



# TREAD LIGHTLY

YOUR ONLINE RESOURCE FOR UNDERSTANDING  
AND NAVIGATING THE LIFE INSURANCE INDUSTRY

## *Universal Life Policy Purchase Checklist*

Universal life is a complicated product that contains interest, expense, and mortality risk. The most common mistake we see with universal life pertains to interest rate fluctuations. The policy is often sold at a crediting rate that is higher than the carrier returns during the life of the contract. The policyholder ends up owning a policy that will lapse well before his or her death due to the contract being underfunded. This happens frequently, so make sure you clearly understand the assumptions your policy projections are based upon and the rationale behind projecting policy values at that rate.

The answers to the questions on this checklist will help you determine whether a 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?

Is there a minimum interest rate guarantee?

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

How is the crediting rate determined?

How often can the crediting rate change?

What is the current general account return of the carrier?

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 this 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?