



What to consider when reviewing existing inforce policies

Life insurance is an important component of your client's financial plan. Evaluating and reviewing a life insurance policy can determine whether it is performing according to expectations — and meeting your client's financial goals. There are many factors that may impact your client's policy.

Significant reasons to review inforce policies:



Lifestyle changes

Marital status, purchasing a home, or welcoming a new child, may impact your client's life insurance coverage needs. In addition to accounting for these changes, beneficiary reviews should be part of the review.



Underwriting advancements

Medical advances, improvements in underwriting technology, as well as life expectancies, may expand product offerings.



Policy performance

Life insurance can be affected by market volatility or interest rate changes. In addition, the funding pattern may have been altered/changed or loans/withdrawals may have occurred. A policy review can make sure the policy is performing according to expectations.



Legislative changes

Regulatory changes to state or federal estate tax laws may impact your client's needs. Policy review is a good time to review these changes. See sidebar on life insurance in irrevocable trusts.



Company's financial strength

Ensuring the strength and the stability of the life insurance company as reflected in the financial ratings of the major rating agencies.

Life insurance policies in irrevocable trusts

The trustee should periodically review the life insurance policy to determine if it is performing as expected and should engage the services of an insurance specialist, if necessary. Attention should be paid to policies that are not performing as illustrated, policies that are not cost-efficient (and may need to be replaced) and policies that may have a scheduled jump in premiums. In addition, the trustee should determine whether insurance coverage would be sufficient for the current needs of the trust beneficiaries.

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