



Consumer Federation of America

Life Insurance Rate of Return Service

How the Service Works – CFA's Rate of Return (ROR) program estimates "true" investment returns on almost any cash value policy - Whole Life (WL), Universal Life (UL), Indexed Universal Life (IUL) and Variable Universal Life (VUL). We need a current illustration from your life insurer that usually can be emailed to you. Using an actuarial program, RORs are derived and divided as percentages into (a) the portion that represents the growth rate of the cash value and premiums (if any) and (b) the value or worth of the death protection - death benefit less cash value each year. The latter, except for old folks, is almost always a small fraction of 1%. With RORs, one can compare returns to those on alternative investments to decide if a policy is worth keeping. If you're being presented a sales pitch for a new policy, please telephone Mr. Hunt as most of his work is on existing insurance policies; there are ways of limiting sales costs.

Who performs the Service – James H. Hunt, a retired life insurance actuary and several decades ago a Vermont insurance commissioner, has reviewed thousands of policies since 1984 when he began the service. He comments on the implications of the RORs, making suggestions for improvements on policies worth keeping and recommending transfers to better policies when appropriate. The cost is \$140 for the first illustration, \$95 for each additional; payment may be made via USPS or at PayPal with Mr. Hunt's email, jameshhunt8@gmail.com. Call him at 603-224-2805 if you have any questions. (Early evenings and weekends OK.)

Life Insurance in 2020 – (1) With interest rates on alternative, safe investments at historic lows, whole life policies in major mutual insurers have become valuable assets when premiums have been paid for several years. Mature whole life policies - say 15 years or more since issue date - in the better insurers often show yields of 4% or so on the cash value growth alone. (2) There is a big mess in non-variable universal life where millions face policy termination - often without knowing it - due to low interest rates. (3) Holders of IUL policies know they're protected from market crashes but do not usually know that they do not get the whole upside of market increases because the index - usually S&P 500 - excludes dividends that corporations pay, just over 2% in mid-August. VULs and mutual funds include such dividends. (4) The pricing of larger VULs and IULs in recent years almost always features ten years of (a) substantial monthly expense charges and (b) a surrender charge that decreases to zero after ten years. For IUL and VUL policies, request an in-force illustration that includes an expense "spreadsheet." Add up the remaining monthly charges, (a), and compare to the remaining surrender charge, (b). Unless (b) is a substantial fraction of (a), the policy is probably not worth keeping if your health remains OK. (5) Ameritas Direct (AD) issues Advisor VULs without agents' commissions, a great advantage. All VULs have Fixed Accounts that allow owners to avoid market risk in their allocations to investment accounts; typically they guarantee 3% interest, perhaps 4% on some older VULs. Ameritas Direct issues Advisor VULs that are free of agents' commissions, a great advantage and in Mr. Hunt's opinion the best buy in cash value life insurance.

2013 PDF is available [here](#).