

Consumer Federation of America 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 (fixed or indexed) or variable universal life (cash values in mutual-fund-like accounts). Using a venerable actuarial tool called the Linton Yield Method, these returns are derived by comparing the cash value policy to the alternative of buying lower premium term life 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. In the case of indexed universal life or variable universal life, the derived RORs may be compared to hypothetical earnings assumptions used in the sales illustrations or with in-force illustrations. We also send a four-page explanation that includes information relevant to buying or owning cash value life insurance.

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

Evaluate Life Insurance -- Who Performs the Service?: James H. Hunt, a retired 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.

Mr. Hunt has published the following papers about current issues in life insurance that may be downloaded:

- Further Observations on Life Insurance, 06/20/2013. ([PDF](#))
- Miscellaneous Observations on Life Insurance: Including an Update to 2007 Paper on Variable Universal Life, 1/06/11. ([PDF](#))
- Variable Universal Life Insurance: Worth Buying Now?, 12/13/07. ([PDF](#))
- Variable Universal Life Insurance: Is it Worth it?, 02/01/03. ([PDF](#))
- Financial Planning Association of Greater Hudson Valley Technical Aspects in Evaluating Cash Value Life Insurance Policies, 11/13/01. ([PDF](#))

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 a sales 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 universal life or indexed universal life policies, the illustration needed will be based on a hypothetical earnings rate such as 6% and current 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 probably has a toll-free customer

service telephone number. The illustration should have your personal identifying information, including issue age, sex, smoking status, issue date, and any rider premiums. If uncertain, send us a copy of the page of your policy contract that provides this information. Normally illustrations are in electronic form and may be relayed to Mr. Hunt. Unless you indicate otherwise, we will assume you have had no significant health issues since the policy was issued.

Illustrations for whole life policies that don't pay dividends may not be available; give a call first.

Evaluate Life Insurance -- Cost: The cost for the analysis is \$125 for the first illustration and \$85 for each additional illustration submitted at the same time. With each evaluation, Mr. Hunt invites his clients to call with any questions at no extra charge.

From time to time, prospective life insurance buyers indicate they are thinking about a life insurance policy but have not approached any agents or companies. In this event, Mr. Hunt usually proposes a \$250 fee to guide buyers to safe, low cost insurers. (Low cost does not necessarily mean low premiums except when one is buying term life. A resource to check prices for level premium, limited term life insurance policies is term4sale.com.) The \$250 fee can be scaled down for those who do not plan to pay annual premiums in the several thousands of dollars.

Send your check payable to James H Hunt, the illustration(s), an email address, and a telephone number (and time to call) in case additional information is needed. Credit cards are not accepted. Mailed checks are preferred – Mr. Hunt does not wait for their arrival. PayPal may be used; call first for directions.

When supplied with an email address, we reply by Adobe Reader (PDF) attachments. Please let us know if you prefer regular mail. We do not return illustrations; please send copies.

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