




Understanding the Fee-Engagement Relationship for Risk Management Consultation

Definition of Risk Management:

- 1) To ascertain exposure of potential loss to assets, hard or soft, including that of human value; financial, emotional, mental, and philosophical;
- 2) To analyze impact of loss due to risk exposure;
- 3) To recommend options to protect against such loss, to manage the risk within the framework of the client's objectives and the team of advisors involved, to negate or reduce the impact of loss;
- 4) To use insurance as a leveraged avenue of protection against identified risk when it is substantiated to be the best solution.

This venue has been created to appeal to the discriminating consumer who prefers to have guidance that provides:

- An unbiased approach toward solutions and product recommendations.
- A process that follows the stewardship principles and prudent process to...
 - ✓ Put the client's best interest first and foremost
 - ✓ Act with prudence
 - ✓ Provide full and fair disclosure of all material facts
 - ✓ Avoid conflicts whenever possible
 - ✓ Manage unavoidable conflicts for the benefit of the client
- Educational format so that the best decisions can be made.
- Complete confidence in the action selected.

All of the above is provided within the universe of the **LIFE**  **180°** process, developed after years of research and experience in providing fiduciary driven insurance analytical and consulting work to Independent RIA's, Wealth Management firms, and Fee-Only Advisors. This comprehensive methodology incorporates a new paradigm of risk management analysis and the use of life insurance and annuities, including: policy style, premium design, strategy integration, facilitation and monitoring.


Introducing...


LIFE  **180°**

Life Insurance with Fiduciary Ethics




What is LIFE 180° ?

LIFE  180° represents a major change – a **180°** turn in the risk management component of financial planning and is the result of a joint-venture between Comprehensive Analytics, Subject Matter Experts and the Fee Advisors Network.

The **LIFE  180°** environment incorporates a new paradigm of risk management analysis in life insurance and annuities, including: policy style, premium design, strategy integration, full disclosure, facilitation and monitoring.

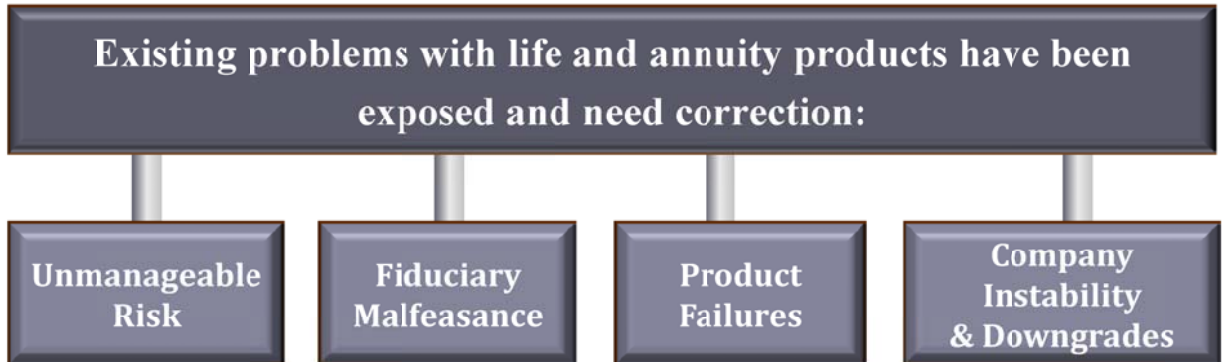
Fiduciary: A fiduciary duty is the highest standard of care at either equity or law. A fiduciary is expected to be extremely loyal to the person to whom he owes the duty (the “principal”): he must not put his personal interests before the duty, and must not profit from his position as a fiduciary, unless the principal consents. The word itself comes originally from the Latin *fides*, meaning faith, and *fiducia*, trust.

Comprehensive Analytics

A fee-engagement consulting firm founded by Joseph W. Maczuga, President and Senior Case Advisor, who heads up a team of Subject Matter Experts to implement the stewardship process of analysis, planning and design of risk management issues (life insurance and annuities), in partnership with the Fee Advisors Network, by applying the **LIFE  180°** process.



(Life Insurance with Fiduciary Ethics)



Fiduciary ethics demand an unbiased “clean room” environment that is client centered!

- Are the policy styles in harmony with the desires and stated objective of the client?
- Are there ‘linkage’ problems to or within the planning strategy?
- Can the policy be adjusted or tweaked so that it can conform to the desired objective?
- Is there a strategy that can leverage capital more efficiently?
- Are there cost efficient alternatives?
- Are maturity dates problematic?
- Which policies have to be monitored annually and which do not?
- Have the policies been monitored at all?
- When was the last time the policy had been reviewed?
- Are policies performing as projected?
- Should a policy be considered for a secondary market or Life Settlement?



From: Comprehensive Analytics, Inc.

Topic: LIFE 180° – The “New” Paradigm of Risk Management (Life Insurance) Analysis, Design and Recommendations.

LIFE 180° was created as a counter-intuitive approach to Risk management, and represents a methodology that flows in direct opposition to the industry’s standard (which has long been established as a transactional mindset in the commission culture).

The LIFE 180° approach provides the advisor/client with an alternative to the traditional way of doing business by removing areas of uneasiness, suspicion, or doubt that policy analysis and related proposals may not be client centered in providing the most efficient options of selection.

There are many good commission-based planning firms with deep skill sets, but these practices have some flaws:

- 1) Their industry “standard” is centered on “suitability”, which has very little resemblance to a fiduciary standard;
- 2) They are willing to do a lot of development work for free, with the anticipation of back-end compensation based on a successfully completed “transaction” (policy sold);
- 3) The commission distribution channel is built on compensation incentives related to production, which create external pressures that drive recommendations;
- 4) They are conflicted and inconsistent in offering policies that can be “blended” to reduce loads and commissions, which benefits the client;
- 5) They reject the use of a no-load life insurance policy, which is client-advantaged;

As a Trusted Outsourcing Partner, we provide the advisor with the LIFE 180° environment, which is the only model created around stewardship principles, prudent process, and is truly “client centered”.

The LIFE 180° environment:

- Creates a Consultative Environment, not a Transactional Environment.
- Provides a “document of definition” for the services, objectives, and process to be employed.
- Integrates proprietary analytical tools (Life Analyzer), templates (Template-for-Life), methodology (Life Insurance Fiduciary Ethos), and Subject Matter Experts to provide “true and unbiased” policy analysis, supported and substantiated through full disclosure.
- Requires a Fee-Engagement project relationship, which is consistent with most practice models.

The LIFE 180° environment encompasses the entire horizon of product styles (including no-load) and provides the appropriate application to address the defined risk issue.

Questions that you should ask of the firm/agent who has presented a proposal:

- Do you provide a written engagement document that outlines what services you plan to provide, and the process used in making your analysis or creating your proposal?
- Does your proposal provide full disclosure and transparency, even if the illustration presented by the recommended carrier does not?
- How are you compensated for your services of analysis or proposal development if no transaction takes place?
- If a universal life or variable universal life is involved, do you have a methodology to reverse engineer the illustrations so that you can compare the assumptions used of future COI's (costs of insurance) in the projection calculations to a sustainable actuarial curve?
- If a universal life or variable universal life is involved, which do you believe represents the highest risk, assumed rate of return, or projected insurance pricing assumptions?
- Do you provide alternative options, including the use of a no-load policy?
- Do you follow "fiduciary" standards, or "suitability" standards when analyzing or developing a proposal?
- Do you present the positives and the negatives of each recommendation, and how they relate to the management of the risk?
- Do you provide a comprehensive report as to how the recommended policy rates in comparison to its peer group?
- Do you provide an outline as to how the recommended policy needs to be monitored?