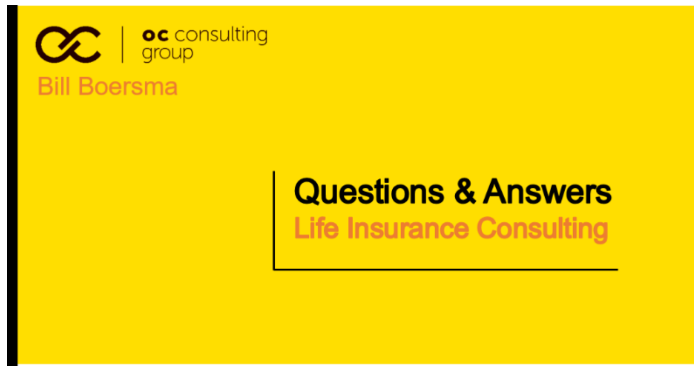
Question:

Is there any non-proprietary information, including company and contract recommendations, as well as illustrations of cases, of which you have analyzed and approved?

My inclination has always been to employ a guaranteed ten-pay WL contract, with as much enhanced-style PUA's as possible (below MEC) and combine it with a fixed, ten-year loan to attempt attainment of my true, positive arbitrage, but I need your counsel on my theory.



Answer:

I understand exactly what you are referring to when you relate building a guaranteed 10 pay WL with enhanced PUAs.

However, given current policy dividend rates and current LIBOR rates, there isn't any arbitrage to be had. Unfortunately, many in the market are placing these products based on misrepresentation. They are touting the gross dividend rate and making a play on the spread between that and borrowing rates. However, gross dividend rates and net dividend rates are very different and net dividend rates are currently, even 20 years into a contract, at or below current borrowing rates.

This is why so many whole life funded premium financing cases are landing on my desk even though they are a minority of financed transactions. At current rates, promoters can no longer fudge the numbers. The same factors are affecting indexed UL funded transactions but the numbers can still be fudged.

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