



Consumer Federation of America Insurance Group Life Insurance Rate of Return Service

Evaluate Life Insurance -- How the Service Works: CFA's Rate of Return (ROR) service estimates "true" investment returns on any cash value life insurance policy -- whole life, universal life or variable life. Using the Linton Yield Method, these returns are derived by comparing the cash value policy to the alternative of buying lower premium term insurance and investing the premium savings in a hypothetical alternative investment, such as a bank account or a mutual fund. You receive a computer printout showing average annual RORs for policy holding periods of (usually) 5, 10, 15 and 20 years. We also send a four-page explanation that includes much valuable information relevant to buying or owning cash value life insurance. (For more information on life insurance, please see www.consumerfed.org/financial-services/insurance/life-credit-life-a-disability-insurance#studies.)

Evaluate Life Insurance -- How the Service Can Help You: RORs are similar to Annual Percentage Yields (APYs) provided under the federal Truth-in-Savings statute. RORs provide you with a way to compare cash value policies to one another, to term life or to other investments. Armed with the ROR analysis, you can:

- Decide among two or more cash value policies you are considering.
- Decide whether to buy a cash value policy or term insurance.
- Decide whether your existing cash value policy is worth keeping.
- Learn of options with your existing cash value policy

EvaluateLife Insurance -- Who Performs the Service?: James H. Hunt, a life insurance actuary and a former insurance commissioner of Vermont, operates the ROR service. He has reviewed thousands of policies since 1984 when he began the service. Because the analysis is highly technical, he adds a personal note to each printout providing his recommendations, which frequently include better alternatives. It is not uncommon for his recommendations to lead to savings in the thousands of dollars.

Evaluate Life Insurance -- What We Need From You: If you're thinking of buying a cash value life insurance policy, ask your agent or company for an illustration, which is a computer projection of future premiums, cash values and death benefits based on the current dividend scale (whole life) or current interest rates and current costs of insurance (universal life). In the case of variable life or equity-induced universal life (EIUL) policies, the illustration needed will be based on a hypothetical earnings rate such as 8% and current (not maximum) insurance costs. Dates of birth can be helpful.

For policies you already own, ask for a Current Illustration, sometimes called an In-force Illustration, that will show the same kind of information noted above. Your life insurer may have a toll-free customer service telephone number. The illustration should have your personal identifying information, including issue age, sex, smoking status, year of issue and any rider premiums. If uncertain, send us a copy of the page of your policy that provides this information. Unless you indicate otherwise, we will assume you are in excellent health. Illustrations for whole life policies that don't pay dividends may not be available; give a call first.

For universal life and variable universal life, if your policy includes the waiver of monthly deductions rider please ask for an illustration without the rider unless the illustration identifies the rising yearly costs of the rider. Most illustrations do not show this rider's costs.

Evaluate Life Insurance -- Cost: The cost for the analysis is \$85 for the first illustration and \$65 for each additional illustration submitted at the same time. The cost for variable life and EIUL policies you've already bought (unless within the free look period) and for all survivorship (second-to-die) policies is \$95/\$65. Send your check payable to CFA/IG, the illustration(s), and an e-mail address or telephone number (and time to call) in case additional information is needed. Please add 3% if using PayPal; credit cards are not accepted.

When supplied with an email address, we reply by Adobe Reader (PDF) attachments. Let us know if you prefer regular mail. Mr. Hunt subscribes to a term life database; his fee for advising you about term life choices by telephone is \$50. We are able to download illustrations sent as e-mail attachments. We do not return illustrations; please send copies.

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