



PREVENTING A \$500K LOSS: THE POWER OF PROACTIVE POLICY REVIEW

A proposal to replace a \$750,000 Variable Universal Life policy with a lower-premium Indexed Universal Life was stopped after our pre-acceptance review uncovered significant overlooked benefits in the existing policy. By intervening early, our team prevented a decision that could have reduced the trust's death benefit by up to \$500,000.

BACKGROUND:

Managing life insurance policies within a trust requires careful review to ensure the financial well-being of beneficiaries. At Life Insurance Trust Company, our pre-acceptance process ensures that all policies — whether new, existing, or replacements — are thoroughly reviewed before approval. This proactive approach allows us to safeguard trust assets from decisions that may inadvertently reduce their value over time.

In this recent case, our review process prevented the unnecessary replacement of a trust-owned life insurance policy that, while seemingly more cost-effective, would have jeopardized key benefits and potentially reduced death benefits by up to \$500,000.

THE CHALLENGE:

A team of outside insurance advisors was working with a family that owned approximately 80 life insurance policies. Their goal was to optimize the family's insurance portfolio by reducing annual premiums and securing guarantees. One proposed solution involved replacing an existing Variable Universal Life (VUL) policy within a trust managed by LITCO.

At first glance, the proposed policy seemed to offer a financial advantage by lowering premium costs. However, our remediation team identified immediate red flags. The advisors had not conducted a thorough review of the existing VUL policy, which included a No-Lapse Guarantee (NLG), variable growth potential, and premium flexibility — benefits that could ultimately outweigh the proposed cost savings.

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THE RESULTS:

Upon identifying the risks, our team initiated a comprehensive review, comparing the existing and proposed policies in an apples-to-apples manner. Key findings included:

- The existing VUL policy's NLG ensured lifetime coverage, even with premium flexibility.
- While the proposed replacement policy had a lower annual premium, the existing policy offered the potential for reduced or even ceased premium payments based on performance.
- The existing policy provided a balance of guaranteed security and growth potential, making it a superior long-term choice.

To ensure alignment, we met with the outside advisors, presenting our findings and demonstrating the risks associated with the proposed replacement. After reviewing the details, all parties agreed not to proceed with the replacement policy.

LET LITCO WORK FOR YOU:

This scenario highlights the real-world impact of expert trust oversight and the unique value Life Insurance Trust Company brings to every policy review:

- **Proactive Protection:** LITCO's pre-acceptance process ensures every policy — whether new, existing, or proposed for replacement — is thoroughly evaluated before approval, preventing costly decisions that could jeopardize trust assets.
- **Informed Decision-Making:** Our remediation team's deep policy expertise allows us to identify overlooked features and risks, providing a level of insight that elevates the quality of decisions made on behalf of the trust.
- **Collaborative Expertise:** By engaging constructively with outside advisors, LITCO helped align all stakeholders around a more secure and beneficial course of action for the client and beneficiaries.
- **Financial Safeguards:** In this case, that guidance helped preserve between \$100,000 and \$500,000 in potential death benefit, a significant financial outcome that underscores the importance of specialized trust management.

Ultimately, this case demonstrates how LITCO's diligence, expertise, and collaborative approach deliver meaningful protection for trust assets — and peace of mind for those who rely on them.