than a Standard risk. He discussed with Premier's VP of Underwriting, who informed him that **the life expectancy of a 63-year-old Table D female decreases from age 85 to age 81.** By taking advantage of American General's 'premium kick-up' concept, he created the following case design which provided an attractive alternative to the policy owner:

- Annual Premium to Guarantee \$5 MM to age 100: \$126,630
- Annual Premium to Guarantee \$5 MM to age 83:
(two years past life expectancy) \$99,058
- Kick-up Premium to Guarantee for additional 5 years (88): \$195,887
(seven years past life expectancy)

The bottom line is that by being aware of the impact of rate classes on Life Expectancy, and by being cognizant of the carriers with the most attractive dial down/kick-up features, the advisor was able to provide a creative illustration design that provided permanent protection at an acceptable cost.