



# We want a policy that evolves as our needs change

Policy review: The PPH Exam approach



EQUITABLE

Life Insurance: • Is Not a Deposit of Any Bank • Is Not FDIC Insured • Is Not Insured by Any Federal Government Agency  
• Is Not Guaranteed by Any Bank or Savings Association • Variable Life Insurance May Go Down in Value

# Change happens, be prepared

Be confident both you and your life insurance policy are prepared as your Purpose, Product and Health evolve.

The PPH Exam (Purpose, Product, Health Exam) is a comprehensive three-prong approach that assesses key elements of a life insurance policy, including purpose, product and health. Each prong may overlap with the others throughout the review process, but the purpose of the coverage remains a primary factor in pre- or post-life insurance assessments. It provides guidance in assessing your life insurance as it relates to your current needs and determines if they are adequately addressed.

# The issue

Your life insurance policy is a dynamic and valuable asset. For individuals, it provides a means to pay off debts, replace lost income for family, pay for education, supplement retirement income or create a legacy plan. Businesses use life insurance to protect themselves from financial loss due to a partner's untimely death, retain or replace key employees, and have emergency access to cash.

But the story just begins with your initial purchase of life insurance. At that time, you had a specific need for the coverage and identified the right product in the market to meet that need. As time passes, change happens. Life insurance, like all financial assets, should be monitored periodically and adjusted to fit evolving needs.<sup>1</sup>

## The PPH Exam

The PPH Exam is a simple and effective approach used to determine whether your life insurance should be adjusted, based on a review of the initial purpose for the coverage, product features and performance, and personal or insurance carrier health changes. Upon completion of the exam, your results will detail risks and opportunities, including whether:

- Current coverage matches current needs
- Existing policy(ies) are at risk of lapsing
- Health improvements can lower your premium payments
- New products and riders better meet current needs
- Original policy design assumptions greatly varied from the actual
- Owner/beneficiary designations need updating

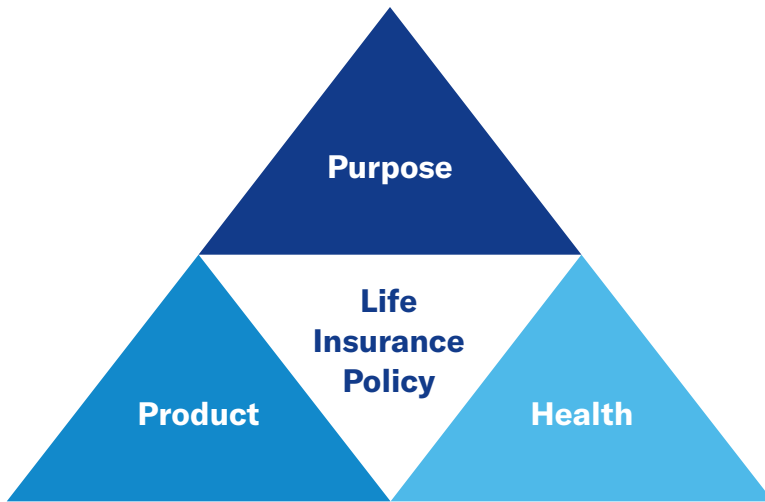
## The key benefits

- Identify missed opportunities and protect against potential risks
- Increase efficiency and effectiveness of your estate plan

<sup>1</sup> Before you consider exchanging one life insurance contract for another, all aspects of the exchange should be considered, including, but not limited to, cost, guaranteed interest rates, surrender charges, rider costs, cash value costs, insurance charges, possible rating changes, and different features and benefits of the two policies.

# The PPH Exam: An innovative approach to policy review

Understand the dynamics and value



## Purpose

As life changes, so do needs for life insurance that will impact the ownership and beneficiary arrangements, the amount of coverage, the type of product and the ability to fund.

## Product

Insurance carriers develop new products, features and options that may be desirable in your planning. In addition, you may find that the performance of an existing policy can be improved by adjusting funding levels.

## Health

There are two aspects to health changes. First, the insured's health can improve, decline or be unchanged, each driving a different action. Second, insurance carrier risk assessments of certain medical conditions may change and impact the insured's risk classification.

## Purpose. Any changes?

As priorities shift, time horizons move and personal financial situations change. Reviewing the purpose of a life insurance policy may uncover opportunities.

Change	Impact
Net worth (actual inheritance, business value, unexpected healthcare expenses, accumulated wealth)	Increase may create need for additional coverage. Decrease may impact need and ability to fund, requiring more flexibility with premium payments.
Income (better job, retirement, investments performing better or worse than expected)	Increase may create need for additional coverage for income protection. Decrease may reduce funding of existing coverage.
Taxes	Estate tax increase may create the need for additional coverage. Gift tax exemption increase may provide efficient means to fund coverage. Income tax increase may create desire to overfund a policy for cash accumulation. Decrease in taxes may provide additional funds for life insurance premiums.
Inheritance	Increases taxable estate and, therefore, may increase the need for coverage.
Marital status (remarriage, divorce, separation)	Owner/beneficiary may need to change.
Purchase of house	New or increased coverage.
Career (increased income, retirement need for supplemental income, qualified plan income)	Possible increase in coverage, new cash accumulation product and riders, funding adjustments.
Family support (new child, parent, grandchild, special needs)	New income/survivor needs; owner/beneficiary may need to change.
Education (children, grandchildren college)	New or increased coverage; owner/beneficiary may need to change.



### Case Study: Adam and Sarah

**Profile:** From young couple to young family

**Then:** Newlyweds Adam and Sarah purchased \$300,000 of term insurance for mortgage protection.

**Now:** The couple is a young family with two children. Sarah is no longer employed, so income is reduced. Adam's employer group term coverage dropped from \$200,000 to \$50,000.

**PPH Exam Result:** Increased term insurance by \$200,000 and purchased \$500,000 permanent insurance for family support and to pay for education.



## Product. Any changes?

There are certain reasons a life insurance policy may not perform as originally illustrated. It is important to monitor your policy regularly to optimize performance and avoid lapse.

Change	Impact
Interest crediting rates lower or higher than anticipated (universal life insurance)	Lower crediting rates for an extended time may reduce the life of the policy. Higher crediting rates may improve performance.
Large policy loans or withdrawals	Risk of lapse because withdrawals and loans may negatively affect policy performance.
Increasing premium expense (term insurance)	Occurs as the insured gets older. Where a permanent need is expected, consider converting expensive term policies.
Over- or underfunding	While premiums may be skipped with certain policies, a decrease in premium payments or lengthy premium skip may lead to poor performance and risk lapse.
Carrier ratings	If there is a significant drop in ratings, verify the carrier still meets your profile.
Cost of insurance charges (COIs)	COIs may increase or decrease over the life of a contract and their change may extend or reduce a policy's duration.
Lower-than-expected dividend rate (whole life)	Premiums may need to be paid for more years than originally planned.
New products, riders and options	Potential for reduced cost, more options.



### Case Study: Maya

**Profile:** Middle-aged individual

**Then:** Maya, age 50, purchased a 20-year term policy on her life to benefit and protect her parents if she were to die, since they relied on her for living expenses.

**Now:** Maya's parents passed away. She is married, has two stepchildren and a special-needs grandchild. Maya wants her grandchild to have funds for her special needs.

**PPH Exam Result:** The product need has changed. Term insurance is converted to a permanent policy.

Beneficiary designations are updated to benefit the stepchildren and grandchild.

## Health. Any changes?

Reviewing your health to determine if it has improved or declined and identifying whether insurance carriers have updated risk assessments of certain medical conditions is often overlooked, but can yield valuable information.

Change	Impact
Adverse health	Where the health of the insured got worse since issue of the initial policy, the policyowner should properly fund and retain the current coverage. For certain term policies, policyowners should review any applicable conversion privileges.
Improved health history	Improvements in personal health, including becoming a non-smoker for a minimum specified period of time, sometimes including appropriate medication, may result in qualification for a reduced rate. <sup>2</sup>
Insurance carrier underwriting	Insurance carrier philosophies change due to updates in clinical medicine and/or changes in underwriting guidelines. Many times these changes may result in qualification for a reduced rate.



### Case Study: Bobby

**Profile:** Reformed healthy male

**Then:** Bobby was age 35 and married with two children. He weighed 320 lbs. and had high blood pressure. He purchased a \$500,000 universal life policy. Because of the risk factors, Bobby paid a higher annual premium of \$4,300.

**Now:** Bobby is still married with two children, but has changed his unhealthy ways. He lost 95 lbs. and no longer has high blood pressure. He hopes his improved health translates to a better risk rating.

**PPH Exam Result:** Bobby's health status has improved and he is now a Standard Plus risk. He is able to acquire a new policy with a reduced premium of \$3,500. Bobby will now save \$800 annually on a new policy.

# Know when to order the PPH Exam

## Triggers

- ☐ 3–5 years or sooner if the planning situation changes
- ☐ Trust-owned policy without review for several years
- ☐ Original need for insurance has changed or evolved
- ☐ Health status has changed
- ☐ Term policy premium payments increased with age, are now expensive, and/or need for insurance has become permanent
- ☐ Significant drop in life insurance carrier ratings
- ☐ Policy performance varies widely from the original illustration, possibly due to large outstanding loans or withdrawals, or a change in the funding pattern
- ☐ Asset allocation and planning strategy has changed
- ☐ Need for life insurance has increased or decreased

## Start the PPH Exam today.

**Step 1:** Your financial professional will need to gather information from you in order to conduct the PPH Exam. This will help your financial professional create a comprehensive profile to better understand your situation.

- ☐ Fact finder about your current situation

**Step 2:** Your existing policy(ies) will need to be reviewed to determine if it continues to meet your needs.

- ☐ Authorization form providing your financial professional with access to existing policy information (one form per carrier)

**Step 3:** Identify opportunities and risks through product performance analysis on existing coverage.

- ☐ Equitable's PPH Exam Analysis Tool

**Step 4:** Assessment of health information. Compare your current medical condition

There are a number of factors that may change from the time a life insurance policy is issued. Reviewing the purpose, product and health aspects that determine the success of your life insurance policy in meeting your needs is critical.

Order a PPH Exam today to effectively monitor how your life insurance policy fits into your plan.



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