



# Insurance Evolution in an Advisory Environment

---

Jeff Hess,  
RIA Consultant

---

For Financial Producer use only. Not to  
be reproduced or shown to clients.

**Success,  
Insured.**

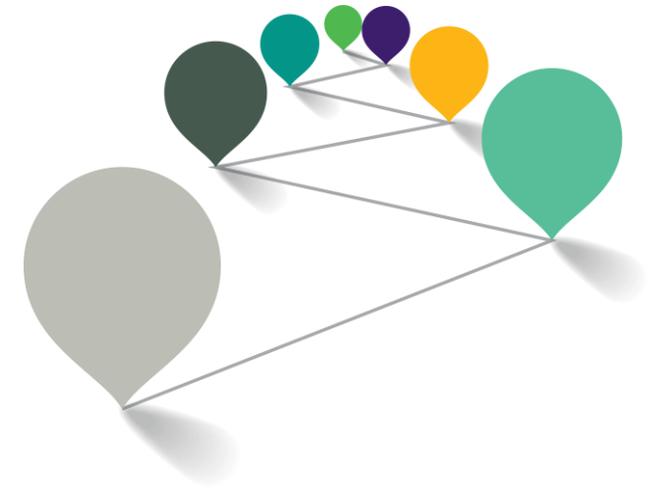
# Insurance Evolution in an Advisory Environment

1. How the Insurance Industry has Adapted to a Changing Environment
2. Looking Under the Hood of the Insurance Product
3. Managing Insurance in a Fiduciary World

# Insurance Professional & Financial Advisors

## Pre 1990

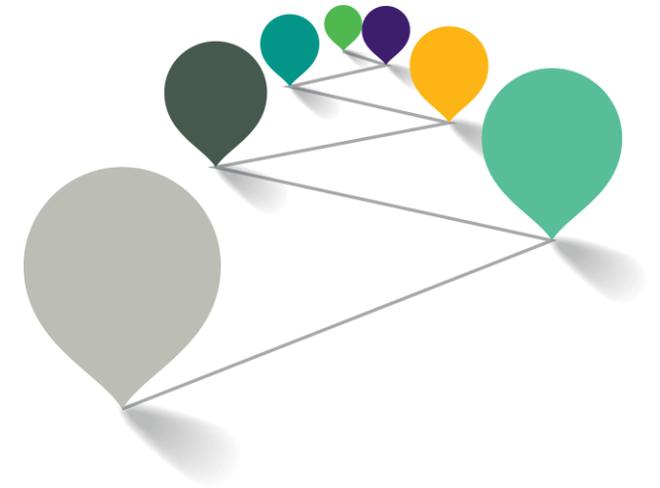
- Insurance professionals
- Investment professionals
- Financial Advisor
  - Provided opportunity for strategic alliances
  - Revenue received through commission



# Insurance Professional & Financial Advisors

## Pre 2000

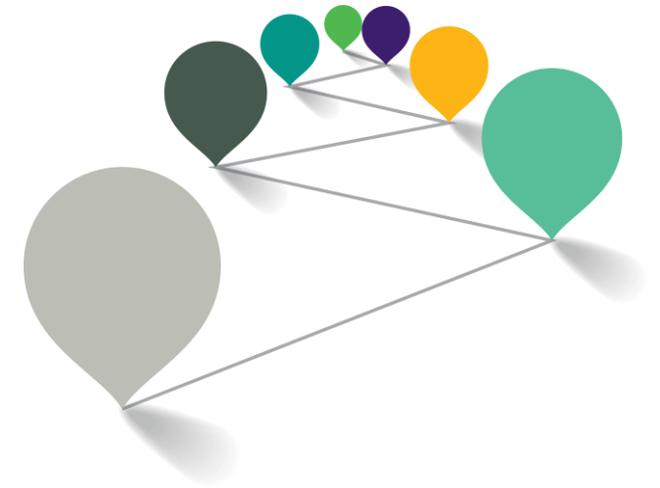
- Merging of the three professionals
- Fewer insurance professionals today



# Insurance Professional & Financial Advisors

## 2000 and beyond

- RIA model
- Growth of the fee-based and fee-only advisory space
- Strategic alliances have dwindled significantly



# Insurance Product Development

ADAPTING TO A  
CHANGING ENVIRONMENT

## Commission-free insurance?

- Reduced commission → Advisory-based solution

# Advisory-Based Life Insurance

- Product Availability
- Cash accumulation vehicles
- Not term or guaranteed universal life



Professional Advantage<sup>SM</sup> IUL  
**Cost and Expense Summary**



United of Omaha Life Insurance Company  
 A Mutual of Omaha Company

ADAPTING TO A  
 CHANGING ENVIRONMENT

Insured: Client Male, Age 50, Standard Non-Tobacco

Total Initial Death Benefit: \$1,000,000

Death Benefit Option: Increasing years 1 - 10  
 Level years 11 - 70

Annual Premium: \$26,546.95

End of Policy Year	At Age	Annualized Premium Outlay	Annualized Deductions					Non-Guaranteed		
			Premium Charges	Expense Charges	Cost of Insurance Charges	Total Rider Charges	Surrender Charges	End of Year Values		
								Accumulation Value	Surrender Value	Death Benefit
1	51	26,547	0	60	1,907	0	22,000	26,116	4,116	1,026,116
2	52	26,547	0	60	2,063	0	19,000	53,699	34,699	1,053,699
3	53	26,547	0	60	2,259	0	17,000	82,796	65,796	1,082,796
4	54	26,547	0	60	2,463	0	15,000	113,496	98,496	1,113,496
5	55	26,547	0	60	2,676	0	13,000	145,889	132,889	1,145,889
6	56	26,547	0	60	2,881	0	11,000	180,088	169,088	1,180,088
7	57	26,547	0	60	3,069	0	8,000	216,225	208,225	1,216,225
8	58	26,547	0	60	3,266	0	7,000	254,411	247,411	1,254,411
9	59	26,547	0	60	3,479	0	4,000	294,758	290,758	1,294,758
10	60	26,547	0	60	3,739	0	2,000	337,350	335,350	1,337,350
<b>Subtotals</b>		<b>265,470</b>	<b>0</b>	<b>600</b>	<b>27,804</b>	<b>0</b>				
11	61	0#	0	60	4,073	0	0	354,043	354,043	1,337,350
12	62	0#	0	60	4,431	0	0	371,399	371,399	1,337,350
13	63	0#	0	60	4,837	0	0	389,408	389,408	1,337,350
14	64	0#	0	60	5,292	0	0	408,059	408,059	1,337,350
15	65	0#	0	60	5,767	0	0	427,372	427,372	1,337,350
16	66	0#	0	60	6,262	0	0	447,365	447,365	1,337,350
17	67	0#	0	60	6,760	0	0	468,080	468,080	1,337,350
18	68	0#	0	60	7,289	0	0	489,527	489,527	1,337,350
19	69	0#	0	60	7,855	0	0	511,712	511,712	1,337,350
20	70	0#	0	60	8,494	0	0	534,606	534,606	1,337,350
<b>Subtotals</b>		<b>265,470</b>	<b>0</b>	<b>1,200</b>	<b>88,863</b>	<b>0</b>				

- \$90,000 of fees & expenses after 20 years
- 10-year surrender schedule

This is a supplemental illustration and is not valid unless accompanied by a complete Professional Advantage<sup>SM</sup> IUL Life Insurance Illustration. The benefits and values shown are not guaranteed and the assumptions on which they are based are subject to change by United of Omaha Life Insurance Company. Actual results may be more or less favorable.

Life Protection Advantage<sup>SM</sup> IUL  
**Cost and Expense Summary**



United of Omaha Life Insurance Company  
 A Mutual of Omaha Company

LOOKING UNDER THE HOOD

<b>Insured:</b> Client			Male, Age 50, Standard Non-Tobacco							
<b>Total Initial Death Benefit:</b> \$1,000,000			<b>Death Benefit Option:</b>		Increasing years 1 - 10 Level years 11 - 70		<b>Annual Premium:</b> \$28,690.48			
End of Policy Year	At Age	Annualized Premium Outlay	Annualized Deductions					Non-Guaranteed		
			Premium Charges	Expense Charges	Cost of Insurance Charges	Total Rider Charges	Surrender Charges	End of Year Values		
							Accumulation Value	Surrender Value	Death Benefit	
1	51	28,690	1,746	2,270	976	0	36,000	24,996	0	1,024,996
2	52	28,690	1,746	2,160	1,139	0	33,000	51,307	18,307	1,051,307
3	53	28,690	1,746	2,050	1,384	0	31,000	78,919	47,919	1,078,919
4	54	28,690	1,746	1,938	1,617	0	28,000	107,915	79,915	1,107,915
5	55	28,690	1,746	1,828	1,833	0	25,000	138,389	113,389	1,138,389
6	56	28,690	1,746	1,717	2,098	0	23,000	170,370	147,370	1,170,370
7	57	28,690	1,746	1,607	2,413	0	20,000	203,887	183,887	1,203,887
8	58	28,690	1,746	1,496	2,729	0	18,000	239,024	221,024	1,239,024
9	59	28,690	1,746	1,386	2,993	0	15,000	275,926	260,926	1,275,926
10	60	28,690	1,746	1,276	3,269	0	12,000	314,673	302,673	1,314,673
	<b>Subtotals</b>	<b>286,905</b>	<b>17,458</b>	<b>17,728</b>	<b>20,451</b>	<b>0</b>				
11	61	0#	0	1,513	3,625	0	13,147	326,498	313,351	1,314,673
12	62	0#	0	1,368	4,001	0	9,203	338,726	329,524	1,314,673
13	63	0#	0	1,223	4,306	0	6,573	351,457	344,884	1,314,673
14	64	0#	0	1,078	4,551	0	2,629	364,780	362,151	1,314,673
15	65	0#	0	931	4,694	0	0	378,837	378,837	1,314,673
16	66	0#	0	786	4,611	0	0	393,905	393,905	1,314,673
17	67	0#	0	641	4,860	0	0	409,689	409,689	1,314,673
18	68	0#	0	495	5,116	0	0	426,220	426,220	1,314,673
19	69	0#	0	350	5,494	0	0	443,413	443,413	1,314,673
20	70	0#	0	205	6,007	0	0	461,159	461,159	1,314,673
	<b>Subtotals</b>	<b>286,905</b>	<b>17,458</b>	<b>26,316</b>	<b>67,717</b>	<b>0</b>				

## Comparing Expenses in an Insurance Product

- \$111,000 of fees & expenses after 20 years
- 15-year surrender schedule

This is a supplemental illustration and is not valid unless accompanied by a complete Life Protection Advantage<sup>SM</sup> IUL Life Insurance Illustration. The benefits and values shown are not guaranteed and the assumptions on which they are based are subject to change by United of Omaha Life Insurance Company. Actual results may be more or less favorable.

## Cost of insurance charges:

- Largest expense in an insurance policy
- Yet many are focused on the “commission-free” marketing
- What is better for the client?
  - Reduced commission product with higher COI charges or fully commissionable product with lower COI charges?



# As a Fiduciary-Based Advisor...

## Investment Portfolio:

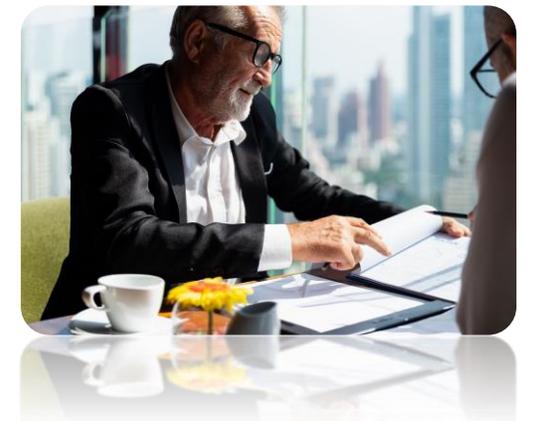
- Comprehensive
- Variety of fees and structure
- Expertise across the entire spectrum

## Insurance Portfolio:

- Comprehensive
- Variety of fees and structure
- Expertise across the entire spectrum

## Imagine recommending an investment vehicle or portfolio to your client and....

- Projecting 10% annual rate of return
- Not reviewing the performance for 10 – 20 years
- Not reviewing your clients' goals & objectives for 5 – 10 years



# How Did We Get Here?



# Ch-Ch-Ch-Changes

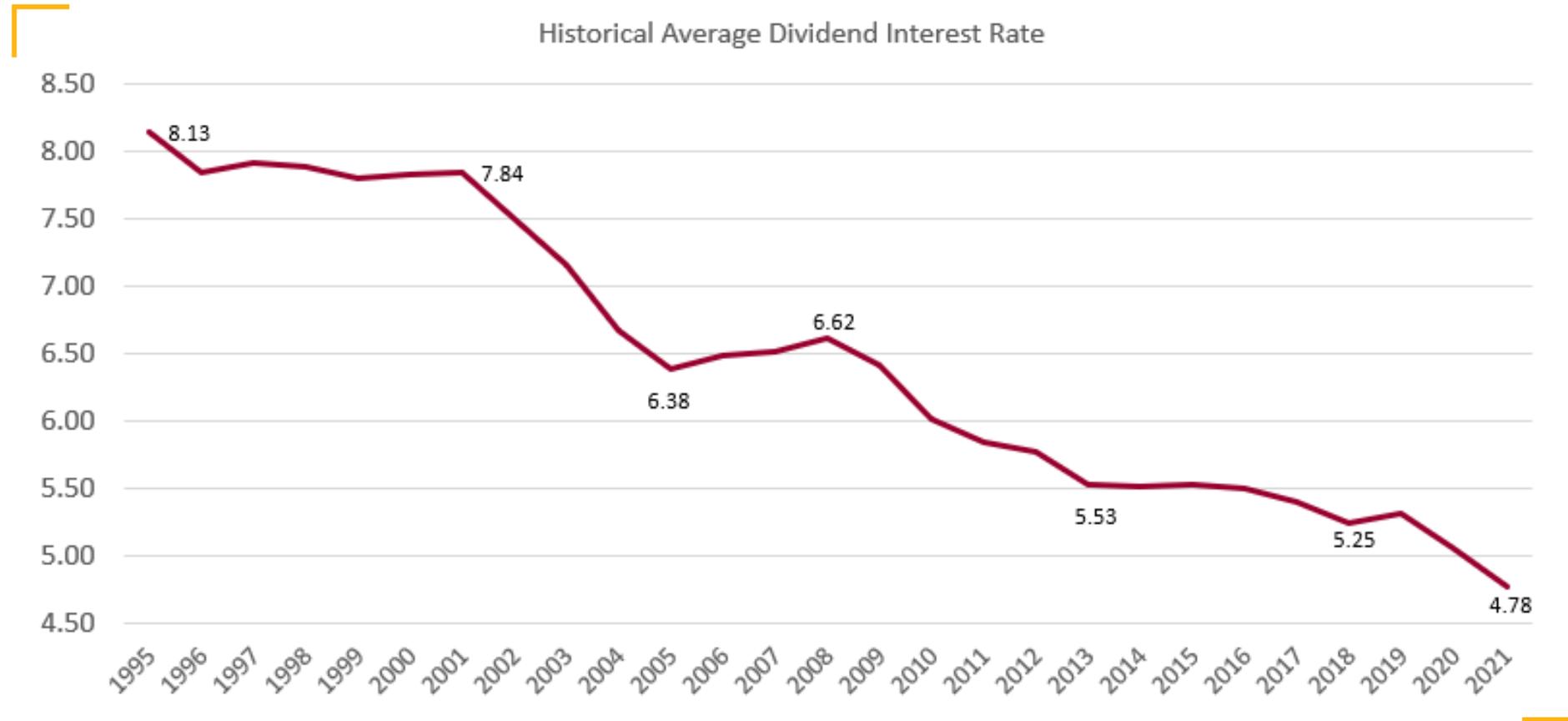
## Insurance company changes

- Moved from paying levelized commissions to large first-year
- Demutualizations triggered a shift from a career agency system to a brokerage model

# Substantial Product Innovations

- Whole life & term
- Universal life
- Variable life
- Indexed universal life

# Market Fluctuations and Declining Interest Rates



# Significant Changes in Underwriting

**The largest expense in a life insurance policy is the cost of insurance charge. Is your client paying the correct amount?**

- Is the policy priced on the most current CSO table?
- Has the health of your client improved since they purchased their policy?
- Have there been advancements in a specific area that could reduce the cost of insurance with another company/product?

# What is the Purpose for the Coverage?

- Why did your client originally purchase the coverage?
- What are their goals today and how does their current policy fit into the planning process?
- Do they have the right product to accomplish their goals in the most efficient manner?
- Are there any strategies that you might consider? I.e., Premium finance or life settlements
- Is the ownership and beneficiary structure correct?

# Managing Insurance in a Fiduciary Capacity

- Request in-force illustrations to stress test the policy
- At the very least, complete an initial medical discovery call to gather some facts about the health of your client
  - If necessary, request medical records
- How does the existing policy compare to what the market offers today?
- If you started from a blank slate, what insurance vehicle would be the most efficient to complete the plan?
- Replace with a new policy or manage the existing policy

# Going Forward

## Continue to monitor and manage the current coverage:

- Whole life, universal life and indexed universal life every **3 – 5 years**
- Variable life every **1 – 2 years**
- Term insurance **as needed**
- **Major life or health changes**

# Put Into Practice: Case Studies



# Maximize Retirement Income

## Profile:

- 60-Year-Old male
- Existing WL policy
- \$1.3M of death benefit
- \$777,000 of cash value
- \$11,696 annual premium for 4 more years
- Projected income: \$45,000/year for 20 years at age 70

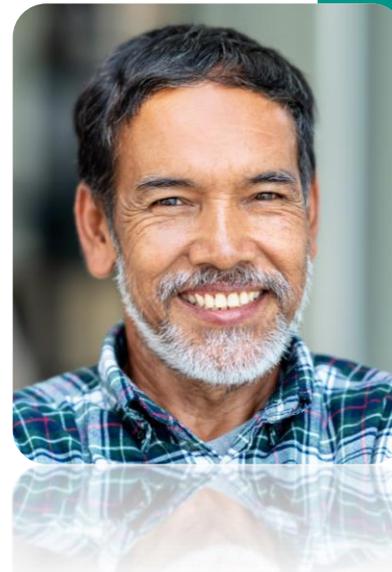
## Goal:

Supplemental retirement income



## Results:

- 1035 exchange into new advisory-based index universal life policy
- \$1.8M of death benefit
- \$11,696 annual premium for 4 more years
- **Projected income: \$91,833/year for 20 years beginning at age 70**



# Repositioning an Asset

PUT INTO PRACTICE:  
CASE STUDIES

## Profile:

- 58-year-old female
- Existing whole life policy
- \$76,012 death benefit
- \$39,686 cash value
- \$132.30 annual premium
- Debt free
- Single

## Goal:

After no longer needing the insurance, she is concerned about future LTC expenses



## Results:

- 1035 exchange to a hybrid LTC policy with Lincoln National
- \$3,121 monthly benefit
- 6-year benefit period
- 3% compound inflation
- \$224,691 benefit pool
- \$83,701 death benefit



# Complete Overhaul

PUT INTO PRACTICE:  
CASE STUDIES

## Profile:

- 65-year-old male
- Existing variable universal life policy
- \$1.1M death benefit
- \$129k cash value
- \$26,832 annual premium
- Table H/8 non-tobacco
- Projected to lapse at clients age 77

## Goal:

To maintain \$500,000 death benefit



## Results:

- 1035 exchange of \$129,000
- \$500,000 death benefit guaranteed to clients age 100
- \$6,779 annual premium
- Standard non-tobacco rate class

# Questions?



**Jeff Hess**

RIA Consultant

(317) 775-6339

[Jeff.Hess@thepalladiumgrp.com](mailto:Jeff.Hess@thepalladiumgrp.com)

Your clients have trusted you with their financial plan. **Now, you need an insurance partner you can trust to protect it.**

---

**PLAN FOR SUCCESS.  
THEN PLAN TO PROTECT IT.**

**SUCCESS, INSURED**

---

**Palladium  
Group**  
BY ASH BROKERAGE

---