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The Most Impactful New Change In The Insurance Space and What It Means To You

It's interest rates.

The Federal Reserve cut its benchmark interest rate to 0% in March 2020. That has far reaching implications for the performance of all asset classes. What some RIA's may not be aware of is the practical effects on Life Insurance and why this presents both great opportunities and challenges for advisors.

The 3 major impacts are:

1. Carrier Selectiveness

Low interest rates had already crimped carrier revenues. Zero rates are forcing carriers' non-core business lines to scale back or close altogether. Conversely, carriers are defending strong business lines with very attractive offers to maintain dominance. Offers to less healthy or older customers can be harder to come by without close carrier connections. What does this mean for advisers? Positive arbitrage exists together with negative pitfalls. Choice and expertise are now invaluable to meeting a client's needs. One carrier or agent is not enough. Not only that, any insurance partner needs to be a client advocate. Finding optimal outcomes requires expertise, creativity, and broader market access. Advisors need a BGA.

2. Stale Policies

Existing older policies built with assumptions on higher interest rates might need attention. Investment performance is only part of the story, as carriers reduce resources to legacy non-core business lines, policies should be moved to active carriers that are focused in that area. **Insurance is an active asset class.** Importantly, if a policy is stale there are multiple options to course correct – roll into a new policy, convert to a new form of insurance or even cash out altogether. Advisors need to revisit and review the client's policies with experts. Now is the time to review and take corrective action if needed.

3. AFR Planning & Bank Lending

The positive effect of zero interest rates is reduced cost of borrowing. There are multiple ways clients borrow to fund insurance, either through estate planning strategies like interfamily loans or via banks for premium finance. These strategies aim to provide material reduction in the out of pocket costs for eligible clients. Additionally, many prospective high net worth clients are price sensitive and framing their commitment to life insurance through the opportunity cost of premium payments vs some other investment. Low borrowing rates and favorable collateral assignment have presented ideal conditions to utilize leverage. Clients who passed on permanent insurance in the past have returned as serious buyers as metrics have improved. Again, similarly to managing the carrier universe for optimal client outcomes, multiple banks and specialty lender offers need to be cultivated. Make sure your insurance advisor has the capability to leverage these stakeholders for maximum effect.

RIA knowledge base and involvement in insurance is as diverse as the client base. It varies widely. What is critical to navigate today's insurance market is having a partner with the right access, transparency, and skillset to ensure you and your client are delivered the best outcomes available and being a part of the opportunities that exist.

All RIA's are exposed to life insurance in some form. Put your best foot forward with the industry's premier partners. Speak with a specialized RIA BGA.

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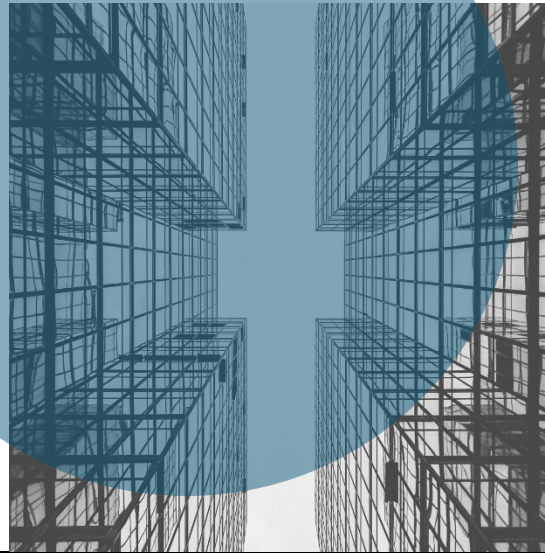
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Our Capabilities



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