



REVIEW FINDS ROUNDING ERROR CAUSED REDUCED GUARANTEE

THE SITUATION

Bill and Helen Stuart, ages 72 and 74, purchased a \$10 million Survivorship Variable Universal Life policy with a secondary guarantee to provide coverage to age 100. Bill had recently sold his manufacturing company and wanted to provide an inheritance for his adult children. The couple's policy was held in an Irrevocable Trust and was to be paid in five annual premium installments of \$500,309.

WHAT WENT WRONG

In Year 4 (after the fourth premium installment had been paid), the policy's *guaranteed* coverage age was reduced from age 100 to age 81 which was significantly below the couple's life expectancies. Further, the policy's cash value and *projected* coverage age were behind due to the policy performing less than originally illustrated.

When we brought in the Policy Management Company (PMC) to review the policy, they discovered that the trustee had mistakenly sent a check in Year 4 for \$500,000 instead of the full premium amount. With only one premium payment remaining, the Stuart's were unaware that the policy's guaranteed coverage age had dropped by 19 years because of a mere difference of \$309.

SUMMARY

GUARANTEED COVERAGE AGE

ORIGINAL POLICY DESIGN

AGE 100

CURRENT POLICY

AGE 81

THE OUTCOME

The PMC worked with the insurance carrier to resolve the issue. A premium check for \$500,750 in Year 5 made up the shortfall and brought the policy back to the original design and guaranteed coverage duration. We subsequently scheduled the Stuart's policy for performance monitoring and annual reviews by the PMC.

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