

## ILIT Management Services from TIA

TheInsuranceAdvisor.com (TIA) offers Trust-Owned Life Insurance (TOLI) Portfolio Management Services for a fee. The Uniform Prudent Investor Act (UPIA) requires that trustees manage trust assets in a manner that maximizes benefits and minimizes costs, and allows that management function to be delegated.



However, because ILIT Trustees remain responsible for UPIA compliance, TIA Insurance Portfolio Management Services provide ILIT Trustees with the documentation needed to demonstrate the exercise of their fiduciary duty by...

1. Adopting a written Trust Investment Policy Statement (TIPS) to define portfolio objectives,
2. Measuring portfolio pricing and performance against both originally-quoted pricing and industry benchmark pricing,
3. Assessing portfolio strengths and weaknesses as compared to the market, and identifying opportunities for improvement,
4. Investigating “Best-of-Breed” products offering higher ratings, lower costs, more stable pricing, greater liquidity, and/or superior historical performance, and
5. Making changes needed to maximize benefits and minimize costs.

The result is an Insurance Portfolio Management Report which goes well beyond randomly comparing illustrations of hypothetical policy performance and Company ratings. Instead, the **TIA Insurance Portfolio Management Report** provides ILIT trustees with documentation of just how costs have been minimized and benefits maximized as required under UPIA.



Unlocking the Black Box...

## Please let us hear from you!

We welcome the opportunity to send you a sample TIA Insurance Portfolio Management Report.

Let us hear from you. 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](mailto:UPIA@TheInsuranceAdvisor.com)

Or get started right away with a real-life example of your own 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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This material may **not** be used as supplemental sales literature for solicitation of a variable life insurance product.

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# Who's Managing your ILITs? ... Anyone?



Unlocking the Black Box...

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## ILIT Management Required



The Uniform Prudent Investor Act (UPIA) requires trustees to manage trust assets in a manner that maximizes benefits and minimizes costs. While this Standard of Care has governed investment and retirement trusts for years, and while Irrevocable Life Insurance Trusts (ILITs) had been generally exempt under the *old* Standard of Care, ILITs must now be managed in much the same way as investment and retirement trusts.

Fortunately, managing an insurance portfolio is little different from managing investment portfolios. Both require...

1. Defining portfolio objectives,
2. Measuring portfolio pricing and performance,
3. Identifying strengths/weaknesses of product(s) already in the portfolio,
4. Investigating available investment/insurance product alternatives, and
5. Making changes needed to maximize benefits and minimize costs.

TheInsuranceAdvisor.com (TIA) offers ILIT Trustees such Insurance Portfolio Management Services, as follows.

## Trust Investment Policy Statement

TIA Insurance Portfolio Management Services begin with our written Trust Investment Policy Statement (TIPS) to define the pricing and performance objectives of the portfolio. TIPS is modeled after written Investment Policy Statements used and accepted by investment and retirement trustees. In addition, TIPS also defines trust objectives for portfolio components unique to life insurance as to Cost of Insurance (COI) Charges, Premium Loads, Policy Administration Expenses, Cash-Value-Based “Wrap Fees”, and policy earnings expectations.

## Portfolio Measurement

That which is to be managed, must first be measured. As such, TIA Insurance Portfolio Management Services measures actual portfolio pricing and performance against both A) Originally quoted policy pricing as reflected in the as-issued illustration of hypothetical policy values, and B) Against industry benchmarks for Cost of Insurance (COI) Charges, Premium Loads, Policy Administration Expenses, and Cash-Value-Based “Wrap Fees”.

Measuring actual portfolio pricing against originally quoted pricing determines A) whether a policy is under-funded or over-funded (i.e., whether current cash values are below or above originally-illustrated targets, and by how much), and B) whether this under/over-funding is due to differences in quoted versus actual policy charges, or differences in expected versus actual policy earnings, or both.

## Portfolio Assessment

TOLI portfolio management requires research, and the depth of this research determines the degree to which Trustees can document the exercise of their fiduciary duty. Thus, TIA Insurance Portfolio Management Services uses the Confidential Policy Evaluator (CPE) — the only patented, objective, and rules-based research tool — for identifying strengths, weaknesses, and opportunities for improvement in TOLI policies.

CPE goes well beyond randomly comparing illustrations to provide a balance assessment of all 5 factors of suitability as to...

1. Financial Strength and Claims-Paying-Ability
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

The result goes well beyond simply comparing illustrations and Company ratings to provide Trustees with a thorough assessment of strengths, weaknesses, and opportunities for improvement as compared to benchmarks for all peer-group products.

## “Best of Breed” Investigation

Quantifying TOLI strengths and weaknesses provides ILIT Trustees with data essential to determining and documenting opportunities for improvement, and why? Only with this research can Trustees safely and prudently make changes to existing policies, and/or know what to look for in “Best of Breed” alternatives.

“Best of Breed” products are defined as such by their high ratings for Financial Strength/Claims-Paying-Ability (i.e., low credit risk), low costs, stable pricing, high cash-value-liquidity, and high historical performance. Investigation of actual “Best of Breed” products for each ILIT is provided only through licensed TIA Insurance Banking® Centers.

## Management Techniques

Finally, TIA Insurance Portfolio Management Services manage the portfolio pursuant to the objectives set forth in the TIPS, and in a manner that demonstrably maximizes benefits and minimizes costs through the below 5 portfolio management techniques:

1. Increase/Decrease Premium Funding such that under-funded policy cash values are increased and premiums from over-funded policies are “refunded”.
2. Decrease/Increase Policy Benefits such that under/over-funded policy cash values and premiums can support reduced/increased policy costs.
3. Reallocate Cash Values to increase under-funded policy allocations to asset classes yielding higher returns, albeit with greater volatility, or to increase over-funded policy allocations to asset classes with less volatility and lower rates of return.
4. Re-rate Policy Pricing using “Best of Breed” products offering lower Cost of Insurance (COI) Charges, lower Premium Loads, lower Fixed Administration Expenses, and/or lower Cash-Value-Based Fees.
5. Wait-and-See where performance is above/below targets but within expected ranges, and where cash values are sufficient to support projected policy charges for the foreseeable future.

