oc consulting group

Premium Finance, Indexed UL & PPLI Current Trends & Insights

Bill Boersma
OC Consulting Group
Grand Rapids, MI

Objectives

- Premium Finance market trends
- The real story of IUL
- Litigation & compliance risk in IUL & financing
- Fiduciary duties
- PPLI opportunities and political challenges
- Case studies
- Practical tools for trustees & other professional advisors

Rising Demand for Consulting

- **Who's calling?**
  - ✓ Trustees looking for independent information
  - ✓ Estate planning attorneys
  - ✓ Family offices
  - ✓ RIAs
  - ✓ Anyone looking for objective information from a professional who is not benefitting from the insurance sales

Premium Finance Trends

- How it's being marketed today
- Lending rate affect
- Carrier standards
- The products being utilized

Premium Finance Details

- Why historically?
- Why now?
- Who is a candidate?
- Mass affluent
- Misrepresentation & Fraud
- Annual reports
- IUL & whole life
- The players
- The litigation
- Tightening the rules
- Who is to blame?
- Lending rates
- Was it ever going to work?
- Collateral issues
- Indexed loans
- Loans paying off loans

The Trustee’s Dilema

- Fiduciary risk
  - ✓ Lack of technical expertise
  - ✓ Exposure to litigation
  - ✓ “Rubber-stamping” design
  - ✓ Solution; independent analysis and documentation

Litigation Surge

- **Where cases are coming from**
  - ✓ Misrepresentation of policy performance
  - ✓ Unrealistic assumptions in IUL crediting
  - ✓ Inadequate stress testing
  - ✓ Lack of understanding insurance products
  - ✓ Lack of monitoring & management
  - ✓ Violating fiduciary duty
  - ✓ Inappropriate replacement
  - ✓ Unsuitable transaction

Indexed UL Market Update

- The story
- Continues to be a major player
- The players
- IUL vs. WL vs. VUL
- Trends in product design

IUL Details

- How it works
- Caps
- AG49
- Engineered indices
- Volatility controlled indices
- S&P 500 charts
- Bonuses & Multipliers
- S&P 500 vs S&P 500 Index
- Heat graphs
- Sequencing of returns
- ChatGPT conversation
- Options trading
- Independent modeling
- Harken amendment
- Carrier marketing
- Who sells it?
- Indexed loans
- War stories

Private Placement Ins Overview

- **What is it?**
  - ✓ Institutionally priced life insurance for HNW
  - ✓ Tax deferred growth on investments in contract
  - ✓ Broader “fancy” investment menu (hedge funds, alts…)

PPLI Details

- Same 7702 rules
- Who is it for?
- Death benefit vs. cash value
- Estate tax vs. income tax
- Fancy investment vs Main Street investments
- The players
- “Shelf PPLI”
- Domestic vs. offshore
- Diversification rules
- Investor control

PPLI Market Challenges

- **Not without risks**
  - ✓ Political scrutiny of “tax shelter” perception
  - ✓ Senator Wyden committee report
  - ✓ IRS increasingly attentive
  - ✓ Limited carrier & administration support
  - ✓ Compliance burden for trustees

Political & Regulatory Headwinds

- **Why is Washington watching?**
  - ✓ Recent proposals targeting PPLI
  - ✓ Fear of erosion of income tax base
  - ✓ Headlines highlight “Tax shelters for the wealthy”

Litigation Avoidance

- Best practices
    - ✓ Require independent, third-party consulting
    - ✓ Use of available tools
    - ✓ Document decision making thoroughly
    - ✓ Establish monitoring protocols
    - ✓ Insist on real stress testing
    - ✓ Insist on client education and understanding

What Else?

- Evolutions in the life insurance industry
- 7 Birds
- One Big Beautiful Bill (OBBB) Flip
- Death benefit as an asset class
- What drives life insurance sales
- Tale of two policy owners
- Policy loans
- Term insurance

Key Takeaways

- This is complex
- Fiduciary risk is real
- Independent consulting protects your reputation
- These concepts are powerful, but risky if misunderstood and/or misused
- Expect more litigation ahead

Closing & Contact

- Stay ahead in a changing life insurance market
- Thank you for your time
- Q&A

- Bill Boersma
- OC-LIC.com
- Bill@oc-lic.com
- BillBoersmaOnLifeInsurance.info
- 616-633-3043

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