

A Shot Across the Bow: Tax Bills Show Need for Policy Management



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Life insurance agents and policyholders may have dodged a bullet as the current version of the Build Back Better Act dropped some onerous provisions that could have caused chaos for inforce policies. The provisions would have generated massive demand for inforce illustrations, market alternative quotes, surrender options and even settlement requests. Premium financing arrangements would have been impacted. Generational wealth plans with life insurance could have seen coverage

terminations and inforce policies on currently uninsurable folks could have terminated too. In short, it would have been a policy management nightmare.

Adverse grantor trust provisions would have limited the ability to pay future premiums on policies. This would have triggered a need to examine every policy without additional premiums.

- **Could you identify all your trust owned policies easily?**
- **Could you identify and prioritize designs most at risk?**
- **Could you easily request inforce illustrations on dozens, hundreds or even thousands of policies?**

Gifts to pay loan interest or economic benefit would have brought ILIT owned split dollar plans back into the estate. Pity the trustee with an as yet unfunded exit strategy to pay off a commercially financed policy if such a new law was passed.

Other proposals have been floated as well. A Senate proposal to limit annual exclusion gifts, if passed, would also require revisiting countless policies to explore alternative funding patterns. A proposal to periodically tax dynasty trust assets was unclear on whether that could have caused life insurance cash value to be taxable to the trust in one of the forced recognition events. Again, this could have required new inforce analysis.

Normal policy servicing is hard enough to manage, but it's important to recognize the

potential for unusual events to trigger a need for additional policy management and identifying segments of your policies. Trust law changes, carrier acquisitions or spin offs, gift tax changes and other events could trigger additional policy management needs.

You need a policy management tool that can help you adapt to changes, report on your policies, and order necessary information. You need a policy management system to help you quickly identify policies most at risk as well.

Perhaps you dodged a bullet with the changes in the latest version of the bill, but what if the provisions had been included or get added back? Will your policy management system allow you to take the necessary actions, identify the impacted policies, request key information or evaluate alternatives? If not, it's time to talk.



About the Author - Mike Pepe

Mike Pepe capitalized on his nearly 20 years of life insurance policy expertise by launching Proformex, an inforce policy management platform that helps fiduciaries, financial planners, insurance brokerages and agents monitor, manage and govern their life insurance policies. Its SaaS (Software as a Service) solutions are designed to proactively alert customers of potential problems with their life insurance policies and protect against degradation and asset erosion.

Prior to founding Proformex and serving as its Chief Strategy Officer, Mike started in the life insurance business with Mass Mutual and quickly became a leading agent. Soon after, he cofounded River Financial Group, a full service financial advisory firm. His focus was on building a highly successful financial planning practice which took into account the various parts of a holistic financial plan. As he focused on estate planning, he started The TOLI Group, a life insurance firm which was designed to fill the gap in the market for insurance consulting and the need for ongoing policy monitoring and management support, especially as it relates to trust owned life insurance.

About Proformex

Proformex is the life insurance service platform for modern advisors. Proformex builds solutions to help independent advisors attract, nurture, and grow their life insurance business through client policyholder service. Proformex delivers multi-carrier visibility, distributor collaboration, and performance reporting for advisors and brokers in a single, secure platform.

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