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Special needs require special lawyers.

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DODGING DISASTER – THE NEED FOR A LIFE INSURANCE REVIEW BY RICHARD NOTTINGHAM, CLU, CHFC, AEP

When was the last time you sat down for an evening of fun, reading and analyzing your existing life insurance policies? Probably right after you decided to give yourself a root canal.

If you are like most of us, it was not a cause for celebration when you bought each of your policies. Rather, it was a task of duty or responsibility, prompted by your love for your family or your business. Once bought, these hard-to-read documents were tucked away in a drawer – out of sight and out of mind.

So, why be concerned? When the fateful day of your demise arrives, those policies will spring into action and deliver precious tax-free dollars to protect loved ones, save your business, or fund your buy-sell agreement. Right? Not necessarily so. Of all life insurance policies purchased, the vast majority do not pay a death claim. Here's why:

More than 75% of all life insurance policies purchased since 1979 are either term insurance or universal life. Most policy owners are unsure of what form of insurance they even bought. Many think their universal life policies are whole life contracts, and they are not. Term policies typically have level premiums for a fixed period of time (10, 15, or 20 years), after which the premium increases drastically and goes up every year thereafter. For almost everyone, the premiums grow so large that they become completely unaffordable.

For universal life policies bought between 1979 and 1998, the length of time that your premium will keep the policy in force is subject to interest rate or stock market risk. Low interest rates or a decline in the stock market can ruin your policy. Can you imagine faithfully paying your premiums year after year only to one day receive a notice that your premium must immediately

double or even triple, or your policy will lapse without any value after 60 days? Sound preposterous? It's not. In fact, it happens all the time, regardless of the carrier that issued the policy. A recent actuarial study revealed that 89% of all universal life policies do not result in death claims.

Even if you bought a whole life policy, chances are much of its performance depends on non-guaranteed dividends, which have underperformed in recent years. The policy you think will require premiums for only ten more years may require you to pay for your lifetime in order to maintain it, due to disappointing dividend performance.

One further problem you may face is the substantially weakened financial strength of the carrier. Our current recession has been unkind to many large and well-known carriers, and their claims paying ability may be impaired.

So, what can we do to learn the critical details about our life insurance policies, and take steps to fix problems if they exist?

If you have a relationship with the insurance agent from whom you purchased the policy, contact that agent to request both an "inforce" illustration and up-to-date information about the carrier's financial strength and claims-paying-ability. Have the agent explain in detail both the "guaranteed" values and provisions of the policy as well as the non-guaranteed or "projected" ones. You should also insist on a comparison of the policy to those available currently from other top-quality carriers. If you are told that "Your policy is doing fine," then ask, "Compared to what?"

If you aren't in regular contact with the agent from whom you bought the policy, or if you would like a "second opinion," you may want to contact me at Cape Financial Inc. for a complimentary Professional Analysis and Review. Cape Financial will gather detailed information about your policy and the issuing insurance company, and provide to you a comprehensive report that is both informative and easy to understand. Frequently, Cape Financial's clients who use this service learn important information that helps them avoid disappointment or disaster for their loved ones and themselves.

There is good news. Beginning January 2009, all life insurance companies are required to use updated mortality statistics in calculating rates. Since people are living longer now than in past decades (the previous rates were based on information from 1980), insurance premiums have dropped significantly. Today, if you are healthy, new life insurance may be lower in cost than what you could buy when you were 10 or even 15 years younger.

Top quality insurance carriers now also offer permanent life insurance policies with death benefits guaranteed for life and premiums that will never increase. It is now possible to get permanent life insurance protection that is not subject to interest rate or stock market risk. Such a policy can help you sleep better at night, knowing that your beneficiaries will ultimately receive the benefit you want them to have.

Richard Nottingham has practiced as a financial services professional for 32 years. He is the President and CEO of Cape Financial, Inc. in Virginia Beach, Virginia. Mr. Nottingham has earned the professional designations of Chartered Life Underwriter, Chartered Financial Consultant, and Accredited Estate Planner. You can phone him at 757-557-6902 or e-mail him at dick@capefinancialinc.com.

The attorneys at Oast & Hook can assist clients with their estate, financial, investment, long-term care, veterans' benefits, and special needs planning concerns.

Ask Allie

O&H: Allie, we've heard you received some feedback regarding your recent column on emergency preparedness. Please share it with us.

Allie: Sure! "Allie, with regards to your information concerning pets and disasters, the South Hampton Roads Chapter of the American Red Cross in Norfolk, of which I am a disaster volunteer, suggests the following: The Virginia Family Dog Digest www.familydogdigest.com, gives a listing of all Virginia animal friendly hotels and motels. For pet policies at local shelters, it is suggested that you contact the Emergency Management in each city before a disaster. This can be part of your family preparedness plan. Keep up the good work, my furry friend. Paula King" Many thanks to Paula for this important information. Time for a laser toy session!

Announcements

Save the date for some breakfast. From 9:30 a.m. to 11:00 p.m., Thursday, November 19th, Oast & Hook will sponsor a Social Worker Breakfast at the Russell Memorial Library, 2808 Taylor Road Chesapeake, Virginia. Registration begins at 9:15 a.m. For more information, please phone 757-399-7506.

Distribution of This Newsletter

Oast & Hook encourages you to share this newsletter with anyone who is interested in issues pertaining to the elderly, the disabled and their advocates. The information in this newsletter may be copied and distributed, without charge and without permission, but with appropriate citation to Oast & Hook, P.C. If you are interested in a free subscription to the *Oast & Hook News*, then please e-mail us at mail@oasthook.com, telephone us at 757-399-7506, or fax us at 757-397-1267.

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