

# Buy-Sell Life Insurance Policy Review Factfinder For Business Owners

Many wise business owners have adopted buy-sell (aka business succession/continuation) agreements to manage how the ownership interest of a departing owner is handled when he/she leaves the business. These agreements are important planning tools that help departing owners convert their interests into cash and remaining owners control the price of that interest and the identity of their business partners. Because death is often an event that activates the agreement, life insurance is often purchased to provide death benefits to fund all or part of the purchase price.

Life insurance policies are complex financial tools and managing them can be difficult. Consequently, it is usually wise to monitor the performance of the policies regularly. Here are some suggestions that may assist business owners in making decisions about the life insurance policies funding their buy-sell agreement.

## Questions Business Owners Should Ask

To determine if the life insurance policies are likely to provide reasonable benefits, the owners should consider finding the answers to these general questions:

1. What is the state of each policy today?
2. How is each policy likely to perform in the future?
3. What other life insurance options are available?
4. Are the life insurance policies a good value today and in the future?

## Information Needed for a Policy Review

The owners should regularly review each life insurance policy funding the agreement to make sure it will deliver the benefits desired when it was originally purchased. To conduct a thorough policy review, several pieces of information should be gathered and analyzed:

1. A summary of the policy's initial features, riders, and unique benefits
2. A copy of the original policy illustration
3. An inforce policy illustration for the current year with a projection for the future:
  - Using the policy's current crediting rate
  - Using a crediting rate at least 1% lower than the policy's current crediting rate
4. Inforce policy ledgers obtained in previous years
5. Information on the insurer's current financial condition and ratings:
  - At the time the policy was issued (Best, Moody's, Standard & Poors, etc.)
  - Today's condition and ratings.

## General Information on Insured(s)

Primary Insured's Name: \_\_\_\_\_ Birthdate: \_\_\_\_\_

2<sup>nd</sup> Base Insured (If Survivorship Policy): \_\_\_\_\_ Birthdate: \_\_\_\_\_

Insured's Address: \_\_\_\_\_

Insured's Telephone Number: \_\_\_\_\_ Insured's E-mail Address: \_\_\_\_\_

Purpose For Coverage: \_\_\_\_\_

## Specific Information for Each Life Insurance Policy

Name of Policy: \_\_\_\_\_ Policy Number: \_\_\_\_\_

Insurance Company: \_\_\_\_\_ Type of Policy: Term / WL / UL / VUL / 2<sup>nd</sup> to Die

Date Policy Issued: \_\_\_\_\_ Company Ratings Then: \_\_\_\_\_ Ratings Today: \_\_\_\_\_

Policy Owner: Insured / Spouse / Trust / Children Other: \_\_\_\_\_

Insured's underwriting class at issue: \_\_\_\_\_ Expected underwriting class today: \_\_\_\_\_

Policy Death Benefit: \_\_\_\_\_ Death Benefit Option: A B C

Policy Premium: \_\_\_\_\_ Expected Premium Period: \_\_\_\_\_

Are there other individual insured's (rider)? Yes No If yes, list name, age and amount below:

Name: \_\_\_\_\_ Age: \_\_\_\_\_ Amount: \_\_\_\_\_

Name: \_\_\_\_\_ Age: \_\_\_\_\_ Amount: \_\_\_\_\_

Name: \_\_\_\_\_ Age: \_\_\_\_\_ Amount: \_\_\_\_\_

Policy Crediting Rate on Issue Date: \_\_\_\_\_ Policy Crediting Rate History & Rate Today: \_\_\_\_\_

Policy Riders & Unique Features: \_\_\_\_\_

May any riders terminate before death? When & How? \_\_\_\_\_

Is policy convertible / exchangeable to any other policies? Which ones: \_\_\_\_\_

Date of Last Inforce Illustration: \_\_\_\_\_

Policy's Current Loan Balance: \_\_\_\_\_ Current Surrender Amount: \_\_\_\_\_

## Special Questions Related to Different Types of Policies:

- **Term Insurance** — When does coverage end? 10 yr, 20 yr, 30 yr. Is policy convertible without new underwriting?
- **Universal Life** — Does the policy have a death benefit guarantee? If so, is the guarantee still active?
- **Whole Life** — What dividend options have been used during the policy's life? Illustrate.
- **Variable Universal Life** — Does the policy have a death benefit guarantee? If so, is the guarantee still active?

# Policy Performance Over Time

Policy Identification: Policy #: \_\_\_\_\_ Insurer: \_\_\_\_\_ Type: \_\_\_\_\_

## I. Projection from Original Illustration for Current Policy Year

Year	Death Benefit	Annual Premium	Cash Surrender Value	Surrender Charge	Total Premiums	Company Ratings
Today						
+ 5 Years						
+ 10 Years						

## II. Values Today from Current Inforce Ledger at Current Crediting Rate

Year	Death Benefit	Annual Premium	Cash Surrender Value	Surrender Charge	Total Premiums	Company Ratings
Today						
+ 5 Years						
+ 10 Years						

## III. Values Today from Current Inforce Ledger at 1% Less Than Current Crediting Rate

Year	Death Benefit	Annual Premium	Cash Surrender Value	Surrender Charge	Total Premiums	Company Ratings
Today						
+ 5 Years						
+ 10 Years						

## IV. Summary of Historical Policy Performance from Inforce Policy Illustrations in Prior Years

Year	Death Benefit	Annual Premium	Cash Surrender Value	Surrender Charge	Total Premiums	Company Ratings

These materials are not intended to and cannot be used to avoid tax penalties and they were prepared to support the promotion or marketing of the matters addressed in this document. Each taxpayer should seek advice from an independent tax advisor.

The ING Life Companies and their agents and representatives do not give tax or legal advice. This information is general in nature and not comprehensive, the applicable laws change frequently and the strategies suggested may not be suitable for everyone. You should seek advice from your tax and legal advisors regarding your individual situation.

Life insurance products are issued by ReliaStar Life Insurance Company (Minneapolis, MN), ReliaStar Life Insurance Company of New York (Woodbury, NY) and Security Life of Denver Insurance Company (Denver, CO). Variable universal life insurance products are distributed by ING America Equities, Inc. Within the state of New York, only ReliaStar Life Insurance Company of New York is admitted and its products issued. All are members of the ING family of companies.

© 2011 ING North America Insurance Corporation cn67812082014

