

Surprises with Life Insurance

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We are currently in an economic environment that is creating increasing concerns about life insurance policies. It may not be the “all weather,” “sleep at night” contract you had imagined. Life insurance is often a misunderstood and complicated asset. We would like to bring clarity and a call to action so that your beneficiaries are assured they will receive the benefits you intend.

Many insureds are under the misperception that their life insurance policy will deliver at his/her death iron clad benefits to their beneficiaries. That may not be the case. Many life insurance policies are designed to stay in force *only* on the basis of critical (and often unrealistic) interest rate assumptions being met over the life of the policy. Based on the interest rate assumptions built into many

policies, the insured is unaware that his/her policy may be headed toward failure. How does this happen? For many (not all) policies, the premium payment alone is *insufficient* to keep the policy in force. Once received by the insurance company, the premium needs to be invested at a projected rate of return

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such that the premium plus that return are sufficient to keep the policy in force. If the assumed earnings rate is not realized, the policy may require increased premiums or, worse, be stripped away by the carrier who

will “foreclose” on the policy. This concern is magnified for second-to-die policies since those policies need to meet interest rate projections over two lifetimes in order to remain in force.

In the current low-interest rate environment, policy lapses and/or significant premium increases are not uncommon. As a result, additional funding is often required to keep the policy in force, and, in other cases, policies are becoming prohibitively expensive and forfeited.

There is a solution. Properly conducted, an “in-force policy review” or an actuarial analysis will identify those policies that are “damaged goods” and in danger of lapsing. Solutions to a failing policy can be explored

after that policy is identified as a candidate to lapse. The owner of a policy should ask the selling insurance agent for this review or other advisors for a referral to an agent skilled in uncovering the issues and presenting remedies.

Do not let the absence of a simple, but important, review process lead to a “foreclosure” on your life insurance policy. Your family, your business, and your favorite charities are counting on the policy to produce much needed financial relief upon your passing.

Moss & Barnett has the resources to help.



Dave Senger is a trusted estate planning legal advisor and veteran business law counselor. He chairs our wealth preservation and estate planning team and is a member of our business law team. Dave

represents both individuals and businesses to negotiate and structure tax-friendly, strategically significant commercial transactions and to plan the orderly transfer of their assets across generations.

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