

Beware... of Inforce Illustrations and Loans

This piece is to advise policy owners and advisors to be beware of taking what you see on in-force ledgers from a life insurance at face value every time.

I have two recent examples regarding policy loans. In one case I knew the policy had a significant loan but it was not reflected on the ledger. When I investigated I learned "... the company system doesn't have the capacity to illustrate a loan." Really?

In another situation with a major carrier, the loan didn't show up anywhere in the projections. All of the numbers on the ledger were gross and ignored the loan. Only on the last page of a multiple page ledger, at the very bottom, was there even a reference to a loan among all of the other fine print. Virtually no policy owner would be able to determine there was a loan on the policy.



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Beware Series
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Why does this matter? Too many policy owners aren't even aware of loans on their policies because the policies have taken those loans from the insurance company without them realizing it.

Given situations like these, it may be worth a second set of eyes before making decisions on policy management.