



# TREAD LIGHTLY

YOUR ONLINE RESOURCE FOR UNDERSTANDING  
AND NAVIGATING THE LIFE INSURANCE INDUSTRY

## *Indexed Universal Life Policy Purchase Checklist*

Indexed universal life insurance is a complicated product with segment rate, expense, and mortality risk. The biggest mistakes we see with indexed policies pertain to crediting rates: policies illustrated at rates that cannot be substantiated. Be sure to request the rationale used to determine the policy-crediting rate illustrated. As with universal life insurance, the most common problems we see are policies not performing as projected, which generally means that the policy will lapse prior to the insured's death.

The answers to the questions on this checklist will help determine whether an indexed universal life policy will perform as projected and whether it will meet your needs.

CARRIER / POLICY NAME:

Carrier Rating AM Best:

Carrier Rating Comdex:

Carrier Rating ALIRT:

Is the carrier on any rating company's watch list?

Is there any public information on the carrier that could affect future ratings?

What is the crediting rate illustrated?

What is the minimum interest rate guarantee?

Did you receive an illustration at 1 percent below current crediting rate?

How are indexed crediting rates determined?

How often are indexed crediting rates determined?

How was the illustrated rate determined?

Does this policy contain a no-lapse guarantee?  
If so, how long does it last?

What happens to the no-lapse guarantee in the event of a missed premium?

Can missed premiums be made up to reinstate the no-lapse provision?

How can policy expenses change and how would you be notified?

How can mortality costs change and how would you be notified?

What riders are illustrated?

What is the loan rate of policy? Is it variable or fixed?

How is the loan rate determined?

How long do surrender charges last?

Did you follow the Life Insurance Underwriting Process Guideline Checklist?

Have you been provided with a financial profile on the carrier (such as ALIRT or VitalSigns)?

Is there an "early cash value" (ECV) rider available?

If ECV is available, have you compared it to a non-ECV contract?

Were you provided a final illustration that *exactly* matches the policy that was issued?

Have you verified that ownership and beneficiary designations are correct?

Has your agent committed to providing you an in-force ledger at least every two years?

Are there carrier incentives tied to the sale of this policy?