

# **An Important Time to Revisit Your Life Insurance Products**

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Since the origination of traditional whole life insurance, life insurance products have gone through a dramatic metamorphosis. The most significant underlying change to insurance products over the years has been in the area of consumer responsibility.

Originally, life insurance products were designed in such a way that the insurance companies took all the risk. The first whole life policies were non-participating (no dividends) and offered guaranteed death benefits and cash values (albeit nominal). However, as consumers have demanded greater internal returns and flexibility, so too have they had to take on more personal responsibility.

Universal life, variable universal life and even whole life policies have non-guaranteed elements. The dividends, credited interest rates, mortality costs and subaccount performance are variable components of various types of products. Therefore, a life insurance illustration reviewed when purchasing your policy, is just that, an illustration. If any assumption changes from the time of issuance, it can have a profound impact on the long-term performance of your product.

To be more specific, if you had purchased a universal life or whole life policy during a period of higher fixed interest rates, current lower rates may jeopardize the long-term continuation of your policy. The same is true of a variable life policy in which average annual subaccount performance was estimated to be higher than actual performance.

When purchasing a policy, certain assumptions must be made to illustrate how your product is projected to perform, what premium flow is required to maintain your contract, and other important information. With the significant decline in interest rates over the past number of years and with the more recent downturn of the stock market, it is likely that your insurance policy is not performing as you expected. This fact may correct itself in future years if returns once again match or exceed expectations. However, in the meantime, it is important to revisit your insurance policies.

Inforce illustrations can be generated to demonstrate how your policy is expected to perform based more current assumptions. Such updated illustrations can readily indicate whether additional premiums will be required to maintain your policy as long as originally planned. As with any financial instrument, prudent and deliberate maintenance is required to assure that your life insurance policies meet your long-term objectives.

If you would like to review your life insurance policies, please give us a call.

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