

# ILIT POLICY REVIEW & REMEDICATION

## FOR BANKS AND TRUST COMPANIES

A GUIDE TO STRUCTURING AN APPROPRIATE PROCESS



# 11 STEP ILIT POLICY REVIEW AND REMEDIATION PROCESS



## Step 1

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Document the entire process in writing – train staff on the process and document training.



## Step 2

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Retain an independent 3<sup>rd</sup> party to conduct annual or periodic policy reviews. We recommend conducting policy reviews at least every 2 years.



## Step 3

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90 days prior to policy anniversary:

- **Review in force policy illustrations** to determine if the policy is at risk of being non-competitive.
- **Request gift of premium** from grantor/premium payer.
- **Prepare and send Crummey notice to beneficiaries** once gift has been made to trust.



## Step 4

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For policies determined to be competitive and not at risk, review policy riders and provisions to determine if any changes to policy should be made to most effectively accomplish trust objectives. Have 3<sup>rd</sup> party conduct a Competitive Analysis to assure highest and best use of the policy asset.



## Step 5

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For at risk or non-competitive policies, conduct general health assessment on insured to determine mortality risk and remediation alternatives. Also obtain HIPAA form signature from insured(s). Provide these documents to a trusted resource to assess life expectancy and potential insurability.



## Step 6

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For at risk or non-competitive policies, deploy the following process for remediation:

- On existing policy, determine revised funding amount necessary to carry current policy face amount to maturity or target date.
- On existing policy, determine face amount reduction necessary to carry current policy to maturity or target date at current funding.
- If insurable, pursue open market suitability alternatives to determine if replacement insurance at current face amount would be in Client's best interest.
- If insurable, pursue open market suitability alternatives to determine if replacement insurance at a reduced face amount and current funding would be in Client's best interest.



## Step 7

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Meet with trust interested parties to determine best course of action. Have your advisor attend meeting as a technical resource to answer questions and explain policy provisions, take meeting notes to document discussion and provide proof of third party oversight. Retain copies of all illustrations, notes and any other materials reviewed.



## Step 8

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If decision is to modify current policy, have advisor assist in preparing necessary documents to facilitate remediation.



## Step 9

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If decision is to replace existing insurance, have advisor prepare necessary documents and handle all aspects of application, underwriting, issuing new policy and handle policy delivery. Request an independent 3<sup>rd</sup> party perform a replacement analysis confirming the replacement is in good order prior to policy replacement.



## Step 10

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Engage an independent 3<sup>rd</sup> party to provide a Suitability Analysis or equivalent to compare the existing policy and recommended alternatives.



## Step 11

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Carefully review final illustration to understand underlying risks within that particular policy. Retain original illustration and in-force ledger on replaced policy for future reference. Compare declaration page on policy to final illustration to make sure the carrier issued the policy as applied by the trust.

*This guide has been drafted in a collective effort by the following firms. We offer the process described above to our client ILIT fiduciaries.*

## PolicyCheck

PolicyCheck is a national network of 25 firms that provides the platform, procedures and licensed professionals to assist trustees in performing their fiduciary duty through independent review, remediation and management of trust owned life insurance. The remediation agreement is with PolicyCheck.

Click [HERE](#) to visit Policy Check online

## TFP Brokerage

TFP Brokerage is an independent insurance consulting firm that supports trustees and PolicyCheck advisors in policy reviews, Suitability Reports, policy remediation and file note documentation. TFP follows the same process on every policy reviewed. TFP also handles insurance compliance on new policy placements. PolicyCheck advisors are contracted directly with TFP Brokerage, a sister firm of TFP Consulting.

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