

Why Periodic Reviews of Trust Life Insurance Are Necessary

By Dennis F. Gorman, Esq., CPA

Regardless of whether you're a trustee, grantor or beneficiary of a Life Insurance Trust, it is advisable to have the life insurance policies periodically reviewed by an insurance professional.

From a trustee's standpoint, a fiduciary duty is generally owed to the beneficiaries to review and manage trust assets prudently. While the Trust may contain express exculpatory language relieving the trustee of any obligations in this area, the grantor should be made aware of the opportunity for this review process. Original premium illustrations may have been understated. Frequently, variable life policies are sold with an assumed return which is not easily achievable. Fixed and whole life illustrations may have been based on assumed interest and dividend rates which have not been achieved. When this occurs, the original premium schedule is not sufficient to continue the policy without increased premiums.

Sometimes policies are purchased with a premium schedule which calls for lower premiums up front and higher premiums later. People often forget this feature. Your policy may be facing an impending premium jump. Life expectancy tables have recently been updated and there may be an opportunity to decrease the cost of insurance or alternatively to increase your coverage at the same cost assuming good health. The financial status of your life insurance company may have changed. It is possible to purchase a new, favorable insurance policy with the accumulated cash value of your existing policy, through a tax-free exchange.

Finally, if your financial picture has changed you may need additional insurance or it may make sense to decrease the face value of your existing policy. Periodic in force illustrations may be obtained from the insurance carrier for such reviews.

Insurance professionals can review the status of a life insurance policy for a very modest fee and generate real value for the insured's family taking into account the above factors. While it is probably not necessary to review policies annually, one should certainly consider such reviews every few years.

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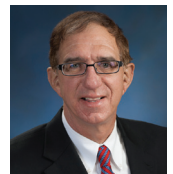
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