



TREAD LIGHTLY

YOUR ONLINE RESOURCE FOR UNDERSTANDING
AND NAVIGATING THE LIFE INSURANCE INDUSTRY

Whole Life Policy Purchase Checklist

Whole life insurance is a complicated, expensive, and extremely opaque product. The performance of whole life insurance almost always depends on the dividends, though dividends are far more volatile than most understand.

The primary mistakes most policyholders make revolve around crediting rates and understanding how participating dividends work. If you are looking at buying a policy that uses participating dividends, then you need to be confident that those dividends will perform for you; otherwise, you will not get a reasonable return on your investment and will be paying too much for that coverage.

Before purchasing one of these policies, it is important to get a written explanation regarding the carrier's dividend-crediting strategy. With this, you can better understand the effects of the changing interest rate environment and crediting rate on the performance of your policy.

This is the most common form of permanent insurance sold in the marketplace, but the majority of people selling these products will not be able to answer all of the questions on the checklist. That doesn't mean that you shouldn't be receptive to this type of policy if you believe it meets your needs, and it certainly doesn't mean that an advisor is misleading you or being dishonest if he or she can't initially answer these questions. Eventually, your advisor will need to supply you with this information and also be able to answer these questions in their proper context.

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

Are the nonforfeiture values' crediting rates illustrated?

What is the illustrated dividend-crediting rate?

How are dividend-crediting rates determined?

Have you received a written explanation from the carrier as to how the dividends are determined?

What is the current general account return of the carrier?

What dividend option has been illustrated?

What riders are illustrated?

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

How is the loan rate determined?

Do loans against the policy affect future dividends?

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)?

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?
