

The Importance of the “Second Opinion”

After a presentation at Heckerling a few years ago, an attorney in the audience came up to me to introduce himself and let me know he may be calling me for help on a case. A full year went by when he finally emailed me details of something he was working on.

It turns out his client was the owner of a very successful global company and had a large existing life insurance portfolio. The client and advisor was working with an agent who had a very long term and particularly close relationship to the family.

The reason the attorney brought me in was due to his skepticism regarding some work the agent was doing. Something didn't seem right but he couldn't put his finger on it. The short story was that the insurance portfolio, which was tens of millions in size, was seriously underperforming expectations. The portfolio was all put in force by the existing agent and consisted of both term blended whole life and variable universal life policies. The agent had determined they weren't panning out and was attempting to replace the entire portfolio with a single contract of a single type of insurance from a single carrier. On the surface it was a ludicrous proposition and when I related it to other professionals they were simply in a state of disbelief.

I ended up doing my own analysis and ultimately agreed with the agent's position that, given the performance of the portfolio, the client's goals and the pricing purportedly available in the market, it was in the best interest of the client to move forward with a change.

The attorney mailed me multiple thick envelopes of documents and I had fun researching. I discovered the agent had taken an app for \$80,000,000 with a company which was, in fact, particular competitive and it was a decent carrier. I had no issues with any of this. However, it was discovered that one of the insured individuals was going to be rated pretty heavily. During my investigation I learned that the in-force whole life policy had a \$25,000,000 convertible survivor term rider at preferred rates on both lives. I ran numbers and showed the attorney and clients what was possible as opposed to putting in force a highly rated contract.

Without getting into the sordid details, it turns out the agent mistakenly believed a conversion would be paid as a replacement and he would get only a small fraction of what a new sale would drive. Based on this, he knowingly moved forward with an option which would have cost the clients hundreds of thousands of dollars. I shut that down and, subsequently, helped the client put together a diversified portfolio of carriers with strong underwriting offers. In the end, the clients have a stronger portfolio with more diversification and significantly better pricing.

All of this was made possible by the attorney bringing me to the table on a fee basis for a “Second Opinion”. The payback was astronomical.

