Consumer Federation of America

Life Insurance Rate of Return Service

How the Service Works – CFA's Rate of Return (ROR) program estimates investment returns (interest rates) earned on cash value life insurance policies: whole life (WL), universal life (UL), indexed universal life (IUL), and variable universal life (VUL). To do so, we need either the sales illustration for a new policy or an "in-force" illustration on a policy you have owned for some time. Either can be emailed to you and relayed to us. We use an actuarial technique known as the "Linton Yield," which derives interest rates. It may help to explain it this way: the premium for a cash value policy buys two things, death protection and a kind of savings account, the cash value. In order to derive an interest rate on the savings portion, one must impute a value to the death protection, the annual excess of the death benefit over the cash surrender value. We use non-guaranteed illustration values to derive these estimates; guaranteed values are not realistic because they assume extremely high mortality rates as a safety measure. We have been doing this work since 1984; there is little we have not coped with.

Who Performs the Service – James H. Hunt, a retired actuary and several decades ago Vermont's insurance commissioner, has reviewed thousands of policies since 1984 when he began the service. In a report added to the computer analysis, he comments on the derived RORs, suggesting changes if appropriate, and he notes future implications for policies worth keeping. The cost is $150 for the first illustration sent, $100 for each additional illustration; 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. He offers to discuss each evaluation when sending it.

Life Insurance in 2022 – A year or ago we noted that U.S. interest rates were at historic lows. In February 2021, yields on new corporate bonds and mortgages that WL insurers buy were about 2.75%; in January 2022, the yield was 3.25%, increasing to 3.60% in February. Meanwhile consumer savings rates remain not much above 0%. These trends suggest that WL dividend formulas that in a few cases credit close to 5% on cash values may be more sustainable than implied a year ago. In turn, mature WL policies can be valuable assets. Universal life policies: not so good.