

## WHITE PAPER

# Life Insurance: What You Need to know

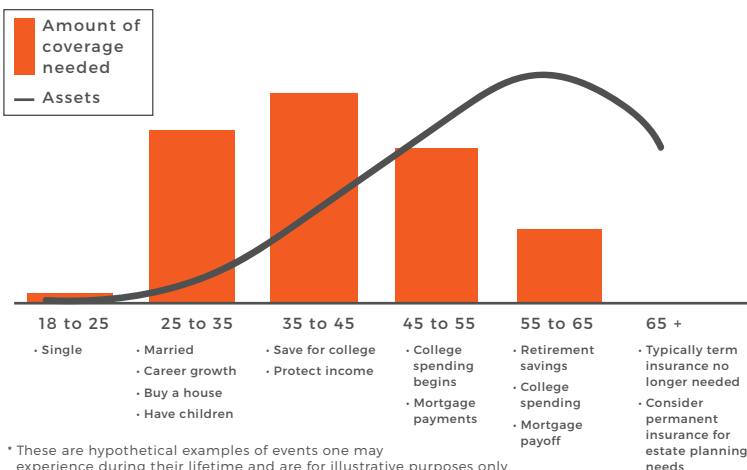
## Life Insurance Needs

Life insurance is not necessarily fun to talk about and it's not really a purchase anyone enjoys making.

However, it is an essential part of life and the foundation for a solid financial plan.

Most people know they will need life insurance at some point in their lives and important life events tend to trigger the timing for purchasing the life insurance.

### Ensuring your long-term family goals with term insurance



## Life Insurance Products

When it comes time to purchase life insurance, how do you know which product is best for you?

The different types of life insurance can be divided into term and permanent, depending on how long they are in effect. Some types provide death benefit coverage for different lengths of time, some have an investment-like ability to build cash value, and some are best for older or unhealthy individuals.

Some specific types of life insurance include:

### Term Life Insurance:

10 - year term  
20 - year term  
30 - year term  
ROP term  
(return of premium)

### Permanent Life Insurance:

Whole Life Insurance  
Universal Life Insurance  
Indexed Life Insurance  
Variable Life Insurance

Due to the fact that there are so many choices when it comes to life insurance products, it is typically sold through life insurance agents or brokers. Their job is to recommend the most appropriate product to meet the consumer's life insurance needs.

## Life Insurance Commissions

Commissions will vary based on the type of life insurance sold. The type of life insurance product selected directly impacts the commission. In general, larger death benefits with longer coverage duration will usually pay more commissions.

Every life insurance carrier is different; their commissions can range anywhere from 30 to 100 percent of the first-year premium. Some products may even pay over 100 percent of the first-year premium depending on the carrier's commission grid and bonus incentives for products being sold.

Commissions on Different Products		
Product	Client Yearly Premium	First Year Agent Commission
\$5M 10-year term product	\$2,320	\$1,624
\$5M 30-year term product	\$9,085	\$6,360
\$5M whole life product (permanent insurance)	\$79,237	\$79,237

Life Insurance Policies Assumes \$200,000 coverage			
TERM		PERMANENT	
10-year	20-year	Whole Life	Universal
Annual cost of new policy			
\$209	\$306	\$1,794	\$1,752
1st-year commission & bonus			
\$184	\$303	\$2,171	\$2,313

## Best Interest Standards

These substantial commission differences across products sold are one of the leading reasons why insurance industry regulators are calling for stricter suitability standards that would require insurance agents to verify that the products they are selling suit the needs of their customers and that the insurance agent has put the client's life insurance needs before all other priorities.

Both the U.S. Securities and Exchange Commission (SEC) and the Employee Benefits Security Administration (EBSA) are in the process of developing a best interest standard to apply to both insurance agents and to financial advisors.

Some state insurance commissioners are trying to develop new sales standards for their individual states, while others are working through the National Association of Insurance Commissioners (NAIC) to develop formalized regulations in the hopes that they are adopted by state legislatures across the country.

Most recently, New York state has approved legislation to adopt a best interest standard that will apply to both annuities and life insurance and took effect Aug. 1, 2019. The measure requires life insurance carriers to establish new policies and procedures that ensure their agents and brokers put the interests of the consumers ahead of their own when making a recommendation.

Under the regulation, financial incentives and compensation should not influence the sales professional.

*"Given the key role insurance products play in providing financial security to middle-class New Yorkers, it is essential that a provider adhere to a high standard of care and only recommend insurance and annuity products that are in the consumer's best interests and not be influenced by a producer's financial incentives,"*

- New York Financial Services superintendent Maria T. Vullo said in a statement.

To adhere to this new best interest standard, ongoing assessments of both inforce life insurance policies as well as recommended new product purchases should be verified to ensure they meet the consumer's insurance coverage needs. Technology will be a driving factor to help achieve this new best interest standard on a global scale.

Proformex is a proactive life insurance management platform that continually monitors inforce life insurance policy performance and provides annual policy reports which compares policy cost for similar products available in the marketplace.