

POLICY CHANGES AND . . . .

THE

*McHugh*

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GROUP INC.

*Est. 1977*



❖ **SOME RULES**

❖ **SOME IDEAS**

❖ **SOME “TRAPS”**

# COI CHANGES

**Innovision** - YRT *to* Level

**Security UniversalLife** - 10 year *to* Level

Form needed: Application for change no evidence of insurability  
(NN0739)

Service standard: 15 days

Commission payable: no commission on Innovision  
25% on Security UniversalLife - no override

- *Surrender charges, if any, will not be affected by this change*
- *Security UniversalLife became Security UL 25 September 2004*

# TERM CONVERSIONS

## What you need to submit

1. A Term Conversion Application (NN0431)  
Or  
An Application for Change (NN7001)
  - a. Rating reconsideration
  - b. Healthstyle improvements

## PLUS

2. A signed product page
  3. A signed illustration page for the new policy (except Signet)
  4. The full initial modal premium
- ❖ Service standard: 5 days
  - ❖ Can now be tracked on RepSource
  - ❖ Full first year commission with override payable if original term coverage is more than 12 months paid – adjustment required if under 12 months paid

# PARTIAL CONVERSIONS

- ❖ Allowed on in force term plans to any new permanent plan
- ❖ Balance of original term policy may be carried over as a layer of Term-10 or Term-20 coverage or Term-10 or Term-20 rider on the new policy **without evidence of insurability** as long as there is no increase in face amount.
- ❖ Term rider premiums based on current rates and age of insured person on his birthday nearest the conversion date
- ❖ A new 10 or 20 year coverage period begins
- ❖ Full first-year commission and override on the **base coverage** and renewal commission on the term coverage

# SCENARIO FEATURE

**Manulife Universal Life - InnoVision - Quick Quote - NONAME**

File Edit Go To Report Advisor Tools Marketing Materials Help

Product:  InnoVision with VC  InnoVision with IA  Security UL Effective Date: 04Sep2009

Designed for: Mr\_Client Advisor: McHugh, Corey

Quick Quote Concepts

**Client / Coverages**

Type:  Death benefit type:

Full name:  Sex:  DOB:  Age:  Healthstyle:

Cost (COI) Type:  Insurance rating  Term rider type:

Coverage amount:  Term rider amount: \$

\$  Duration:  years

Wealth enhancer

**Deposits**

Type:  Policy interest rates:  %

Frequency:  Side account interest rates:  %

Duration:  Marginal tax rate:  %

Custom

Update summary

1st year MINIMUM deposit: \$1,967.40

1st year MAXIMUM deposit: \$34,703.23

Policy death benefit type: Face plus

Policy interest rate: 3.000%

Side account interest rate: 3.000%

Marginal tax rate: 50.00%

Client(s)

Mr. Client

Male, 45, HS 3

Level COI

\$100,000

Wealth enhancer

Increases and decreases

Term rider

10 year

\$900,000

Deposits:

(solve ...)

Exempt status:

100/900 200/800 300/700 400/600 500/500 Delete 500/500

NUM

# TERM CONVERSION

Client's Name

Term conversion

August 25, 2009

## INSURANCE PROPOSAL

60  
INSURANCE AGE

\$1,000,000  
COVERAGE AMOUNT

## REFERENCES

LE  
LIFE EXPECTANCY

IRR  
INTERNAL RATE OF RETURN

AT  
AFTER TAX (Assuming 50% MTR)

Year	Age
1	60
2	61
3	62
4	63
5	64
6	65
7	66
8	67
9	68
10	69
11	70
12	71
13	72
14	73
15	74
16	75
17	76
18	77
19	78
20	79
21	80
22	81
23	82
24	83

## CURRENT \$1,000,000 T-20

Current Manulife	Accum. Premium	Death Benefit	IRR
\$4,697	\$4,697	\$1,000,000	
4,697	8,394	1,000,000	
4,697	14,091	1,000,000	
4,697	18,788	1,000,000	
4,697	23,485	1,000,000	
4,697	28,182	1,000,000	
4,697	32,879	1,000,000	
4,697	37,576	1,000,000	
4,697	42,273	1,000,000	
27,887	70,160	1,000,000	
27,887	98,047	1,000,000	
27,887	125,934	1,000,000	
27,887	153,821	1,000,000	
27,887	181,708	1,000,000	
27,887	209,595	1,000,000	
27,887	237,482	1,000,000	
27,887	265,369	1,000,000	
27,887	293,256	1,000,000	
27,887	321,143	1,000,000	
27,887	349,030	1,000,000	
0	0	0	
0	0	0	
0	0	0	
0	0	0	0.00%

## TERM - 20 yr

TOTAL PREMIUMS PAID  
INS COVERAGE  
IRR @ LE (83)

\$349,030  
\$0  
0%

CURRENT 20-YEAR TERM  
Premiums increase every 20 years  
Policy expires at age 80

## PROPOSED UL MINIMUM PAY

Annual Premium	Accum. Premium	Death Benefit	IRR AI
\$20,728	\$20,728	\$1,000,281	
20,728	41,455	1,000,571	
20,728	62,183	1,000,863	
20,728	82,911	1,001,176	
20,728	103,639	1,001,554	
20,728	124,366	1,001,946	
20,728	145,094	1,002,351	
20,728	165,822	1,002,770	
20,728	186,549	1,003,205	
20,728	207,277	1,003,654	
20,728	228,005	1,004,119	
20,728	248,733	1,004,600	
20,728	269,460	1,005,099	
20,728	290,188	1,005,615	
20,728	310,916	1,006,149	
20,728	331,644	1,006,701	
20,728	352,371	1,007,273	
20,728	373,099	1,007,865	
20,728	393,827	1,008,478	
20,728	414,554	1,009,261	
20,728	435,282	1,010,077	
20,728	456,010	1,010,927	
20,728	476,738	1,011,815	
20,728	497,465	1,012,740	10.63%

## OPTION A - MANULIFE

\$497,465  
\$1,012,740  
10.63%

UL MIN. PAY - \$20,728 /yr FOR LIFE  
Minimum premium paid for life  
Cash value build up \$0

## PROPOSED UL 10 PAY

Annual Premium	Accum. Premium	Death Benefit	IRR AI
\$48,895	\$48,895	\$1,028,713	
48,895	97,789	1,058,287	
48,895	146,684	1,088,749	
48,895	195,579	1,120,124	
48,895	244,474	1,154,050	
48,895	293,368	1,189,337	
48,895	342,263	1,226,041	
48,895	391,158	1,264,218	
48,895	440,052	1,303,928	
48,895	488,947	1,345,231	
0	488,947	1,338,352	
0	488,947	1,331,196	
0	488,947	1,323,754	
0	488,947	1,316,013	
0	488,947	1,307,961	
0	488,947	1,299,586	
0	488,947	1,290,875	
0	488,947	1,281,814	
0	488,947	1,272,389	
0	488,947	1,262,587	
0	488,947	1,252,412	
0	488,947	1,241,847	
0	488,947	1,230,873	
0	488,947	1,223,470	9.59%

## OPTION B - MANULIFE

\$488,947  
\$1,229,470  
9.59%

UL 10 PAY  
\$1,000,000 minimum coverage for life  
Assumed 5% rate of return

# THINGS TO REMEMBER

- ❖ Ownership – if corporate, two signing officers and company seal
- ❖ Beneficiary – irrevocable ? → Then signature required!
- ❖ Special clauses such as an exclusion
- ❖ Substandard risk?
- ❖ Term policy conversions – Healthstyles
  - Healthstyle 1 and 2 can be maintained if original term coverage has been in effect for 10 years or less
  - If original term coverage has been in effect for more than 10 years, then Healthstyle 3
- ❖ Preferred Prepayment Option (PPO)
  - Available on all permanent level premium life insurance policies
  - Similar to a side account on UL policies
  - Interest earned in the PPO deposit account is taxable to the PPO owner
  - PPO owner not necessarily policyowner
  - Can only be established at policy anniversary or within 30 days of the anniversary
  - Must be for a minimum of 3 years and a maximum of 20 years

