

**“WHAT I WOULD LIKE TO KNOW ABOUT THE LIFE  
INSURANCE BUSINESS IF I DIDN'T ALREADY KNOW IT  
(or at least thought I did)”**

**Presented By**

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**to the**

**NEW ORLEANS ESTATE PLANNING COUNCIL**

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- I. Insurance company mergers and conversions.
  - A. Merger examples (internal)
    - 1. Connecticut Mutual/Mass Mutual
    - 2. New England/Metropolitan
    - 3. AIG/American General
  - B. Merger examples (external)
    - 1. Citibank, Travelers, Smith Barney
  - C. Conversions
    - 1. Demutualization
    - 2. Mutual holding company
  - D. Why all this activity?
    - 1. Public capital (equity and/or debt)
    - 2. Increased market exposure/cross-selling opportunities
    - 3. Economies of scale
    - 4. Stock options to attract/retain top management.
  
- II. "New Products?" (recycled?!)
  - A. Variable Life (VUL, VWL, etc.)
    - 1. Equity Life (1960s-70s!)
    - 2. Single premium until 1987
  - B. Universal Life with death benefit guarantees
  - C. Long Term Care policies
    - 1. Disability income to LTC
    - 2. Life insurance (or annuities) to LTC
  - D. Annuities (Don't even ask!)
    - 1. Indexed
    - 2. Guarantees
  - E. General traits
    - 1. Premium and benefit enhancements are accompanied by less risk shifting!

- III. New tax laws
  - A. Treasury has always tried to tax the inside build-up of cash values!
  - B. They are now going after the death benefit (EOLI).
  - C. “Death tax” repeal?
  
- IV. Trustee involvement in irrevocable life insurance trusts (ILITS)
  - A. Communicate early on about fiduciary requirements and Crummey withdrawal provisions.
  - B. Individual trustee may actually have to serve!
  - C. Corporate trustees often inherit the mess!
  - D. Test the policies regularly!
  - E. “But he is a good friend who is involved each year. He would **never** sue me!” (It’s the **kids and their lawyers**, Dummy!)
  
- V. CPAs selling life insurance?
  - A. The issue is not who sells insurance!
  - B. The issue is who is qualified to sell the right kind of policy issued by the right company in the right amount to the right client.
  
- VI. What about equity products (mutual funds, variable annuities, etc)?
  - A. For that matter, will we have “multiple discipline practices” (MDPs)?

- VII. Buy/Sell planning for CPA (and law) firms for death, disability, and retirement!
  - A. Most such plans are drawn to lower standards than would be acceptable to or for those firms' clients!
    - 1. Emphasis is on billings/accounts receivable formula so firm payout is tax-deductible and, therefore, taxable to recipient.
  
- VIII. "Vanishing" premiums! (Premium offset)
  - A. Origin
    - 1. Early 80s: high interest rates followed by high bond and mortgage yields.
    - 2. Current (then) interest rates (universal life) and dividends (participating whole life) sufficient to support premium "vanish" in just 7 or 8 years after issue.
  - B. The problem.
    - 1. What goes up usually comes down. It did.
    - 2. "Vanish" point kept creeping further into the future (sometimes 15-20 years).
    - 3. Lawsuits were (are) plentiful.
  
- IX. Life Settlements
  - A. Threat (minor?) to carriers: no lapses!?
  - B. Convertible Term policies now included.
  - C. Bothersome math: Do the smart guys on Wall Street know something that we don't?
  
- X. Stranger Owned Life Insurance (SOLI)
  - A. Premium financing complicates.
  - B. Not in the fairway.
  - C. Insurable interest?