

Life Insurance Risk Management
THC Audit Program

THE HOLLEMAN COMPANIES



M Financial Group™

Member Firm

Introduction

In recent years the need for a “best practices” standard of due care for existing life policies has become increasingly important. This is particularly true in the aftermath of the 2008 financial crisis and the impact on the insurance carriers who issued and back these policies. In response to this growing need, The Holleman Companies has developed a program that provides a thorough review of life insurance policies that are owned by individuals, trust or employers. Our program is designed to provide our clients, trustees and advisors with a third party, objective and confidential evaluation. As a member firm of M Financial, we are well positioned to provide this valuable service to our clients and their advisors. We are also fortunate to have a highly qualified staff with the knowledge and experience to handle the most challenging life insurance issues.

The following information describes our audit process and fees for our services

Important Disclosures

All information received by The Holleman Companies (THC) prior to, during and after the audit process will be held in strict confidence and only shared with those parties as instructed by the policy owner(s)/ trustee(s).

Neither THC nor its representatives are not assigned as “agent or broker of record” for the policies with the insurance carrier. All request for policy information or administrative changes must be signed by the policy owner(s)/ trustee(s).

All policy information and records received by THC from the insurance carrier will be provided to the policy owner(s)/ trustee(s) in a timely manner.

THC and its representatives do not provide tax or legal advice regarding the policies but will assist the client’s advisors with information that may be helpful in rendering an opinion or recommendation.

Step 1 – Completion of the *Policy Confidential Questionnaire*

This provides us with very basic information regarding the policy that will enable us to prepare the Policy Authorization Letter. This should be completed for each individual policy subject to the potential audit. It is helpful to provide us with copies of policy documents listed on the questionnaire.

Step 2 – THC prepares the *Policy Authorization Letter*

This letter is faxed or mailed to the insurance carrier and must be signed by the Policy Owner(s)/ Trustee(s). The purpose of this letter is to authorize The Holleman Companies to obtain information about the policy from the insurance carrier. In rare cases the insurance carrier may require completion of their own authorization form.

Step 3 – THC receives basic policy information from insurance carrier

In most cases this will include the “type” of policy, the issue date and current policy values. Even if the policy owner has a current policy statement, we would prefer to request this directly from the insurance carrier.

Step 4 – THC prepares a *Client Engagement Letter*

Based upon the basic policy information received from the insurance carrier we will prepare an engagement letter that will include the services that will be provided by THC and the fee associated with our work. If agreed to, this letter will be signed by both parties.

Step 5 – THC and Policy Owner, Trustee or Advisor Conference

The purpose of this meeting or conference call will be to answer any questions regarding the work to be performed by THC and obtain any additional information regarding the client’s objectives that could be important in completing the audit process. This could include any pertinent estate/tax or investment planning issues and preliminary health of the insured(s).

Step 6 – THC request policy “in-force” ledger illustrations

Depending upon the type and structure of the policy THC will order a number of illustrations from the insurance carrier to complete our “stress test” analysis. The illustrations will provide future projected policy values, premium requirements, etc. based upon a variety of assumptions. The “turn around” time to receive these in-force projections vary from carrier to carrier. In addition to the in-force illustrations THC will request a copy of the original “as sold” illustration that the policy owner received when the policy was issued, unless this has already been provided to THC by the policy owner.

Step 7 – THC prepares the Policy Audit Report

We prepare a written report which includes all of the following:

- Current policy status statement – including, but not limited to current premiums, values, loans, interest rates, dividends, dividend options, owner and beneficiary of record.
- A policy performance review – how the policy has performed compared to the original projections
- A policy stress test analysis which illustrates how the policy may perform in the future based upon a variety of future premium and crediting rate assumptions
- Complete due diligence package relative to the insurance carrier’s financial stability
- An initial medical risk assessment to determine if there might be potential for improvement in the policy rating class
- A benchmark analysis to compare the current policy to other products in the marketplace
- Initial recommendations as to how the current policy might be improved or if other products may be available to enhance future values, reduce costs or be more suitable for the client’s objectives
- An analysis of how policy benefits and future performance meets the client’s planning objectives
- Any additional analysis which has been requested by the policy owner

Our Fees

Trust or Individually Owned Life Insurance

\$650 to \$950 per policy

Discount for Trustees and Advisors with 5 or more total policy audits

\$450 to \$750 per policy

*Please note that the above does not include any policies which have or will be premium financed

Corporate Life Insurance

\$750 to \$1,250 per policy

Any policies subject to Split Dollar plans, Buy Sell Agreements, 162 Bonus Plans, Qualified Retirement Plans and Non-Qualified Deferred Compensation Arrangements