

# INSURANCE CHECKUP EXAMPLES

## The Doctor

In Los Angeles, California, a producer was conducting an insurance checkup on behalf of a long-time friend and client who happened to be a highly successful thoracic surgeon. The goal of the checkup was to do four things: (1) Determine how much insurance was needed; (2) Determine how much insurance was owned; (3) Verify that the existing insurance was properly structured and that the policies were performing competitively relative to other products in the marketplace; and (4) Implement any changes necessary. Given that the client in this case was a longtime and very close friend, the desire to succeed was particularly important.

The insurance goals of the client, given his income of more than \$500,000 per year, his young family, and his combination of educational, personal, and business debt, were substantial. The total insurance need, based on what the client said he wanted to have happen, was more than \$6 million. Due to the client's need for cash flow to pay off debt, etc., the client decided that the \$6 million in coverage would be handled with a 20-year term life insurance contract at a premium of \$7,600 per year.

Four years later, the doctor was killed by a drunk driver who ran a red light at a busy intersection. A few weeks after the funeral, the producer brought a check for \$6 million to the doctor's widow. This is the power of life insurance.

## The Two Brothers

In a mid-sized community in the Southeast, a producer was conducting an insurance checkup of two brothers at the request of a referring trust officer. These two brothers owned a local manufacturing firm, a very, very successful business that gave them each a net worth of more than \$30 million and growing. Each brother owned a \$10 million second-to-die life insurance policy for estate tax purposes. As part of the due diligence performed during the insurance checkup, the producer found that their current carrier had been downgraded and that the policies were not performing as originally expected.

The producer proposed that the clients increase their coverage to \$15 million each, due to the current size of their estates and the prospects for growth. In addition, he suggested that the cash value from their existing life insurance coverage be transferred, via a 1035 exchange, to new insurance contracts with more competitive pricing and guaranteed performance. The brothers decided to accept the suggestions, and the brothers obtained life insurance coverage to meet their current estate planning goals, while the resulting sale generated over \$480,000 of revenue to the producer.

Life insurance policies issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policies may not be available in all jurisdictions.

