

Innovations In Life ▼

Upside Potential, Flexibility Combine to Strengthen Today's IUL

Balancing risk and growth, products continue an upward trend



by **Tim Heslin**

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Two years ago, an article on the Fox Business website referred to index universal life insurance (IUL) as “an emerging and fast-growing contract design” that “may come very close to being the ideal contract for most consumers in today’s interest and overall market environment.”

Consumers seem to agree, if stats reveal a trend. As LIMRA President Bob Kerzner shared in an industry presentation on May 21, 2014, preliminary results for the first quarter of this year indicate that IUL premium rose 15 percent during the period and represented 39 percent of universal life sales, as well as 14 percent of total individual life premium.

That announcement followed a LIMRA press release of March 13, 2014, which shared that sales of IUL improved 13 percent in 2013 and recorded the greatest increase in absolute dollars compared to other product lines.

However, IUL didn’t have just a banner year or a banner quarter. In fact, “Sales of this product have grown considerably over the last decade as those nearing retirement seek to balance risk with growth that will support retirement income needs,” according to an update

posted April 23, 2014, on the National Association of Insurance Commissioners (NAIC) website.

With IUL, clients have the all-important protection of a death benefit, plus the potential for greater growth in their policy value, and the ability to make withdrawals from (not just borrow against) cash value in the policy, subject to the terms and conditions of the policy. The funds withdrawn are not taxable until the client has withdrawn more than he or she has paid in total premiums. Be sure, of course, to explain to clients that they should obtain independent tax or legal advice when reviewing their own circumstances.

Chronic Illness Covered

One of the newest IUL policies offers both a simplified death benefit with a no-lapse guarantee (now guaranteed up for 20 years or age 80, whichever comes first) and an optional rider designed to provide accelerated access to the death benefit, to help eligible policy holders pay for expenses related to a chronic illness. When the policy holder meets the health impairment criteria, he or she can access a predetermined portion of the death benefit every month for as long as the criteria is met, or until the total benefit amount is exhausted, whichever occurs first.

Remaining death benefit is paid to beneficiaries income tax-free. Again, inform clients that they should seek independent tax or legal advice when considering their own situation, but at any rate, don’t overlook the opportunity to discuss adding a chronic illness rider to an IUL policy as appropriate.

Consumers certainly seem to appreciate having the potential to access cash values in their policies to help pay for evolving health care needs, including chronic illness. As LIMRA reported on May 27, 2014, the number of life combination policies (including life with

chronic illness protection and life with long-term care benefits) rose 18 percent in 2013 over 2012, with total new premiums reaching \$2.6 billion in 2013.

Compared with whole life and variable life combination products, universal life (UL) continues to dominate the market, with 83 percent premium market share — so take the time to review innovative index UL products that offer accelerated access riders for chronic illness.

For example, one recently enhanced IUL product not only is available with a chronic illness rider, but also, offers the potential to access accumulated cash value through a new “choice” loan option that may help fund a variety of needs: education, retirement income and emergencies.

Unlike a standard loan, the choice loan amount is not deducted from any of the policy’s index or fixed accounts. The policy values in these accounts continue to participate in the index or declared crediting accounts. Loan interest charged and interest credited to the policy are not linked.

What’s more, it is possible as of this writing to offer clients an IUL product with increased cap rates (now at 13 percent) and higher participation rates (now at 70 percent), together facilitating greater opportunity for growth in cash value if the market performs well. Who wouldn’t welcome access to more cash value to help meet needs?

What does the client think?

From my perspective, if the client believes that their life circumstances may change, it might be wise to consider a cost-effective IUL policy that offers increased potential to evolve and adapt as needs change.

Indeed, with an IUL policy, the client might want to select from more death benefit options, increase the face amount after the issue date, or choose to have it increase as cash value inside the contract increases. Certain IUL policies or available riders also offer the opportunity to pay premiums in excess of the cost of coverage and allocate the excess premiums to the product’s index crediting strategies to potentially grow the cash value in the policy. More cash value can be a boon when circumstances change.

Whatever the circumstances, the degree of flexibility desired is foremost when helping consumers determine the type of life insurance and riders that might be most in sync with their needs, now and in the future. Does the client see value in having upside potential and first-class flexibility? If that’s the case, then make the case for IUL. ❖

For more information, contact our National Sales Desk at 1-800-677-3311 or visit www.RetireStronger.com

1 “Is There Really a Perfect Life Insurance Contract?” Tim Fussell, *Fox Business*, May 12, 2012, accessed June 11, 2014 at <http://www.foxbusiness.com/personal-finance/2012/05/02/is-there-really-perfect-life-insurance-contract>

2 “LIMRA’s Second Quarter 2014 Industry Briefing,” LIMRA, May 21, 2014, accessed June 11, 2014 at <http://av.limra.com/teleconferences/kerzner-2014-2>

3 “LIMRA Reports Individual Life Insurance Sales Flat in 2013,” LIMRA, March 13, 2014, accessed June 11, 2014 at http://www.limra.com/Posts/PR/News_Releases/LIMRA_Reports_Individual_Life_Insurance_Sales_Flat_in_2013.aspx

4 “Universal Life Insurance,” National Association of Insurance Commissioners (NAIC), last updated April 23, 2014, accessed June 11, 2014 at http://www.naic.org/cipr_topics/topic_universal_life.htm

5. Based on current federal income tax laws.

6 “LIMRA Study: Individual Life Combination Products Record Fifth Consecutive Year of Double-Digit Growth in 2013,” LIMRA, May 27, 2014, accessed June 11, 2014 at http://www.limra.com/Posts/PR/News_Releases/LIMRA_Study_Individual_Life_Combination_Products_Record_Fifth_Consecutive_Year_of_Double-Digit_Growth_in_2013.aspx

7 *Ibid.*

