

Financial Advisor Series

FA 257 WORKBOOK
Essentials of Life Insurance Products



WB257.03.1

The American College® is an independent, nonprofit, accredited institution founded in 1927 that offers professional certification and graduate-degree distance education to men and women seeking career growth in financial services.

The Center for Financial Advisor Education at The American College offers both the LUTCF and the Financial Services Specialist (FSS) professional designations to introduce students in a classroom environment to the technical side of financial services, while at the same time providing them with the requisite sales-training skills.

The Solomon S. Huebner School® of The American College administers the Chartered Life Underwriter (CLU®); the Chartered Financial Consultant (ChFC®); the Chartered Advisor for Senior Living (CASL®); the Registered Health Underwriter (RHU®); the Registered Employee Benefits Consultant (REBC®); and the Chartered Leadership Fellow® (CLF®) professional designation programs. In addition, the Huebner School also administers The College's CFP Board—registered education program for those individuals interested in pursuing CFP® certification, the CFP® Certification Curriculum.

The Richard D. Irwin Graduate School® of The American College offers the master of science in financial services (MSFS) degree, the Graduate Financial Planning Track (another CFP Board-registered education program), and several graduate-level certificates that concentrate on specific subject areas. It also offers the Chartered Advisor in Philanthropy (CAP®) and the master of science in management (MSM), a one-year program with an emphasis in leadership. The National Association of Estate Planners & Councils has named The College as the provider of the education required to earn its prestigious AEP designation.

The American College is accredited by **The Middle States Commission on Higher Education**, 3624 Market Street, Philadelphia, PA 19104 at telephone number 267.284.5000.

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The American College does not discriminate on the basis of race, religion, sex, handicap, or national and ethnic origin in its admissions policies, educational programs and activities, or employment policies.

The American College is located at 270 S. Bryn Mawr Avenue, Bryn Mawr, PA 19010. The toll-free number of the Office of Professional Education is (888) AMERCOL (263-7265); the fax number is (610) 526-1465; and the home page address is theamericancollege.edu.

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ESSENTIALS OF LIFE INSURANCE PRODUCTS ASSIGNMENT SCHEDULE

This Workbook contains quizzes, exercises, projects, and case studies that are intended to supplement the material in Chapters 1 through 8 of the LUTC 257 textbook, *Essentials of Life Insurance Products*.

Class	Assignments in Text	Assignments in Workbook
1 <hr style="width: 20%; margin: 0 auto;"/> Date	Chapter 1	Special Notes to Advisors Course Overview and Expectations (Read before Class 2) Acknowledgment of Course Requirements (Due Class 2) Essentials of Life Insurance Products Pre-Test Sales Planning Project 1—Matching Needs and Products (Begin, Due Class 4) Breakout—Class 1 Most Valuable Concepts
2 <hr style="width: 20%; margin: 0 auto;"/> Date	Chapter 2	Acknowledgment of Course Requirements (Due today) Quiz—Class 1 (Due today) Quiz—Class 2 (Due today) Action Project 1—Identifying Prospect Needs (Begin, Due Class 4) Sales Planning Project 2—Analyzing the Life Insurance Need (Due Class 3) Breakout—Class 2 Most Valuable Concepts
3 <hr style="width: 20%; margin: 0 auto;"/> Date	Chapter 3	Quiz—Class 3 (Due today) Sales Planning Project 2—Analyzing the Life Insurance Need (Due today) Sales Planning Project 3—Your Product Portfolio (Begin, Due Class 5) Breakout—Class 3 Most Valuable Concepts

Class	Assignments in Text	Assignments in Workbook
4 <hr/> Date	Chapter 4	Quiz—Class 4 (Due today) Action Project 1—Identifying Prospect Needs (Due Today) Sales Planning Project 1—Matching Needs and Products (Due Today) Action Project 2—Term/Whole Comparison (Begin, Due Class 6) Sales Planning Project 4—Interview an Experienced Life Insurance Advisor (Begin, Due Class 6) Breakout—Class 4 Most Valuable Concepts
5 <hr/> Date	Chapter 5	Quiz—Class 5 (Due today) Sales Planning Project 3—Your Product Portfolio (Due Today) Action Project 3—Life Insurance Illustrations (Begin, Due Class 7) Sales Planning Project 5—Optional Provisions (Begin, Due Class 7) Breakout—Class 5 Most Valuable Concepts
6 <hr/> Date	Chapter 6	Quiz—Class 6 (Due today) Action Project 2—Term/Whole Life Comparison (Due today) Sales Planning Project 4—Interview an Experienced Life Insurance Advisor (Due today) Breakout—Class 6 Most Valuable Concepts
7 <hr/> Date	Chapter 7	Quiz—Class 7 Action Project 3—Life Insurance Illustrations (Due today) Sales Planning Project 5—Optional Provisions (Due today) Breakout—Class 7 Most Valuable Concepts
8 <hr/> Date	Chapter 8	Quiz—Class 8 (Due today) Breakout—Class 8 Most Valuable Concepts
<hr/> Date	Review Session for Final Examination	Final Exam Review Practice Exam (Complete in class)
<hr/> Date	Final Examination. This is a closed-book exam consisting of 50 multiple-choice questions. You cannot refer to your textbook or any other materials during the exam.	

WORKBOOK MATERIALS DISCLAIMER

While every precaution has been taken in the preparation of this material to insure that it is both accurate and up-to-date, it is still possible that some errors eluded detection. The authors and The American College assume no liability for damages resulting from the use of the information contained in this workbook. The American College is not engaged in rendering legal, accounting, or other professional advice. If legal or other expert advice is required, the services of an appropriate professional should be sought.

CAUTION REGARDING USE OF ILLUSTRATIONS

The illustrations, sales ideas, and approaches in this workbook are not to be used with the public unless you have obtained approval from your company. Your company's general support of The American College's programs for training and educational purposes does not constitute blanket approval of the sales ideas and approaches presented in this workbook, unless so communicated in writing by your company.

USE OF THE TERM FINANCIAL ADVISOR OR ADVISOR

Use of the term "Financial Advisor" as it appears in this workbook is intended as the generic reference to professional members of our reading audience. It is used interchangeably with the term "Advisor" to avoid redundancy. Financial Advisor takes the place of the following terms:

Account Executive	Insurance Professional
Agent	Life Insurance Agent
Associate	Life Underwriter
Broker (stock or insurance)	Planner
Financial Consultant	Practitioner
Financial Planner	Producer
Financial Planning Professional	Property & Casualty Agent
Financial Services Professional	Registered Investment Advisor
Financial Services Specialist	Registered Representative
Health Underwriter	Senior Advisor

ANSWERS TO THE QUESTIONS IN THE COURSE

The answers to all essay and multiple choice questions in this course are based on the text materials as written.

COURSE OVERVIEW AND EXPECTATIONS

Welcome to LUTC 257, *Essentials of Life Insurance Products*. This introductory section begins with an overview of the course objectives. Then it discusses the components of the course, reviewing the various assignments and activities that will help you apply what you learn. Finally it closes with a discussion of what is expected from you.

COURSE COMPONENTS AND ASSIGNMENTS

The American College's LUTC/FA courses offer practical on-the-job training. Therefore, they require students to take action and participate fully. Except for the final examination, each component of the course is designed to facilitate action and participation, which will translate into more new clients and better client relationships. The course components include:

- the classroom
- the text
- the workbook
- the final examination

The Classroom

The classroom is where the idea-sharing that gives LUTC/FA courses their unique value takes place. Of course, the value you receive in the classroom depends on your preparation and participation.

Students in an LUTC/FA classroom represent various levels of knowledge and experience in the financial services industry. Sharing with one another will provide everyone an opportunity to grow in proficiency, professionalism, and productivity. In fact, the classroom's "magic" only happens if everyone is prepared and participates.

The Text

The discussions in the classroom will focus on applying the concepts discussed in the text. Thus, you are expected to have read the text assignment before class. In addition to the regular textbook information, chapters will also contain a chapter review and self-test questions.

Chapter Review and Self-Test Questions. In order to reinforce what you learn, each chapter in the text includes a chapter review that consists of short answer, multiple choice, and matching questions. You are not required to complete these before class. Many students use these questions to review for the final examination. Answers are provided in the back of the text.

The Workbook

The Workbook contains an assignment schedule and all of the mandatory assignments that must be completed for each class. The assignments are primarily breakouts, case studies, quizzes, action projects and sales planning projects. All page numbers in the Workbook start with a W. For example, this is page W-7.

Assignment Schedule. The Assignment Schedule lists your assignments for the entire course and is located in the front of the Workbook. There is a space on the assignment schedule to write the date for each class session, which your moderator will announce at the first class.

By following the schedule, you can readily determine the material that will be covered in every class and the work that is expected of you.

Except for the assigned readings in the text and assignments your moderator gives you, all other activities can be found in the Workbook. Let's take a look at them.

Breakouts. For each class you will find a breakout, a set of questions and/or exercises designed to focus your attention on topics your moderator will most likely cover in class. The breakouts will ask you to apply what you learn. For example, many of them will ask you to explain a concept as you would to a client or prospect. You may then be asked to participate in a role-playing exercise based on your answer to the breakout. You will be expected to have breakouts completed for each class.

Quizzes. A quiz must be completed for each class. (The Class 1 Quiz is due in Class 2.) The question type is multiple choice, and follow the straight, roman numeral choice, or EXCEPT formats. These questions, like those in the textbook, are similar to the ones you will see on the final exam in terms of type, content, and difficulty. Quizzes are due at the beginning of each class.

Sales Planning Projects. Sales Planning Projects focus on the behind-the-scenes activities that support and enable successful interaction with prospects. They explore the planning involved with marketing, prospecting, interviewing, and servicing financial services products. In addition, a Sales Planning Project can also provide learning experiences that sharpen your ability to advise prospects and design appropriate plans for them. Thus possible activities could include market research, record keeping, interviews of other financial advisors and professionals, and so forth.

Forms are provided for each project. You will be given one week or more to complete each assignment. Begin working on the project the day it is assigned. If you wait until the last minute, you will have missed the purpose and lost the real benefit.

Action Projects. Action Projects focus on the skills and techniques you use when working directly with a prospect. They explore the areas of contacting the prospect for an appointment, working with a prospect during an interview, and asking for referrals. In every action project there will be a specific, brief assignment that calls for personal contact with a number of prospects for a definite purpose. Sometimes, an approach will be suggested.

Action Projects will typically fit into a financial advisor's daily routine. Very little preparation or extra research is involved.

Sales are inevitable, but they are *not required* for completion of the action project. Only action is required.

Project Assignment Summary

Sales Planning Project	Title	Assigned class	Due class
1	Matching Needs and Products	1	4
2	Analyzing the Life Insurance Need	2	3
3	Your Product Portfolio	3	5
4	Interview an Experienced Life Insurance Advisor	4	6
5	Optional Provisions	5	7

Project Assignment Summary

Action Project	Title	Assigned class	Due class
1	Identifying Prospect Needs	2	4
2	Term/Whole Life Comparison	4	6
3	Life Illustrations	5	7

Most Valuable Concepts. Reflection is an important part of the learning process. This activity is designed to allow you to think about what you have learned in each class and write the most valuable concept, marketing idea, marketing strategy, and so forth that you learned in the class. Your moderator may ask you to share those ideas with the class.

Passing Requirements. Read this section carefully so that you understand what you must do to pass this course. In general, there are three main components that determine your final grade:

- attendance
- moderator's grade
- final exam grade

Attendance. In order to pass, you must attend at least six of the eight regular sessions. You are expected to arrive on time and stay for the entire class session. Missing part of a class could count as a half or a whole absence.

- A half absence is charged if you arrive more than 20 minutes late or leave more than 20 minutes before the class is scheduled to end.
- If you miss more than 40 minutes of class time, you will be charged with a full absence.

If you end up with 2½ absences, you will have exceeded the maximum allowable limit of two—even if the absence is due to illness or accident. You will not pass the class. The exam review does not count as a class.

Moderator's Grade. The moderator's grade is the average of three separate grades:

- class participation
- weekly quizzes
- projects (as assigned)

You will be graded on your class participation. Specifically, the moderator will evaluate over the course of several weeks whether:

- Your participation in class is appropriate (don't be a time-hog or a wallflower), insightful, and relevant to the discussion.
- You have completed any Breakout questions.
- You take role-playing seriously and give helpful feedback.
- You make positive contributions in any small group activities.

In addition, your weekly quizzes will be graded, each worth 100 points. There will be eight quiz grades that will be averaged together to yield your quiz grade. A quiz is assigned for each reading assignment. Quizzes for classes 1 and 2 are due class 2.

The last component of the Moderator's Grade is the grade you receive for the successful completion of each of your Sales Planning and Action Projects. Each project also is worth 100 points.

You will turn in your assignments before the class begins. Assignments handed in thereafter are deemed late. Late assignments up to one week will have 50 points deducted from the grade earned. If more than a week late, papers receive a zero.

If you are going to be out of town or absent for other reasons, it is up to you to get the assignment to the moderator before the class. The moderator should give you his or her contact information. Write it here for future reference:

Moderator's Name: _____
Moderator's Address: _____
Moderator's Fax Number: _____
Moderator's E-mail: _____
Moderator's Phone Number: _____

At the end of the course, the grades for these three areas are averaged to arrive at a Moderator's Grade. For example:

1. Weekly class participation: average grade	85
2. Weekly quizzes: average grade	80
3. Projects: average grade	<u>90</u>
	255

The total is then divided by 3 to arrive at the Moderator's Grade: 85. The Moderator's Grade must be greater than 70 percent in order for you to pass the course.

Final Exam Grade. At the end of the course, you will take a 50-question multiple-choice examination that consists of the three multiple-choice formats (straight answer, Roman numeral, and EXCEPT) similar to those in the quizzes in the workbook. All answers are based on the material in the text. The final examination will not be difficult if you have read the text and completed all of the quizzes and chapter reviews. In order to pass the course, you must pass the final examination with a score of at least 70 percent.

As you can see, you will need to earn a 70 or better on both the Moderator Grade and the Examination Grade to pass the course.

Passing Requirements

Attendance—Your participation in the classroom discussion is crucial to the effectiveness of an FSS or LUTC class. Therefore, your attendance is vital. To complete the course successfully, you must attend at least six of the eight regular classes. Lateness of more than 20 minutes is half an absence; so is leaving early. Missing more than 40 minutes is a full absence. Two absences are permitted. If you end the course with two and one-half absences, you have exceeded the allowable limit.

Moderator's Grade—The moderator records grades for quizzes, projects, and participation in class sessions. These grades are combined to obtain the average grade for all classroom-related work. This average grade is called the Moderator's Grade.

Examination Grade—There is a 50-question final examination at the end of the course. The questions are multiple choice. A grade of 70 percent or higher is necessary to pass the exam.

Three Requirements—In summary, to qualify for successful completion of the course, you must meet each of the following three requirements:

1. Satisfy the attendance requirement for your course.
2. Score 70 percent or more on the final examination.
3. Score 70 percent or more for the term grade.

Refund. All requests for refunds must be made in writing to the Office of Student Services, The American College, 270 S. Bryn Mawr Ave., Bryn Mawr, PA 19010. The American College will refund your tuition (less a cancellation fee) if a written request is received by the third week of class. Tuition does not include any applicable matriculation fee or shipping and handling. For more information go to TheAmericanCollege.edu.

Expectations

Before Class. Complete all assignments before the class meets. The average amount of time you should plan to spend on completing these activities is *at least* 2½ hours per class—about the same amount of time spent in classroom discussion. Some classes will require more time, others less.

Activities include the following:

- Read and study the assigned pages in the text.
- Complete any breakouts.
- Complete the class quizzes.
- Complete any sales planning project assigned.
- Complete any action project assigned.
- Complete all other assignments required by the moderator.

Students. Turn in your assignments at the beginning of each class. The moderator has been directed to penalize late assignments by 50 percent. If more than a week late, papers receive a zero. Participate in class.

Moderator. The moderator is an individual nominated by The American College. He or she is not a teacher by profession, but a full-time agent or manager. The moderator shares with you the demands of self-discipline and the constant pressure of time. Consequently, the moderator cannot afford the luxury of catering to anyone who is negligent about completing work on time, maintaining reasonable order, or respecting the rights of others. The moderator needs and deserves the full cooperation of every student.

Performance of Action Projects by Non-marketing Students and Managers

You are expected to complete the action projects. This applies to students who are not in personal production and to those in management. It includes, for example, students who are office staff, home office executives, finance officers on a military base, and others who may not be licensed to market insurance.

If you cannot do the projects yourself, you are expected to handle them in one of the following ways (listed in order of preference):

1. Select an FSS or LUTC student who is with your company or in your community to work with on the project. Base your reports on your joint work.
2. If there is no local FSS or LUTC student from your company to work with, do joint work with one of your company's agents who is not taking the course. This can be a former FSS or LUTC student or someone without any FSS or LUTC experience.
3. If you are in management and it is not possible to work with an agent/student, assign the project(s) to one or more of the agents under your supervision, and report these results.
4. If you have no agents to work with and none under your supervision, arrange to interview one or more agents each week, and use the interview as the basis of the project report. Write what the agent did on the project reporting form.
5. If the four preceding options are unworkable for you, it is up to you to suggest alternative options on which you and your moderator can agree. For example, you may develop two presentations to write or present to the class during the course. These may be on special topics or you may research a particular insurance marketing topic to write about. Give photocopies to all class members. Topics can include state laws, statistical information about insurance, actuarial studies, articles in insurance magazines, self-improvement topics, relationship insights, or a question that came up in class that needed research.

Keep in mind that these five alternatives are special options for isolated instances. In almost all situations, every student in the class is expected to complete the action projects as assigned for a passing grade. You are expected to do the field activity and make the follow-up approaches yourself. Most projects can be done in a meaningful way by persons who are not producers.

If you need to do the projects in one of the ways suggested above, discuss it in advance with the moderator and reach agreement on how to proceed. As a safeguard, put your agreement in writing, include both of your signatures, and file the agreement.

Note to FSS and LUTC Students

Please read the following page carefully, sign at the bottom, and return it to your moderator in class. Occasionally, there are misunderstandings concerning the requirements for the successful completion of the course. The purpose of this memorandum is to ensure that the requirements and the ground rules laid down by the moderator are clearly understood. Failure to sign this form does not relieve you from these requirements.

Acknowledgment of Course Requirements

- To be signed by student -

It is my understanding, from the explanation received in the first class session and outlined in the Course Overview and Guidelines section of the workbook, that successful completion of this course requires meeting the attendance requirements, achieving a passing examination score (70 percent), and earning an overall average (term grade) of 70 percent on all work for the course. Specifically, I understand that

1. Credit for the course will not be given to any student who fails to attend at least six of eight class sessions. The maximum number of absences is two. Missing more than 20 minutes of class is a half-absence. Missing more than 40 minutes of class is a full absence. It does not matter whether absences are due to illness, injury, business appointments, company or agency meetings, vacations, or conflicts in personal schedules. No attendance credit is given for attendance at an exam review session. I further understand that neither the local NAIFA officers nor the moderator has authority to excuse absences because the requirement applies impartially to all students.
2. Grades are assigned during the course by the moderator. Grades for participation in class discussions (and preparation for them), and scores made on action projects, marketing planning projects, and quizzes are averaged. That number is then averaged with the final examination to arrive at the Term Grade.
3. Written assignments are to be handed in at the beginning of the class session in which they are due. Papers up to 1 week late are automatically reduced by 50 percent and to zero after that.
4. To receive credit for the course, I must sit for and receive a passing grade on a final examination acceptable for any course offered by The American College. The correct answers to the final examination questions are based solely on the information found in the text. The American College reserves the right to set aside the final examination of any class and require another examination.
5. Course results will be mailed out within 4 weeks after the final exam date, assuming all course requirements have been met, including payment of tuition. These reports will indicate a "passing" or "not passing" status only. No numerical grade is assigned.

I have read the course requirements and understand them. I further understand that recruiting or attempted recruiting of personnel of another company is not permitted in any American College course or in connection therewith. Finally, I understand that any student whose behavior adversely affects reasonable order and harmony in the classroom will not be allowed to continue with the course. There will be no tuition refund, and the student may be barred from future participation in FSS and LUTC courses.

Print your name _____ Date _____

Sign your name _____

Name: _____

Date: _____

ESSENTIALS OF LIFE INSURANCE PRODUCTS PRE-TEST

This quiz will not count as part of your grade. Its purpose is to help you determine what you already know about the material covered in this course. Toward the end of the course, your moderator may administer the exam again, or use it as part of a final review, so you can see how much you have learned.

1. What are *settlement options* and what settlement options are available in a life insurance contract?

2. Explain the *human life value approach* to insurance planning.

3. Explain how the *capital distribution* (liquidating) and *capital conservation* (nonliquidating) approaches to life insurance planning differ.

4. What is the *surrender cost index* for a life insurance policy and what is its purpose?

5. Compare the *attained-age method* of converting term life insurance with the *original age* or *retroactive method* of term conversion.

6. Compare the *level death benefit* option and *increasing death benefit* option of universal life insurance in relation to the policy's *net amount at risk*.

7. Describe the basic features of *current assumption whole life* insurance.

8. Explain how the premium for *yearly renewable term* is determined.

9. What does it mean that life insurance is a contract of adhesion?

10. What factors should be taken into account when analyzing a life insurance policy *illustration*?

11. Explain the purpose of nonforfeiture and the three *nonforfeiture options*.

Name: _____

Date: _____

12. Explain how the cash value of a *variable life* insurance policy differs from that of a whole life policy.

13. Explain how policy loans affect the cash value and death benefit of *universal life* insurance.

14. Explain the *executive bonus* (Sec. 162) life insurance plan and its advantages.

15. Describe the major elements of the *NAIC Life Insurance Illustrations Model Regulation*.

SALES PLANNING PROJECT 1

Matching Needs and Products (Assigned Class 1; Due Class 4)

Purpose

The purpose of this project is to help you understand the value and importance of matching a prospect's life insurance needs with the solution to those needs. You do not want "to put the cart before the horse," where you have a solution that is looking for a need, but instead use good fact-finding to match a need presented by the prospect with the appropriate product.

By doing effective fact-finding and asking the prospect questions that uncover their needs and goals, then selecting a product solution that reflects those needs and goals, you will be doing a professional job, helping your clients, and building a successful business.

Assignment

Starting this week, monitor your weekly activity by recording your completed interviews. Focus on the fact-finding process and the product solution you select to meet that prospect's needs. By keeping complete and careful records you can analyze the results of your efforts and use the findings to improve your marketing, prospecting, and selling/planning activity.

Procedure

Each week, record the initials of new prospects and the date you saw them. Record their priority needs and goals, and the product(s) and any riders you recommended to satisfy those needs and goals. Add comments to help you remember significant details about the case.

Tracking your activity daily will give you accurate records to analyze. From this process, you can learn how different products work in different markets and where certain products are best suited. If you wait to do record keeping once a week, it will be difficult to recreate the week's activity from memory. Make completion of the form a daily habit, and complete this form as soon as practical after an interview.

This project requires completion of the Weekly Summary and the Matching Needs and Products Summary in Class 4. Your grade will be based only on the fact that you are recording your activity, not on the results. Review the summary questions to prepare yourself to complete them. Please make additional copies of the forms as needed.

You may use your own classification system for the report form, but the following are suggested:

Needs Codes

Protection (Pro)—to cover income and cash needs

Accumulation (Accum)—need to create emergency fund, cash for future needs

Retirement (Retire)—need for protection and/or accumulation strictly for retirement

Education (Educ)—protection/accumulation for educational needs
Mortgage cancellation (Mort)—pay off mortgage in case of death or disability
Readjustment, Blackout, Dependency, Spouse—specific income needs for survivors
Final expenses (Final)—cash needs at death
Charitable (Char)—desire to leave a bequest to a specific person, group or institution
Business (Bus)—provide funding for buy-sell, key person, or executive bonus
Estate liquidity (Estate)—provide estate with cash to cover expenses, provide for survivors

Product Codes

Term—specify the type, such as 5-year level (5YL), 20-year decreasing (20YD)
Whole Life (WL)
Modified Premium WL (MPWL)
Survivorship (SWL, SVUL)
Universal Life (UL)
Variable life (VL)
Variable universal life (VUL)
Adjustable life (AL)
Current assumption whole life (CAWL)
Disability income (DI)
Long-term Care (LTC)
Annuity (SPDA, FPDA)
and so on

Reporting Sheets Codes

Market = Identify the market to which this prospect belongs
F/F = fact-finder completed L/S/N
L = long fact-finder
S = short fact-finder
N = no fact-finder completed

Name: _____

Date: _____

Sales Planning Project 1

Matching Needs and Products Weekly Summary Report Form

(Assigned Class 1; Due Class 4)

I. How many appointments did you have during weeks 1, 2 and 3?

Week 1	Week 2	Week 3	Total

Comments/Analysis

1. What markets were you approaching? Give some specifics.

2. What needs did you uncover?

3. Were the needs uncovered related to the market(s) you were working?

4. How would you critique your fact-finding effort?

5. What are the barriers to completing fact-finders?

6. What did you observe about the relationship between needs and product solutions?

Name: _____

Date: _____

Sales Planning Project 1
Matching Needs and Products
Wrap-Up Summary Report Form

Complete this form and submit it with the Matching Needs and Products Weekly Summary in Class 4.

1. What percentage of your interviews resulted in fact-finders? _____
Total fact-finders/total interviews = _____

2. What percentage of your interviews resulted in:
long fact-finders — _____
short fact-finders — _____
no fact-finders — _____

3. Did you recognize any similarities and differences between those interviews that involved long, short, or no fact-finders?

4. Did you notice any relationship between the use of a fact-finder and the prospect buying?

5. In what specific ways did the fact-finder uncover the prospect's needs and goals?

6. What needs and goals did you uncover generally?

7. How were the needs and goals you uncovered related to the market(s) you were working?

8. What life insurance products and riders did you use to satisfy those needs and goals? Explain.

BREAKOUT—CLASS 1

1. Identify the needs of individuals and families for which life insurance can provide a solution.

2. Identify the benefits of life insurance.

3. What does life insurance mean to you?

4. What does selling life insurance mean to you?

5. Does a parent or spouse have a moral obligation to provide protection to his or her dependents, as Solomon Huebner said? If so, in what ways?

6. Does our need for life insurance decrease as we get older? Explain your position.

7. List ways in which you would like to benefit from this course.

QUIZ—CLASS 1

(Due Class 2)

Instructions: Study the reading assignment from Class 1, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. The difference between the face amount and reserve of a life insurance policy is known as
 - (A) the amount at risk.
 - (B) the cash value.
 - (C) the death benefit.
 - (D) the net level premium.

2. Which of the following best describes the principle of indemnity?
 - (A) Measuring the risk of loss and the amount to be contributed by each member.
 - (B) People exposed to a risk share losses on an equitable basis.
 - (C) It is the process of dealing with the risk of the loss of life.
 - (D) A person suffering a financial loss is placed in the same financial position as before the loss.

3. Which of the following best describes the whole life insurance premium structure and cash value build-up?
 - (A) “pay-as-you-go” structure
 - (B) “pay-in-advance” structure
 - (C) unbundled cost structure
 - (D) mortality charges increase as the insured ages

4. Which insurance principle states that as the number of insureds increases, the true loss experience will more closely approximate the underlying probability?
 - (A) risk management
 - (B) indemnity
 - (C) risk pooling
 - (D) law of large numbers

5. Which of the following statements concerning dependent income needs is (are) true?
 - I. A child’s dependency may continue beyond the death of both parents.
 - II. Trusts can be set up to protect children for their entire life.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

6. Which of the following statements is (are) correct concerning the human life value concept?
- I. It is the capitalized value of an individual's net future earnings.
 - II. It is the measure of the value of benefits that dependents can rightfully expect from their breadwinner.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements is (are) an advantage of life insurance in funding gifts?
- I. The proceeds do not generally go through probate and are not a matter of public record.
 - II. The proceeds are payable quickly and directly to the beneficiary.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. All of the following are steps in the selling/planning process EXCEPT
- (A) Identify the Prospect
 - (B) Obtain Referrals
 - (C) Implement the Plan
 - (D) Meet the Prospect
9. All of the following statements concerning level premium permanent insurance are correct EXCEPT
- (A) The reserve is paid to the beneficiary in addition to the face amount at the insured's death.
 - (B) The accumulated reserve becomes a part of the face amount payable at the insured's death.
 - (C) The effective amount of insurance is the difference between the face amount and the cash reserve.
 - (D) As the reserve increases, the amount at risk decreases.

Name: _____

Date: _____

10. All of the following are characteristics of an ordinary (whole) life policy EXCEPT
- (A) The reserve will equal the face amount at the maturity date (end of contract).
 - (B) It matures at age 65.
 - (C) It has an increasing cash value and decreasing risk amount.
 - (D) It is based on the level premium concept.

QUIZ—CLASS 2

(Due Class 2)

Instructions: Study the reading assignment from Class 2, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. Which of the following methods of determining the life insurance need disregard the financial and personal situation of the individual?
 - (A) multiple of income and human life value approaches
 - (B) human life value and financial needs analysis
 - (C) human life value and capital needs analysis
 - (D) financial and capital needs analysis

2. Which of the following best describes the term “present value”?
 - (A) the value of money today, compounded by interest paid in the future
 - (B) the amount of life insurance equal to capitalized net future earnings
 - (C) what money to be received in the future is worth today
 - (D) the value of \$1 per annum for a period into the future compounded at an assumed rate of interest

3. Which of the following is correct regarding key employee life insurance?
 - (A) The death benefits will be received income tax free by the business.
 - (B) The key employee should be the owner and beneficiary of the policy.
 - (C) The premium is taxable to the key employee as compensation.
 - (D) The premium is tax deductible to the business as a business expense.

4. Analyzing the prospect’s financial situation falls into which of the two following categories of post-death needs?
 - (A) human life value needs and post-death needs
 - (B) cash and income needs
 - (C) cash and dependency period needs
 - (D) income and surviving spousal income

5. Which of the following statements about Sec. 162 executive bonus plans is (are) correct?
 - I. Bonuses paid by the corporation to the employee are not tax deductible by the corporation.
 - II. The corporation retains the right to name the beneficiary.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

6. Which of the following methods for determining the amount of life insurance a person should own takes into account other sources of income available to one's dependents such as social security survivor benefits, investments, and existing employee benefits?
- I. the human-life-value approach
 - II. the needs approach
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements concerning the nonliquidating approach (capital needs analysis) to calculating the insurance need on the family income earner is (are) correct?
- I. Benefit payments are completely derived from investment income.
 - II. Requires a larger investment fund than that for a liquidating approach.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
8. Which of the following statements concerning Sec. 79 group term life insurance plans is (are) correct?
- I. The plans can freely discriminate in selecting participants.
 - II. The first \$75,000 of coverage is provided tax free to all plan participants.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

9. All of the following factors are used to calculate a person's economic value for purposes of life insurance EXCEPT
- (A) Estimate the person's average annual earnings for his or her remaining income-producing years.
 - (B) Deduct federal and state income taxes, life insurance premiums and the cost of self-maintenance.
 - (C) Determine the number of years between the person's original age of employment and retirement.
 - (D) Select a reasonable interest rate at which future earnings will be discounted.
10. All of the following are characteristics of a typical entity partnership buy-sell agreement funded by life insurance EXCEPT
- (A) The partnership agrees to pay the federal income tax on the life insurance proceeds.
 - (B) The partnership owns the policies.
 - (C) The partnership is beneficiary of the policies.
 - (D) The partnership pays the premiums.

ACTION PROJECT 1

Identifying Prospect Needs (Assigned Class 2; Due Class 4)

Purpose

The objective of this action project is for you to focus on the process of qualifying life insurance prospects and identifying their life insurance needs through the selling/planning process. After gathering information from the prospect, the next step is to analyze those needs and identify the life insurance products that you will recommend to best serve that particular prospect.

You will practice introducing and explaining life insurance concepts by discussion and role-playing activities in class 2. This project allows you to try this with “live” prospects in the field. These ideas can be used as a “hot button” (single-need) approach, a simple fact finder, as a way of creating interest in a prospect, or as a door opener to begin a conversation on your products and services.

Assignment

Set up interviews with three prospects that you know or who are on your prospecting list. In your approach, you may tell them that you are taking this course and would like to talk with them about your services and how you can help them meet their financial goals.

Study the life insurance sales ideas for personal and business needs on the following pages. Learn a brief description of each one. Be prepared to present an idea in class as part of a role-playing exercise. The goal of these exercises is for you to know the strategies and feel comfortable enough to present them to your prospects. During your interviews, qualify the prospect if a life insurance need emerges and schedule an appointment to do a complete fact-finder, unless the prospect wishes to continue at that time.

Procedure

For this assignment, set appointments with three people with whom you have rapport who may be qualified prospects for life insurance. When you call, you can say something like:

“(Prospect), I am taking a course about helping people meet their financial needs so I can better serve my clients. Through the course, I have come to believe strongly in the importance of planning for the future. I would like to spend about one half-hour with you to see if my services would be appropriate for you. I would also like to get some feedback from you on my presentation. Does this sound reasonable to you?” Then, offer them a choice of times to meet by saying, “Is daytime or evening more convenient for you?”

When you are successful in getting the appointment, conduct an initial interview in which you introduce yourself and your services. Proceed to introduce one or more of the life insurance ideas or the “Areas of Possible Interest” as an example of the kind of work that you do to help people plan their financial future. If a life insurance need is uncovered and you have a qualified prospect that is ready to move forward, proceed with

a more detailed fact-finding interview. Your goal is to gather enough information to make recommendations for an appropriate life insurance product in a future meeting. Complete the report form to submit in Class 4.

Approach Talk

When you meet the prospect, introduce yourself and your company. Then introduce one or more life insurance concepts to the prospect, or use the “Areas of Possible Interest” list as a mini-fact-finder. Allow the following to serve as a sample script.

Using the list of “Areas of Possible Interest”

Prospect, allow me to list the life insurance needs for those who survive the death of a breadwinner. I would like to discuss this with you and see if you have any interest in relating any of them to your own situation. Please ask any questions you may have.

First, we have final expenses or a cleanup fund. This means

Personal Life Insurance

- When you die, what would you want your family’s financial situation to be?
- Would you want to maintain their standard of living?
- If you had died last night, what would your family’s financial situation be like?
- How long has it been since you have analyzed it? Shall we put that on our list of things to do soon?

Buy-Sell Funding

As you may know, this has to do with written transfer-of-ownership agreements. Do you have any formalized plans for transferring your ownership of this business at death?

(If no:) Have you ever thought about making such plans?

(After the prospect answers:)

Has your attorney ever talked with you about the consequences when no plans are made in advance? (Wait for response.)

What do you want to happen to your business when you die?

What do you want to happen to the business when a co-owner/partner dies?

Do you think your co-owners/partners want the same sorts of things to happen?

Have you considered the practical, legal, and financial roadblocks that might prevent this from happening when one of you dies?

Are you equal owners/partners? (If not, what percentages?) What are your ages?

What’s the market value of your business if you sold it today?

May I meet with you and the other owners early next week?

Areas of Possible Interest

Personal Insurance

1. Final expenses or cleanup fund
2. Income for readjustment period
3. Income for dependency period
4. Income for surviving spouse
5. Mortgage cancellation
6. Educational funding
7. Retirement needs
8. Debt repayment fund
9. Charitable bequests
10. Estate liquidity

Business Insurance

1. Buy-sell funding
2. Key person indemnification
3. Split dollar
4. Personal estate planning with corporate dollars
5. Salary continuation
6. Business debt liquidation
7. Personal life insurance
8. Business mortgage insurance
9. Section 162 “executive” bonus

Personal Life Insurance Ideas

1. **Final Expenses or Cleanup Fund**—The death of an insured family member usually terminates an income stream that the family has relied upon. The costs of daily living for survivors, final expenses for the deceased insured, and emergencies, repairs and replacements associated with events surrounding the family member’s death, death taxes, and the cost of estate administration (including executor’s or administrator’s fee, appraisers’ fees, and legal fees) create an immediate need for funds.
2. **Income for Readjustment Period**—Few individuals are able to leave an estate, including life insurance, substantial enough to provide their dependents with an income as large as they enjoyed while the income earner was alive. The family must generally adjust its standard of living. To cushion the economic and emotional shock, however, it is desirable to postpone that adjustment for a period following the income producer’s death. The length of the period depends largely on the magnitude of the change that the family will have to make in living standards. If the surviving spouse must refresh or acquire skills to gain employment, a longer period may be needed. Whatever the duration, the income during this readjustment period should be approximately equivalent to the family’s share of the producer’s earnings at the time of his or her death.

3. **Income for Dependency Period**—After the expiration of the readjustment period, income should be provided in a reduced amount until the children, if any, are able to support themselves. Two concepts are involved: how much income should be provided and for how long.

As a minimum, there should be enough income so that the family can remain intact, and the surviving spouse can devote adequate time to the care and guidance of the children during their formative years. The most important determinants of the income's duration are the present ages of the insured's children and the type of education they will receive. If the children are to receive a college education, income will have to continue for a longer period. In any case, income should continue until the youngest child is 18 or whatever age the prospect determines. If there are several children, the income can be reduced somewhat as each reaches the age of self-sufficiency. For planning purposes, the immediate death of the income producer is assumed. The projected income is needed for a period equal to the difference between the present age of the youngest child and the age at which the child is expected to become self-supporting.

4. **Income for Surviving Spouse**—After the children have become self-supporting, the widow(er) will still have needs as an individual and will require an income from some source.

If the surviving spouse is a full-time homemaker until the children finish at least part of their education, he or she may subsequently be able to obtain employment, but the earning power for a person entering the workforce at that age will have declined substantially. After the birth of children, for example, a wife sometimes gives up her job or the opportunity to become self-supporting. As the years pass, whatever occupational skills she may have possessed may have diminished and she will most likely have to return to the labor market as a middle-aged woman with deficient skills. Under such circumstances, employment opportunities are limited. Many individuals feel a moral obligation, therefore, to provide their spouses with incomes that will continue throughout the remaining years of their lives. The income may be modest, but it can be the difference between complete dependency on welfare services and reasonable self-sufficiency.

5. **Mortgage Cancellation**—Home ownership is usually burdened with a mortgage and it is highly probable that a balance will still be outstanding upon the death of a person with dependent children. In some cases, of course, the widow(er) may want to sell the house and move into a smaller one or into an apartment, and it would not be essential to provide funds for the liquidation of the mortgage. In many cases, however, it is contemplated that the survivors will continue to occupy the family residence, and funds to pay off the mortgage may be needed. If the family can occupy the home free of a monthly mortgage payment, it will greatly reduce the amount of income that they would otherwise require.

6. **Educational Funding**—The income provided for a surviving spouse during the period when the children are dependent should normally be adequate for secondary school expenses, as well as for general maintenance. If a college education for one or more of the children is envisioned, however, additional income will be needed. Today a college or professional education is beyond the means of many dependent children who lose an income-earning parent.

7. **Retirement Needs**—Retirement planning is a contingency that the financial planner and estate planner must anticipate. This contingency determines the *type*

of insurance the worker should purchase. If the family needs are met with cash value life insurance (assuming adequate funds for premiums), the cash values under this insurance can supplement other retirement income sources to take care of the postretirement needs of the insured and the spouse, if still living.

8. **Debt Repayment Fund**—There may be outstanding debts other than mortgage or educational loans. Certainly it would be best to clear them up for the survivors in order to simplify their financial situation and bring ease of mind knowing these debts and obligations are cleared. Auto loans, consumer debt, credit card bills and the like will become due and could be paid off with life insurance.
9. **Charitable Bequests**—Life insurance policies are often used to increase the value of gifts to charities. This can be accomplished either by giving the policy itself to the charitable organization or by naming the charity as the beneficiary on the existing life insurance policies. Where federal estate tax considerations are important, a new life insurance policy may be purchased by the charity itself at the request of the donor, who would give the necessary permission and information to complete the policy application and would provide the funds for premium payments.
10. **Estate Liquidity**—Individuals who acquire a sizable net worth during their lifetime may be subjected to taxes on that net worth at their death. There is a federal estate tax applicable to very large estates. The tax is progressive in nature with a lower rate (such as 18 percent) applicable to smaller estates, increasing to 35 percent for large estates. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) phased out the federal estate tax through 2009 and repealed it in 2010. EGTRRA expired at the end of 2011. In December of 2010 Congress passed the Tax Relief Act, which set the maximum estate tax rate at 35% and the exemption amount for individuals at \$5 million.

Federal taxes must usually be paid within nine months of the owner's death. This presents a real problem for individuals or families whose most important and largest assets are illiquid forms of investment, such as family-owned businesses and investment real estate. These assets cannot be easily converted to cash without a significant decrease in value. In many cases the family would prefer to retain the asset and its future income-generating potential. Life insurance proceeds can provide the necessary cash to pay the tax liability and to preserve the assets being taxed for the benefit of family survivors.

Business Life Insurance Ideas

1. **Buy-sell funding**—Any business with more than one owner needs to establish a formal ownership transfer plan that takes effect when an owner dies. Under this plan, the decedent's heirs receive cash from the surviving owners in exchange for the decedent's ownership interest. This buy-sell agreement requires money to make it work. Life insurance is the most common method of funding buy-sell plans.
2. **Key person indemnification**—Every business has at least one person who is the key profit maker. Companies very often protect themselves against loss of this profit maker through death by insuring his or her life.
3. **Split dollar**—The plan splits the premium and benefits between two entities, usually an employer and employee. It is a way for a business to help pay for an owner's or key employee's personal life insurance. After much IRS scrutiny and

law changes, split dollar now requires the employee to be more accountable for paying for these benefits.

4. **Personal estate planning with corporate dollars**—Section 303 of the Internal Revenue Code allows corporate dollars to be used to pay certain death-related expenses on an income-tax-free basis. Life insurance is often used to provide this money. In essence, it is the proceeds of key person insurance used to redeem a portion of the decedent's stock. The redemption is treated as a tax-free sale of stock rather than as a taxable dividend.
5. **Salary continuation**—This is a special (non-qualified) retirement plan that does not have to be provided to all employees. It can cover just the owners or any select few. There is often a pre-retirement death benefit associated with it as well.
6. **Business debt liquidation**—This is much the same as life insurance on the life of any individual with outstanding indebtedness. Here, however, the insured would be a key person in the business so that the debt would be liquidated at his or her death, thanks to the proceeds of a life insurance policy.
7. **Personal life insurance**—In examining insurance needs pertaining to the business, the business owner should look at personal and family insurance needs as well. This would not be a business expense or business life insurance.
8. **Business mortgage insurance**—This is a specialized form of business debt liquidation. It is comparable to “mortgage insurance” on a homeowner's life. Here, however, the mortgage is the place of business. The key owner and possibly other key employees are insured with the business as policyowner, premium payer and beneficiary.
9. **Section 162 “Executive” bonus**— In some situations a corporation may want to pay an employee an annual bonus equal to the premiums on a life insurance policy. The bonus is deductible to the corporation under IRC Section 162 and is reportable as income to the employee.

Name: _____

Date: _____

Action Project 1
Identifying Your Prospect's Needs
Report Form
(Assigned Class 2; Due Class 4)

Briefly describe your interviews. Comment on your experience in the space provided below. Indicate the initials of the person you interviewed, whether or not you successfully completed the initial interview, completed a fact finder, and if you were successful in reaching an agreement to conduct a total-needs analysis.

Interview 1: Summarize the prospect's needs, potential products that might satisfy the need, and why you have chosen that solution.

1. Which concepts did you introduce and explain to this prospect?

2. Which concepts, if any, created interest?

3. What did you do or say to clarify a concept?

4. What did you say or do that the prospect found confusing?

5. Was the person a qualified prospect?

6. Did you complete a fact finder or the sale of a life insurance policy?

7. Did you schedule a future appointment to conduct a fact finder or conduct a closing interview?

Name: _____

Date: _____

8. What would you do differently next time?

Interview 2: Summarize the prospect's needs, potential products that might satisfy the need, and why you have chosen that solution.

1. Which concepts did you introduce and explain to this prospect?

2. Which concepts, if any, created interest?

3. What did you do or say to clarify a concept?

4. What did you say or do that the prospect found confusing?

Name: _____

Date: _____

5. Was the person a qualified prospect?

6. Did you complete a fact finder or the sale of a life insurance policy?

7. Did you schedule a future appointment to conduct a fact finder or conduct a closing interview?

8. What would you do differently next time?

Interview 3: Summarize the prospect's needs, potential products that might satisfy the need, and why you have chosen that solution.

1. Which concepts did you introduce and explain to this prospect?

2. Which concepts, if any, created interest?

3. What did you do or say to clarify a concept?

4. What did you say or do that the prospect found confusing?

Name: _____

Date: _____

5. Was the person a qualified prospect?

6. Did you complete a fact finder or the sale of a life insurance policy?

7. Did you schedule a future appointment to conduct a fact finder or conduct a closing interview?

8. What would you do differently next time?

SALES PLANNING PROJECT 2

Analyzing the Life Insurance Need

Evaluate Your Life Insurance Need and That of a Relative, Friend, or Prospect

(Assigned Class 2; Due Class 3)

Purpose

It has been said that the shoemaker's children are the ones with holes in their shoes or no shoes at all. The shoemaker is so busy with his business that he may neglect his own needs and the needs of his family. Do you fit this description as well? Are you working hard for your prospects and clients but neglecting your own life insurance needs, or those of a loved one or friend?

This assignment is meant to open your eyes to your own life insurance need and that of a relative, friend, or prospect. It is intended to give you practice in using portions of the fact finder to calculate how much and what type of life insurance to purchase.

Assignment

Using a fact finder, complete the appropriate fact-finding information on yourself and a friend, relative or prospect necessary to make a responsible life insurance recommendation. Focus primarily on completing the information in the cash and income needs section of the fact finder in order to calculate the amount of life insurance that should be recommended. You must complete at least two fact finders for this project.

Based on the amount of insurance needed, the premium commitment, and the fact-finding done, make some initial recommendations for life insurance, including the type and amount you would recommend.

Procedure

Perform the insurance calculation using 1) the human life value method, 2) the financial needs analysis method (capital distribution), and 3) the capital needs analysis method (capital conservation). Use questions from the fact finder and from your conversation about financial goals in order to choose what types of policies to initially recommend. Of course, the premium commitment is another key determinant of your recommendations.

Analyze the information gathered and make a recommendation regarding the type and amount of life insurance you feel will meet the prospect's need. Then complete the report form and turn it in at the beginning of Class 3.

Name: _____

Date: _____

Sales Planning Project 2

Analyzing the Life Insurance Need

Evaluate Your Life Insurance Need and That of a Relative, Friend, or Prospect

Report Form

(Assigned Class 2; Due Class 3)

Myself:

I found my own life insurance program to be:

Adequate _____ Additional need was found _____ I am over-insured _____

1. My human life value is _____.

Indicate how you determined this.

2. My insurance need determined by the cash and income needs (financial needs analysis) method is _____.

My family cash and income needs are summarized as follows:

Cash Needs:

Income Needs:

3. My insurance need determined by the capital conservation (capital needs analysis) method is _____.

The assumed interest rate I am using is _____.

What is your premium commitment?

What amount of life insurance would you recommend?

What type of life insurance would you recommend, and why?

My Prospect:

I found my prospect's life insurance program to be:

Adequate ____ Additional need was found ____ My prospect is over-insured ____

1. My prospect's human life value is _____

Indicate how you determined this.

2. My prospect's insurance need determined by the cash and income needs (financial needs analysis) method is _____.

My family cash and income needs are summarized as follows:

Cash Needs:

Income Needs:

3. My prospect's insurance need determined by the capital conservation (capital needs analysis) method is _____.

The assumed interest rate I am using: _____

What is the prospect's premium commitment?

What amount of life insurance would you recommend?

What type of life insurance would you recommend, and why?

BREAKOUT—CLASS 2

1. What are the typical personal and family uses of life insurance?

2. What amount do you recommend to pay final expenses?

3. Is life insurance a good source to fund college education or other accumulation needs? Give reasons why or why not.

4. What are the business uses of life insurance? Give an example of each item below.

- a. Credit enhancement

- b. Employee benefits

c. Executive Bonus (Sec. 162)

d. Nonqualified deferred compensation

e. Qualified plans

f. Key person

g. Buy-sell

5. Calculating life insurance need:

a. Describe your preferred method of calculating a life insurance need.

b. How do prospects respond to the calculation of the life insurance need?

c. Do you prefer the capital distribution or capital conservation method for calculating income needs? Explain your reasoning.

QUIZ—CLASS 3

(Due Class 3)

Instructions: Study the reading assignment from Class 3, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. The key to the renewability feature in a term policy is
 - (A) Evidence of insurability is required to renew the policy
 - (B) The policy can be renewed without evidence of insurability
 - (C) Mortality experience among surviving policyowners becomes increasingly favorable
 - (D) If the insured becomes sick or enters a hazardous occupation, he or she may not be able to renew the contract even if it is renewable

2. Which of the following statements is correct regarding male and female life insurance buyers?
 - (A) Women purchase the majority of individual life insurance sold each year.
 - (B) Men and women purchase on average approximately the same size policy.
 - (C) Average policy size for both genders has not changed since 2003.
 - (D) Men purchase larger individual life insurance policies than women.

3. Which of the following statements best describes retroactive or original age term conversion?
 - (A) The premium rate and policy form is the one which would have been issued when the contract was taken initially.
 - (B) The current age is used to determine the premium since the term has been in force for some time.
 - (C) Original age term conversion is best suited for insureds who are in poor health.
 - (D) If the insured dies, the premium paid to convert to original age is returned to the policy beneficiaries.

4. The term to describe the mortality rates applied to an insured that has recently provided evidence of insurability is called
 - (A) ultimate mortality
 - (B) select mortality
 - (C) aggregate mortality
 - (D) CSO mortality

5. The payor benefit rider, which insures the payor on a juvenile policy, provides a death and waiver of premium benefit on the premium payor. The payor benefit is an example of which type of term insurance?
- (A) increasing term
 - (B) level term
 - (C) decreasing term
 - (D) return of premium term
6. Which of the following statements concerning yearly renewable term is (are) correct?
- I. The insurance company may experience some adverse selection at renewal time.
 - II. Evidence of insurability must be furnished at the time of each renewal.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
7. Which of the following statements concerning yearly renewable term is (are) correct?
- I. The policyowner can renew the policy simply by paying the renewal premium.
 - II. The insured can renew the policy each year by completing a medical exam.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. All of the following are characteristics of a qualified prospect EXCEPT
- (A) They need and value your products and services.
 - (B) They can afford to pay for it.
 - (C) They can be approached by you on a favorable basis.
 - (D) They must be able to provide you with referrals.

Name: _____

Date: _____

9. All of the following statements regarding term insurance are correct EXCEPT
- (A) If the term is converted as of a current date, it is called an attained age conversion
 - (B) The renewability provision allows a renewal without a medical exam, but the premium may increase
 - (C) Lower re-entry term premiums are based on select mortality rates
 - (D) Term insurance allows for two types of conversions, original age and retroactive conversion
10. Adverse selection in yearly renewable term tends to result in all of the EXCEPT
- (A) a tendency for healthy individuals to give up their coverage
 - (B) a tendency for those in poor health to continue their coverage
 - (C) a need for the insurer to place a limit on the period of renewability
 - (D) a policy that is feasible for long-term coverage

SALES PLANNING PROJECT 3

Your Product Portfolio
(Assigned Class 3; Due Class 5)

Purpose

The process of marketing insurance begins with clearly identifying the product. Your product portfolio includes the actual products you sell, such as life insurance, health insurance, and so on, and your knowledge, skills, ideas, services and personality.

Assignment

In this exercise you will identify the insurance products, knowledge, and ideas that you market. This will guide you toward your target markets. As you research markets you will see whether or not you have the necessary knowledge and skills to work in a market. Obviously, you cannot enter a market if you cannot adequately address the needs of its population. However, if the target market is appealing, you can identify skills to develop by defining the gap between what you know and what you need to know.

Procedure

1. Using the assignment checklist, identify the products you can market.
2. Use the checklist to assess the sales concepts you know how to use right now. Indicate your comfort level with that sales concept. Add any products, services, or concepts not listed that apply.
3. Identify the personal characteristics that make you a good person with whom to do business.

Name: _____

Date: _____

Sales Planning Project 3

Your Product Portfolio Report Form (1 of 2)

1. Products You Sell

Rank comfort level with your knowledge in each area from 1 (low) to 10 (high). Use NA (not applicable) to indicate a product or service that does not apply to you.

Life and health insurance	Comfort level	Financial services and other insurance	Comfort level
• Whole Life		• Mutual funds*	
• Term		• CD's	
• Universal or interest-sensitive life		• Savings/checking accounts	
• Variable or universal variable life*		• Mortgages and loans	
• Fixed or equity indexed annuity		• Stocks, bonds, and other securities*	
• Variable annuity		• Automobile Insurance	
• Long-term care		• Homeowners Insurance	
• Medicare supplement		• Commercial property & casualty	
• Disability income		• Personal umbrella liability	
•		• Personal articles floater	
•		• Financial planning	

* NASD/FINRA registration required.

Name: _____

Date: _____

Sales Planning Project 3

Your Product Portfolio Report Form (2 of 2)

2A. Sales Concepts You Can Present

Personal Markets	Comfort level	Advanced and Business Concepts	Comfort level
• Disability income		• Bequests (Wills)	
• Education funding (life insurance)		• Business overhead expense	
• 529 Plan		• Buy-sell	
• Emergency fund		• Deferred compensation	
• Final expenses		• Disability buy-out	
• Income replacement		• Employee benefits	
• Juvenile life insurance		• Estate valuation	
• Long-term care		• Estate/gift taxes	
• Medicare Supplement		• Estate liquidity (settlement costs)	
• Mortgage cancellation or rent fund		• Keogh / SEP / SIMPLE	
• Retirement income (distribution planning)		• Key person	
• Retirement planning (accumulation planning)		• Pension profit sharing	
• Social security		• Sick pay	
• Tax-sheltered annuity		• Split-dollar plan	
• Traditional and Roth IRA		• Other	
• Unsecured debt		• Other	
• Variable products and mutual funds		• Other	

2B. Professional Development. Based on the above analysis of the products you sell and the concepts you understand, as well as other career development goals you may have, what specific areas of education and expertise do you plan to develop over the next 1–3 years?

3. Personal Characteristics. List the personal characteristics that make you a good person with whom to do business.

Education:

Training:

Skills:

Work Experience:

Personality Characteristics:

BREAKOUT—CLASS 3

1. What life insurance products do you prefer, and why?

2. What life riders do you like to use, and why?

3. Are there any life insurance products you would be reluctant to sell? If so, why?

QUIZ—CLASS 4

(Due Class 4)

Instructions: Study the reading assignment from Class 4, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. Which of the following statements concerning current assumption whole life is correct?
 - (A) It has a redetermination feature that reconfigures the premium amount in light of recent experience.
 - (B) It is a variation of traditional whole life that provides no guarantees for the policyowner.
 - (C) Its cash value development is more like that of variable life than any other policy.
 - (D) It is participating insurance that has several unique dividend features.
2. The greater the number of premium payments for a limited-pay life policy, the more it resembles
 - (A) universal life
 - (B) single premium life
 - (C) whole life
 - (D) variable universal life
3. Bruce, age 40, is interested in accumulating cash value in a permanent life insurance policy as rapidly as possible to have funds to supplement his retirement 20 years from now. Which of the following policies would best achieve his goal?
 - (A) ordinary life
 - (B) endowment at age 100
 - (C) life paid up at 65
 - (D) 20 payment life
4. Which of the following statements best describes the investment philosophy behind whole life?
 - (A) Seek the highest short-term interest rates to provide the best current returns.
 - (B) Invest in variable investments, stock, derivatives, options and futures.
 - (C) Base portfolio on 60 percent stocks and 40 percent high-grade, long-term bonds.
 - (D) Invest conservatively for safety of principal and to produce a steady flow of income.

5. Which of the following statements regarding adjustable life is correct?
- (A) Adjustable life has the same premium flexibility as universal life.
 - (B) The adjustable life policy offers the same guarantees regarding cash values, mortality, and expenses as traditional whole life policies does.
 - (C) The policyowner can request and change the policy at anytime.
 - (D) Adjustable life is a form of universal, flexible premium life insurance.
6. Which of the following statements concerning limited-pay whole life insurance is (are) correct?
- I. The limitation on the number of premiums to be paid may be expressed as either a number of years or an age beyond which premiums are not payable.
 - II. If the insured dies during the premium-paying period, the total premiums paid will exceed those paid for an ordinary (whole) life policy of the same face amount issued at the same age.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
7. Which of the following are objectives of the initial interview?
- I. Uncover general insurance and other financial needs and determine priorities.
 - II. Obtain prospect's permission to proceed, and get commitment to work with you.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
8. Which of the following statements regarding whole life insurance is (are) correct?
- I. Ordinary (whole) life can be regarded like an endowment at age 100 (or age 120) policy.
 - II. Cash values are generally available in the first year because of the level premium.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

9. All of the following statements are correct regarding adjustable life insurance EXCEPT
- (A) It is a good choice for the individual who wants to assume the investment risk for potentially increased returns.
 - (B) The insurer can request evidence of insurability if a policy change increases the risk.
 - (C) It is a type of whole life policy with fixed premiums and policy guarantees.
 - (D) The policyowner can request a reconfiguration of the policy at specific intervals.
10. All the following statements concerning whole life insurance are correct EXCEPT
- (A) Policy dividends are considered a refund of overpaid premiums.
 - (B) Cash values are the by-product of the level-premium method.
 - (C) Modified life has reduced premiums for an initial period and higher premiums thereafter.
 - (D) Single-premium policies typically provide protection for a limited period of time only.

ACTION PROJECT 2

Term/Whole Life Comparison (Assigned Class 4; Due Class 6)

Purpose

The objective of this project is to understand the perception of prospects regarding the benefits of term and whole life insurance. This assignment requires you to speak to three people not in the life insurance business regarding their views of term and whole life insurance.

Assignment

Set up appointments with three people whom you know, or select three from your prospecting list. In your approach, explain that you are taking a class and would like to talk to them about their opinions about different types of life insurance products. During the interview, proceed to qualify them if a life insurance need emerges. Record the results on the report form.

Procedure

Make an appointment with three people from your natural markets or prospect list. They do not need to be knowledgeable about life insurance. When you approach the person for an appointment, tell them your purpose is simply to gather feedback on how people view different life insurance products. Ask for only 10-15 minutes of their time.

You could say, "(Prospect), I am taking a course about helping people meet their financial needs so that I can better serve my clients. In the course, I have learned a lot about helping people meet their financial needs and have come to believe strongly in the importance of planning for the future financially. I would like to spend about 15 minutes with you to get your opinion on different types of life insurance products. Would you be able to help me complete this assignment?" Then, offer them a choice of times to meet by saying, "Is daytime or evening more convenient for you?"

Conduct an interview, addressing the questions on the report form regarding different insurance products. If a life insurance need is uncovered, qualify the prospect. If you have a qualified prospect that is ready to move forward, proceed with a more detailed fact-finding interview so that you can gather enough information to make recommendations for a suitable life insurance product in a future meeting. At the close of the meeting, do not forget to ask for referrals.

After you have completed your interviews, complete the Action Project 2 Report Form. Turn in the summary report and the interview forms for your three prospects in Class 6.

Name: _____

Date: _____

Action Project 2
Term/Whole Life Comparison
(Assigned Class 3; Due Class 6)
Report Form

Prospect 1

1. Do you have any life insurance?

- What type do you own? Do you understand it?

- Why did you buy it?

- Do you feel it is adequate for your life insurance needs? Please explain.

2. What are your goals for your life insurance program?

3. Do you understand the differences between term insurance and whole life insurance? Please explain the differences to me in simple words as you understand them.

4. Do you have any opinions on the relative merits of term and whole life insurance?

5. Are you familiar with any other types of life insurance? If yes, what are they?

“Thank you for your time. I will include in my report what you and other people have said. I appreciate your help. By the way, do you know anyone who may benefit from the kind of work that I do?”

Name: _____

Date: _____

Action Project 2
Term/Whole Life Comparison
(Assigned Class 3; Due Class 6)
Report Form

Prospect 2

1. Do you have any life insurance?

- What type do you own? Do you understand it?

- Why did you buy it?

- Do you feel it is adequate for your life insurance needs? Please explain.

2. What are your goals for your life insurance program?

3. Do you understand the differences between term insurance and whole life insurance? Please explain the differences to me in simple words as you understand them.

4. Do you have any opinions on the relative merits of term and whole life insurance?

5. Are you familiar with any other types of life insurance? If yes, what are they?

“Thank you for your time. I will include in my report what you and other people have said. I appreciate your help. By the way, do you know anyone who may benefit from the kind of work that I do?”

Name: _____

Date: _____

Action Project 2
Term/Whole Life Comparison
(Assigned Class 3; Due Class 6)
Report Form

Prospect 3

1. Do you have any life insurance?

- What type do you own? Do you understand it?

- Why did you buy it?

- Do you feel it is adequate for your life insurance needs? Please explain.

2. What are your goals for your life insurance program?

3. Do you understand the differences between term insurance and whole life insurance? Please explain the differences to me in simple words as you understand them.

4. Do you have any opinions on the relative merits of term and whole life insurance?

5. Are you familiar with any other types of life insurance? If yes, what are they?

“Thank you for your time. I will include in my report what you and other people have said. I appreciate your help. By the way, do you know anyone who may benefit from the kind of work that I do?”

Name: _____

Date: _____

Action Project 2
Term/Whole Life Comparison
(Assigned Class 3; Due Class 6)
Summary Report Form

1. What conclusions can you make about people's knowledge of the differences between term and whole life insurance?

2. Did you detect any attitudes or emotions expressed by your interviews about these differences? If so, what were they?

3. How well were your prospects insured?

4. How did people feel about their life insurance program?

5. What types of insurance did these people own?

6. How knowledgeable were these people about life insurance products?

SALES PLANNING PROJECT 4

Interview an Experienced Life Insurance Advisor (Assigned Class 4; Due Class 6)

Purpose

As an advisor who is interested in marketing and selling life insurance, it is important to gain the perspective of successful experienced advisors. The information you gain from interviewing them will give you greater insight on ways to improve your production. By tapping into their experience and knowledge, you should gather ideas to increase your marketing efficiency and improve your product knowledge.

There are two ways to approach this project. Select one, or combine them.

1. From a marketing perspective, look at the results of Sales Planning Project 3, that addresses your professional development goals. Perhaps you want to expand into a new market area, or improve on one you are already working. Select an advisor that has been successful in those areas you want to develop and speak to him or her on those topics.
2. Another way to approach this assignment is by product type. If you know of an advisor who sells a product that you don't, or you would like to increase your sales of that product, interview that producer. If you know an advisor who sells whole life and VUL and/or UL, ask when and why they sell each type, what characteristics about the prospect and their situation prompt a sale of one type of product or another.

Assignment

Interview an experienced advisor in your office, agency, or association who is successful in a general life insurance practice, or in an area of insurance planning you wish to develop. The advisor should ideally be working to a large extent with life insurance prospects and clients. If such a person cannot be located, a second choice would be an advisor who is knowledgeable about life insurance and personal financial planning.

Procedure

Identify an experienced advisor who is successful in life insurance sales in a practice you wish to emulate. Contact the advisor and tell that person that you are interested in learning how to succeed in areas where they have expertise. Ask that advisor if he/she would be willing to share constructive ideas and discuss their experience with you. Make an appointment to conduct a face-to-face interview (if possible). Use the questions provided on the report form on the next page as a guideline to your discussion. Add relevant questions that you think will be helpful to you. This is your chance to learn from someone who is experienced and you control the questions asked. Complete the questions on the Report Form and turn it in to your moderator at the beginning of Class 6.

Name: _____

Date: _____

Sales Planning Project 4

Interview an Experienced Life Insurance Advisor

(Assigned Class 4; Due Class 6)

Report Form

Suggested questions for discussion.

- What are your primary markets (for life insurance) and why?

- How did you get into these markets?

- What are the financial benefits and rewards of your life insurance business, compared to other product lines?

- What obstacles or challenges do you find in your market(s)?

- What do you seek to accomplish in your initial interview with a prospect?

- What fact-finding methods and forms do you use?

- What are important factors in your analysis of a case and in forming your recommendations?

- How do you design and present your proposals to prospects?

- What are your sources of information about insurance products and related topics?

- What advice would you give to an advisor trying to improve his or her life insurance production?

- Do you have any favorite techniques for answering objections and closing sales?

- If you sell traditional whole life and VUL or UL, what circumstances in the person's situation or personal characteristics prompt you to sell one or the other?

BREAKOUT—CLASS 4

1. How do you respond when a prospect says that term is the best insurance and that whole life, or any other type of permanent insurance is a “rip-off”?

2. What do you think of the “buy term and invest the difference” (i.e. the difference between the cost of term and permanent) argument?

3. What are the best reasons for buying whole life insurance?

4. Look at the section called Term versus Permanent in the text. Two arguments in favor of term insurance are that (a) Level premium insurance overcharges the policyowner, and (b) the accumulation and protection elements should be separated.

a. Regarding the first point, what arguments can you put forth to respond to it?

b. Regarding the second point, what arguments can you pose to argue in favor of combining the accumulation and protection elements?

QUIZ—CLASS 5

(Due Class 5)

Instructions: Study the reading assignment from Class 5, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. Which type of life insurance allows the policyowner increase or decrease premium payments to almost any amount desired if there is sufficient cash value to cover costs of insurance and expenses?
 - (A) current-assumption whole life insurance
 - (B) variable life insurance
 - (C) universal life insurance
 - (D) modified life insurance

2. Which of the following statements regarding universal life is correct?
 - (A) Mortality rates are level since this is a permanent insurance plan.
 - (B) In the level death benefit option, the amount at risk is level (remains the same) as cash values increase.
 - (C) Partial withdrawals are treated like loans, with interest charged to the amount withdrawn.
 - (D) Some companies offer a secondary guarantee that promises to keep a policy in force to a stated age if a contractually required premium amount or more is paid.

3. Which of the following statements regarding Indexed Universal Life (IUL) is correct?
 - (A) The participation rate is the percentage of positive index movement credited to an IUL policy.
 - (B) Minimum IUL guarantees are always credited at least annually.
 - (C) IUL invests in equity indexes to provide higher potential returns to clients.
 - (D) Since IUL has an equities component, an advisor must have a FINRA registration to sell it.

4. Which of the following is correct regarding the target premium in a universal life contract?
 - (A) By paying the target premium amount the policy is guaranteed not to lapse.
 - (B) It is the maximum premium amount allowed by federal income tax guidelines.
 - (C) It is contractual and failure to pay the target premium amount can terminate the contract.
 - (D) It is the suggested amount to be paid on a level basis throughout the contract's duration and the basis for calculating commissions.

5. Which of the following is a goal of the fact-finding interview?
- (A) Obtain referrals.
 - (B) Build prestige and confidence.
 - (C) Make tentative recommendations.
 - (D) Get agreement on a solution to the need.
6. Which of the following are tests used in Section 7702 to determine if a policy qualifies for the tax benefits of life insurance?
- I. The Cash Value Accumulation Test (CVAT)
 - II. Guideline Premium/Corridor Test (GLP)
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
7. Which of the following statements concerning variable universal life is (are) correct?
- I. Variable universal life has universal life's premium flexibility and variable life's policyowner directed investments.
 - II. Because of its similarity to universal life, variable universal life is not subject to the same level of SEC regulation as variable life.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
8. Which of the following statements concerning the objectives of the information-gathering interview is (are) correct?
- I. Get a dollar commitment.
 - II. Identify and prioritize goals, needs, and objectives.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

9. Variable universal life (VUL) insurance contracts are similar to variable life EXCEPT
- (A) The VLI face amount can increase above or decrease below the original face amount based on investment performance of the separate accounts.
 - (B) The VUL policyowner can increase or decrease the face amount.
 - (C) The VUL policyowner assumes the investment risk.
 - (D) Premiums for variable life are flexible.
10. All of the following statements regarding Sec. 7702 of DEFRA are correct, EXCEPT
- (A) It defines life insurance for income tax purposes.
 - (B) It requires a certain amount of death benefit to be at risk, the amount being a function of the insured's age.
 - (C) It was created to limit the amount of money that can be put into a life insurance policy.
 - (D) The Sec. 7702 test is chosen at the time of policy issue, but can be changed at any time after that by the policyowner.

ACTION PROJECT 3

Life Insurance Illustrations (Assigned Class 5; Due Class 7)

Purpose

The purpose of this project is to help you understand the advantages and disadvantages, and the strengths and weaknesses, of life insurance policy illustrations. Life insurance illustrations are used extensively in the selling/planning process as advisors show prospects the specific values, projected current (non-guaranteed) and guaranteed, of the product that they propose as a solution to the prospect's life insurance needs. The purpose of this project is to analyze the use of illustrations and prospects' perception of them.

Assignment

This assignment requires you to interview prospects regarding their response to life insurance illustrations. You are to contact three prospects, or people you know who are not in the insurance business. Ask the questions on the following interview form, and have a conversation about the issues discussed there. Please try to get quantitative as well as qualitative information, that is, get fact- and feeling-finding (objective and subjective) information. Much of this assignment is based on the reading in the text from Chapter 6, so reading this section before you do this project should help you focus on the topic.

Procedure

Arrange appointments with three prospects, ideally, or anyone you know who is not in the insurance business, to discuss the usefulness of policy illustrations to the public. Conduct interviews with these persons, record the results, and summarize the prospects' comments and what you learned on the summary report form.

You will need life insurance illustrations from your company. You should show at least one term illustration and one permanent illustration to each prospect. Depending on the interest and knowledge levels of your subject, you may introduce more than one of each type.

Name: _____

Date: _____

Action Project 3
Life Insurance Illustrations
(Assigned Class 5; Due Class 7)
Report Form

Enter your comments below. It is not necessary to mention names. Use the reverse side or additional paper if more space is needed.

Prospect 1

1. Have you ever seen a life insurance illustration like this one? If yes, please briefly describe your experience with these illustrations.

2. What do you think of this illustration? Please explain. (Allow the person to inspect the illustration form).

Give a brief explanation of the illustration forms as you normally would in a sales presentation.

3. Do you find this form helpful or confusing? What is helpful about it? What is confusing about it, if anything?

4. Do you think the projections on this illustrations are accurate?

5. What types of insurance did these people own?

6. Do you think you understand this illustration? What aspects of do you think you understand versus not understand?

Action Project 3
Life Insurance Illustrations
(Assigned Class 5; Due Class 7)
Report Form

Enter your comments below. It is not necessary to mention names. Use the reverse side or additional paper if more space is needed.

Prospect 2

1. Have you ever seen a life insurance illustration like this one? If yes, please briefly describe your experience with these illustrations.

2. What do you think of this illustration? Please explain. (Allow the person to inspect the illustration form).

Give a brief explanation of the illustration forms as you normally would in a sales presentation.

3. Do you find this form helpful or confusing? What is helpful about it? What is confusing about it, if anything?

4. Do you think the projections on this illustrations are accurate?

5. What types of insurance did these people own?

6. Do you think you understand this illustration? What aspects of do you think you understand versus not understand?

Name: _____

Date: _____

Action Project 3
Life Insurance Illustrations
(Assigned Class 5; Due Class 7)
Report Form

Enter your comments below. It is not necessary to mention names. Use the reverse side or additional paper if more space is needed.

Prospect 3

1. Have you ever seen a life insurance illustration like this one? If yes, please briefly describe your experience with these illustrations.

2. What do you think of this illustration? Please explain. (Allow the person to inspect the illustration form).

Give a brief explanation of the illustration forms as you normally would in a sales presentation.

3. Do you find this form helpful or confusing? What is helpful about it? What is confusing about it, if anything?

4. Do you think the projections on this illustrations are accurate?

5. What types of insurance did these people own?

6. Do you think you understand this illustration? What aspects of do you think you understand versus not understand?

Name: _____

Date: _____

Action Project 3
Life Insurance Illustrations
(Assigned Class 5; Due Class 7)
Summary Report Form

1. What is your general impression of your interviewees' view of life insurance illustrations?

2. Did they find the illustrations helpful or confusing? Explain.

3. Did they view the projections in the illustrations as accurate?

See if you can get any of the following information from your company.

4. What assumptions are made in the life illustration regarding mortality, interest, expenses, and persistency?

SALES PLANNING PROJECT 5

Optional Provisions (Assigned Class 5; Due Class 7)

Purpose

Policy provisions are many and varied. The purpose of this project is to familiarize yourself in depth with the many provisions offered in the contracts you sell and to learn about the detailed features and benefits of these provisions. By doing this, you will better understand what each provision can and cannot do, and when and where they would be appropriate to use.

Assignment

For this assignment, please review your company's optional benefits and riders available to adult policyholders under a standard life insurance contract. This information should be available in product manuals, sales brochures, and on company Internet and intranet sites.

Procedure

List briefly the following information for optional contract provisions and riders:

- the name of each provision or rider available
- for whom the benefit is designed (the policyowner, the insured, or the beneficiary)
- the specific benefit derived from purchasing it
- a brief summary of the conditions under which it is available

Examples include: the guaranteed insurability provision, waiver of premium, accidental death benefit, accelerated death benefit (or living benefits) rider, term riders, and so on. Make sure your list is complete and accurately reflects your company's available options. If your company has an extensive list, compile only the ten that are most commonly used, and simply list others at the end of the report. An outline is included for your use. Copy it if you need more room than it provides.

As a final part of the assignment, review your complete list and select two of the optional benefits that you consider most interesting or valuable.

- Provide a short explanation of why each appeals to you.
- How do you plan to use it in a sales situation?
- What is the primary benefit to either the applicant or beneficiary for including it in the life insurance program?

Name: _____

Date: _____

Sales Planning Project 5

Optional Provisions

(Assigned Class 5; Due Class 7)

Provision or Rider (Benefit) Name	Benefit for Policyowner, Insured, or Beneficiary?	Benefit Provides	Explanation of Benefit
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

9.			
10.			

List any other available provisions.

List the two contract provisions or riders that you find most useful in your sales. How do they benefit the policyowner, the insured, or the beneficiary?

1.

2.

BREAKOUT—CLASS 5

1. What happens to a UL policy when the insured reaches the life expectancy ages (ages 70–85)?

2. Have you sold any secondary guaranteed UL? How secure do you think these guarantees are?

3. What do you think are the most important differences between whole life and universal life?

4. What do you think is most important in analyzing a prospect's needs?

5. What do you think is the future of Indexed Universal Life?

QUIZ—CLASS 6

(Due Class 6)

Instructions: Study the reading assignment from Class 6, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. The major shortcoming of the net cost method of comparing life insurance policies is that
 - (A) It does not consider interest and the value of when payments are made and received.
 - (B) It represents the annual cost of \$1000 of insurance if surrendered for its cash value.
 - (C) It requires a computer to make the calculations.
 - (D) It emphasizes buying term and investing the difference in tax-qualified plans.

2. Which of the following statements concerning methods for determining the cost of life insurance is correct?
 - (A) The traditional net cost method uses the time value of money in its cost comparisons.
 - (B) The surrender cost index takes into account premiums, dividends, and cash values.
 - (C) The cost adjusted indices were developed by IMSA, the Insurance Marketplace Standards Association.
 - (D) The net cost method is excellent for comparing policies.

3. Which of the following statements is correct regarding policy illustrations?
 - (A) They contain information regarding key values such as guaranteed premium, cash values and death benefits.
 - (B) Company compliance departments and state regulators have instituted illustrations that are shorter and simpler than previously used with prospects/clients.
 - (C) It is not necessary to show and explain the guarantees in a policy illustration.
 - (D) Illustrations used by all companies should be similar because they all use the same assumptions regarding interest rate, mortality, and policy persistency.

4. Which of the following best describe the best policy for your prospects?
 - (A) the one with the highest rate of return
 - (B) the one with the most flexibility
 - (C) the one that best meets the needs of your prospect
 - (D) the one with the most guarantees

5. Which of the following statements regarding developing a plan is (are) correct?
- I. Take the relevant information gathered from the fact-finder and design a plan that reflects the prospect's needs, goals, and premium commitment.
 - II. It is best to present only one solution because presenting more will confuse the prospect and probably make closing more difficult.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
6. Which of the following statements concerning the interest-adjusted indices is (are) correct?
- I. The net payment index is similar to the surrender cost index except it takes cash value at the end of the interval into consideration.
 - II. The surrender cost index is useful in comparing costs when death benefit protection is emphasized.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements is (are) correct regarding life insurance illustrations?
- I. Illustration selling means using the numbers and values in the illustration to sell, rather than conducting a fundamental fact-finding process, discovering client needs.
 - II. It is important to remember that an illustration is based on many assumptions that may or may not occur in the future.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
8. Which of the following statements concerning the interest-adjusted indices is (are) correct?
- I. The surrender cost index represents the annual cost per \$1000 of life insurance if a policy is surrendered for its cash value.
 - II. The net payment index represents the annual cost per \$1000 of life insurance and considers premiums paid, less dividends received, if any, but disregards cash value.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

9. All of the following statements regarding the NAIC Insurance Illustrations Model Regulations are correct EXCEPT
- (A) Its purpose is to protect consumers and foster consumer education.
 - (B) Its goals were to ensure that illustrations do not mislead consumers.
 - (C) Its strategy was to clearly define what is guaranteed in the contract and what is not.
 - (D) The Model regulation applies to all types of life insurance illustrations, regardless of size or type.
10. The NAIC Model Illustration Regulation prohibits insurers and their advisors from all of the following activities EXCEPT
- (A) Representing the policy as anything other than a life insurance policy.
 - (B) Using or describing non-guaranteed elements in a manner that is misleading.
 - (C) Using the term “vanish,” “vanishing premium,” or a similar term that implies the policy becomes paid up.
 - (D) Using an illustration that is “self-supporting,” having actuarial assumptions which expect it to be profitable and not require support.

BREAKOUT—CLASS 6

1. How do you match up the client's needs, characteristics, and situation (life and financial) with a product solution?
 - What are the client attributes you focus on?
 - What are the product features you focus on?
 - How do you decide which life product to recommend?

2. How much time do you spend on explaining the product to the prospect?

3. How much does he or she need to know about the product and related issues?

4. How do you present the life insurance solution to your prospect?

5. Have you ever used the net cost method of presenting a life insurance illustration or plan? What was the prospect's reaction to it? Why is it wrong and misleading?

6. Do you or have you explained the cost-adjusted indices to a prospect? What was their reaction to it? How comfortable were you in explaining them?

7. What are the pitfalls of illustration selling?

- Have you ever done illustration selling?
- Why?
- What were the results?

8. What are the inherent dangers of life insurance illustrations?

9. What did you learn about illustrations in reading this chapter?

10. Do you know the assumptions that are used to create your company's illustrations?

- Why is that knowledge important to your practice?
- Can someone at your company provide that information to you?

QUIZ—CLASS 7

(Due Class 7)

Instructions: Study the reading assignment from Class 7, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. Which of the following statements concerning the operation of a life insurance policy is correct?
 - (A) If the insured dies during the grace period, the insurer only refunds the premiums paid.
 - (B) If the insured's age is misstated, the amount payable on death is the amount the premiums paid would have purchased at the correct age.
 - (C) Generally, a policy can be reinstated after it has been surrendered for its cash value as long as evidence of insurability is provided to the insurer.
 - (D) Once a life insurance policy has been issued, it cannot be contested based of material misrepresentation or concealment.

2. "I have too much insurance now. I'm worth more dead than alive." This response to an approach by an advisor is an example of what type of objection?
 - (A) no money
 - (B) no need
 - (C) no trust/confidence
 - (D) no time/hurry

3. The first step in answering a prospect's objection is to
 - (A) Listen to the prospect.
 - (B) Think of ways to answer the objection.
 - (C) Consider it a buying signal and close.
 - (D) Ignore it since it is probably an excuse.

4. Which of the following statements about the grace period is correct?
 - (A) The standard length of the grace period is 60 days.
 - (B) If the insured dies during the grace period, the death benefit is not paid.
 - (C) A policy that is overdue for premium payment continues in force during the grace period.
 - (D) The policyowner is legally obligated to pay for coverage provided under the grace period provision.

5. If the insured is found to be younger at death than was stated in the application for an insurance policy, the company will most likely do which of the following
- (A) Do nothing. The policy will be paid as it was issued since the mistake was not found.
 - (B) Rescind the policy for a material misrepresentation and refund all premiums.
 - (C) Decrease the death benefit amount to what the premiums would have purchased at the correct age.
 - (D) Increase the death benefit amount to what the premiums would have purchased at the correct age.
6. Which of the following statements are correct regarding nonforfeiture provisions?
- I. They result from level premium method of insurance because the excess premium charged in the early years helps to pay the mortality costs at older ages (pays premium in advance).
 - II. They represent a return of the value built up inside the policy if the policyowner voluntarily terminates the contract.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
7. Which of the following statements concerning life insurance policy loans is (are) correct?
- I. Interest is accrued on the amount borrowed from the policy.
 - II. A policy loan is an advance against the policy's cash value or death benefit.
- (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. All of the following are typically requirements for reinstating a lapsed policy EXCEPT
- (A) The company may require that any outstanding policy loan be paid.
 - (B) Proper evidence of insurability has been submitted and accepted by the company.
 - (C) Back and current premiums must be paid, with interest.
 - (D) The policy must first be surrendered for cash.
9. All of the following statements concerning the automatic premium loan provision are correct EXCEPT
- (A) If the policy is participating, the policyowner continues to be eligible to receive dividends.
 - (B) The policyowner must furnish evidence of insurability to resume premium payments.
 - (C) Special benefits such as waiver of premium and accidental death benefit remain in force.
 - (D) An automatic premium loan usually bears interest at the rate applicable to all policy loans.
10. All of the following are surrender (nonforfeiture) options EXCEPT
- (A) cash surrender
 - (B) reduced paid up (cash value) insurance
 - (C) extended (or paid up) term insurance
 - (D) paid-up additions

BREAKOUT—CLASS 7

1. How much time do you spend explaining policy provisions to your clients?

2. What does your company do when a policy has exceeded the grace period without receiving the overdue premium?

3. Do your clients understand the advantages and disadvantages of a policy loan?
List the advantages and disadvantages of a policy loan.

a. Advantages:

b. Disadvantages:

4. Why is interest charged on a policy loan?

5. What are the three exceptions to the incontestable clause?

6. What additional provisions, such as accidental death benefit, waiver of premium, or guaranteed insurability option, do you use with your policies?

7. Have you ever made use of settlement options in planning with a client? If so, describe your experience.

8. Why are contract rates versus current rates important when doing income planning for a client?

QUIZ—CLASS 8

(Due Class 8)

Instructions: Study the reading assignment from Class 8, then circle the correct answer for each of the following questions. Each question is worth 10 points (100 points total).

1. Inducing a policyowner to discontinue or replace a policy through agent distortion or misrepresentation of the facts is known as
 - (A) twisting
 - (B) rebating
 - (C) company bashing
 - (D) churning

2. Jose has a \$250,000 universal life policy he has owned for 20 years. He decides to surrender it. The cash surrender value is currently \$30,000. Over the years he has paid \$40,000 in premium. He previously took a partial withdrawal of \$10,000. What are the income tax consequences of surrendering the policy for Jose?
 - (A) None—he has no taxable gain in the policy.
 - (B) He will have to pay income tax on the \$30,000 cash surrender value.
 - (C) His death benefit will be reduced to \$200,000 after the surrender.
 - (D) Since he had the policy for 20 years, he will be subject to capital gains tax on any gains (profits) in the policy upon surrender.

3. Which of the following statements reflects the tax results when surrendering a life insurance policy?
 - (A) The cash value is taxed at capital gains rates if held over one year.
 - (B) The cost basis is determined to see if the amounts received from the policy exceed premiums paid.
 - (C) Only surrender values are considered when determining taxable gains.
 - (D) Premiums paid for waiver of premium or accidental death benefits are included in cost basis.

4. Which of the following statements best describe the SLIRP (Supplemental Life Insurance Retirement Plan) concept?
 - (A) Life insurance can serve as a wealth replacement vehicle to replace gifts made to a charity.
 - (B) Life insurance can provide estate equalization, survivor income and estate liquidity.
 - (C) Life insurance can provide a death benefit to replace the joint-and-survivor pension option.
 - (D) Life insurance can provide pre-retirement death benefit, tax-deferred accumulation, tax-free withdrawals and death benefits.

5. Which of the following statements concerning “agency” is (are) correct?
- I. The agent represents the client and his or her primary loyalty must be to the client.
 - II. The agent is empowered to act on behalf of the company.
- (A) I only
(B) II only
(C) Neither I nor II
(D) Both I and II
6. In which of the following situations would the premiums for life insurance be tax-deductible?
- I. The premiums paid on a policy on a husband that is court ordered for an alimony settlement.
 - II. A non-profit university is the owner and beneficiary of a policy on an alumnus. The premiums are paid by the alumnus.
- (A) I only
(B) II only
(C) Neither I nor II
(D) Both I and II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

7. Life insurance will be included in the estate of the insured in all of the following situations EXCEPT
- (A) When the proceeds are payable to the insured’s estate.
 - (B) When the insured possessed incidents of ownership in the policy.
 - (C) The policy is applied for, owned and payable to a third-party beneficiary.
 - (D) When the insured transferred incidents of ownership by gift within 3 years of death.
8. All of the following statements regarding ethics and agency are correct EXCEPT
- (A) The agent is empowered to act on behalf of the company.
 - (B) An agent is expected to act in the best interest of the company.
 - (C) At times the agent’s interests are subordinated to those of the company.
 - (D) An agent may be expected to do something illegal or unethical for the sake of the company.

Name: _____

Date: _____

9. All of the following statements are correct concerning viatical and life settlements EXCEPT
- (A) Viatical settlements normally require a limited life expectancy of less than 2 years, whereas life settlements do not.
 - (B) Viatical settlements are primarily written on older insureds, whereas life settlements are not.
 - (C) The settlement company serves as a secondary market for unwanted life insurance policies.
 - (D) Life settlements typically pay an amount in excess of the cash value, but less than the face amount of the unwanted life insurance policy.
10. The objectives of the delivery interview include all of the following EXCEPT
- (A) Gain a premium commitment.
 - (B) Reinforce the buying decision.
 - (C) Obtain referred leads.
 - (D) Reopen the selling/planning process.

BREAKOUT—CLASS 8

1. What are the income, estate and gift tax rules for life insurance?

2. What does “incident of ownership” mean in a life insurance policy?

3. What is your view of life settlements?

4. What is your view of the life insurance marketing concepts discussed in the chapter?

- a. SLIRP

- b. Pension max

- c. Mortgage cancellation

- d. Estate planning

e. Charitable giving

f. The cost of waiting

5. In the discussion of ethics, what is the meaning of the distinction between selfishness and the pursuit of self-interest?

6. What ethical responsibilities and obligations does the advisor have to (a) the client and (b) the insurer?

7. What do you do to keep your client informed about the product's performance after the purchase?

8. What do you do to keep your client informed about the product's performance after the purchase?

During this course, we have discussed meeting with and helping a prospect identify needs and purchase insurance for the right reasons. You have learned new skills in working with people as they go through the buying process with you. The American College LUTC program hopes that you have gained new confidence and are on your way to a more successful career because of this experience. The next two questions are designed to help you focus on your future.

9. What is your primary business goal for the next 18 months?

10. How do you plan to accomplish this?

Name: _____

Date: _____

MOST VALUABLE CONCEPTS

Reflection is an important part of the learning process that is often overlooked. Take a minute to think about what you learned and write the most valuable concept, sales idea, or marketing strategy that you learned in class.

Class 1:

Class 2:

Class 3:

Class 4:

Class 5:

Class 6:

Class 7:

Class 8:
