

The Efficient Edge - *Life Insurance Facts*

- 90% of contracts are not performing as projected
- Life insurance fails because of:
 - Improper acquisition based on certain assumptions in illustrations
 - Lack of property management
- Life insurance is the least managed asset
- Life insurance service and maintenance model is “broken”. Agents are not paid to provide service
- Illustrations are only educational as to the explanation as to how the policy may work under certain assumptions but cannot be used as a predictive tool
- Life insurance is a complex financial asset that merits on-going management
- Life insurance is a very competitive product centric sale distribution environment that lacks independent objectivity
- Consumers, advisors, and trustees lack property management processes and analytic tools to manage life insurance
- There is a lack of any actuarial science methodology that can be applied to the management of life insurance property, i.e. Monte Carlo simulation tool
- There is a lack of understanding of how life insurance works, the assumptions used and how illustrations are built
- The “game” is rigged in favor of the “house” (insurance companies) due to the lack of truly independent and professional insurance advocacy, which in turn can empower the consumer to acquire and manage policies that are appropriate to their unique circumstances and resources
- There is a lack of understanding of how life expectancies play a role in policy management
- Optimizing return on capital/investment methodology is non-existent
- How do you analyze the truth of the life insurance illustration?
- Regulatory environment, litigation and the application of the Uniform Prudent Investors Act are a serious concern to many
- Trustees lack necessary analytic tools to fulfill their “standard of care” fiduciary duty