

Using CPE to Document UPIA Compliance



The Confidential Policy Evaluator (CPE) is the only objective, rules-based, patented tool available to ILIT trustees to document performance of fiduciary responsibilities for the new Standard of Care under the Uniform Prudent Investors Act (UPIA). CPE goes well beyond simply comparing illustrations to provide a balance assessment of all 5 factors of suitability as to...

1. Financial Strength and Claims-Paying-Ability (i.e., Credit Risk)
2. Cost Competitiveness relative to Peer Group Products
3. Pricing Style and Stability
4. Cash Value Liquidity relative to Peer Group Products
5. Historical Performance of Invested Assets underlying Policy Cash Values

CPE converts the dozens of pages, hundreds of numbers, and lengthy disclosures typically found in a single policy proposal into a comprehensive, yet concise CPE Analysis that compares the suitability of the TOLI policy to industry benchmarks, and computes an easy to understand 5-Star Rating*.

An Executive Summary explains the TIA Star Rating* and the reasons why the TOLI policy may or may not be as appropriate as other policies in its peer group, and a comprehensive User Guide translates “insurance-speak” into common financial terms.

The result is an easy to use tool that goes well beyond simply comparing illustrations and Company ratings. With CPE, ILIT trustees can document how the product under evaluation measures up against appropriate benchmarks for all products in its peer group, and why.



Unlocking the Black Box...

Please let us hear from you!

We welcome the opportunity to send you a sample CPE report, or help you run your own CPE report under our no-risk, satisfaction-guaranteed subscription.

Either way, call or e-mail us so we can help you comply with the Uniform Prudent Investor Act (UPIA).

Phone: **888-908-8242**

E-Mail: UPIA@TheInsuranceAdvisor.com

Or get started right away by faxing an actual policy illustration to our toll-free confidential fax server:

800-409-3222

Illustrations to be analyzed only please.

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*TIA Star Ratings are produced using generally-accepted actuarial principals and mathematical algorithms, and a consistent and objective rules set developed by TIA. However, this rating system, like all ratings systems, relies on certain judgmental techniques, which are fully disclosed in the User Guide included with each CPE Report, and with which certain insurance professionals may disagree. Thus, TIA encourages all users to fully understand the means and methods behind TIA Star Ratings as they may differ from conclusions reached by other insurance professionals.

This material may **not** be used as supplemental sales literature for solicitation of a variable life insurance product.

UPIA 2.00 (Rev. 12/04)

How well are your ILITs protected against damages payable under the Uniform Prudent Investor Act (UPIA)?



Unlocking the Black Box...

888-908-8242 – Toll Free Phone
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ILIT Compliance under UPIA



The Uniform Prudent Investor Act (UPIA) requires trustees of Irrevocable Life Insurance Trusts (ILITs) to investigate the appropriateness of Trust-Owned Life Insurance (TOLI) policy assets, monitor the continuing appropriateness of ILIT assets, and manage ILIT assets in a manner that minimizes costs and maximizes benefits to trust beneficiaries.

Failure to document the exercise of this fiduciary duty through a written Trust Investment Policy Statement (TIPS) and periodic reporting as to the appropriateness of ILIT assets leaves ILIT trustees vulnerable to legal action seeking damages equal to the difference between the amount trust beneficiaries should have received under UPIA and the amount actually received.

Thus, protecting against UPIA litigation involves both A) the Administrative Function of periodically obtaining policy pricing and performance updates from the respective insurers (typically referred to as an inforce illustration of hypothetical projected policy values), and B) the Compliance Function of investigating the appropriateness of such policy pricing and performance against the pricing and performance of peer group products.

Because ILITs were exempt from such compliance testing prior to UPIA, trust departments may consider outsourcing Administrative Functions to Third-Party Administrators (TPAs) and/or insurance consultants. However, only the Confidential Policy Evaluator (CPE) from TheInsuranceAdvisor.com (TIA) provides ILIT trustees with documentation of Compliance Functions comprising investigation, monitoring and management of TOLI policy assets in a manner that minimizes costs and maximizes benefits to trust beneficiaries, as shown to the right.



Function/Vendor	Third-Party Administrators & Insurance Consultants	TheInsuranceAdvisor.com
Administrative Functions		
Outsource request and collection of policy pricing and performance updates from the respective insurers (typically referred to as an inforce illustration of hypothetical projected policy values)?	√	Optional. Available through locally-licensed Insurance Banking® Centers
Assess risk that planned premium payments and current policy cash values will/will not be sufficient to maintain policy death proceeds for the life of the grantor?	√	
Compliance Functions		
Rate the relative Financial Strength & Claims-Paying Ability (i.e., Credit Risk) of the insurer?	?	√
Alert for Financial Strength & Claims-Paying Ability ratings downgrades?	?	√
Rates relative cost-competitiveness to peer group products?		√
Compares policy pricing components to industry benchmarks as to ... <ul style="list-style-type: none"> • Cost of Insurance (COI) Charges? • Premium Loads? • Policy Administration Expenses? • Cash-Value-Based “Wrap Fees”? 		√ √ √ √
Rates the stability of policy pricing as compared to actual historical performance?		√
Rates policy liquidity/access to policy cash values relative to peer group products?		√
Rates historical performance of invested assets underlying policy cash values?		√
Rates overall appropriateness of each TOLI policy specific to each ILIT and based on all 5 factors of suitability as to ... <ul style="list-style-type: none"> • Financial Strength/Claims-Paying-Ability Ratings? • Cost-Competitiveness? • Pricing Style & Stability? • Cash-Value Liquidity? • Historical Performance? 		√ √ √ √ √
Measures TOLI performance factors to Trust Investment Policy Statement (TIPS)?		√