



March 20, 2020

To: Life & Disability Insurance Clients
Re: COVID-19 and Policy Premium Options

We understand that this may be a financially challenging time. Accordingly, there are some options that may make it easier to make your individual disability payments and/or life insurance premium deposits. The following options pertain to Life Insurance - Whole Life, Universal Life, Indexed Universal, Variable Universal Life, Term Life and Disability Income insurance policies.

Premium Payment Options:

- 1) **Change Premium Frequency** to Monthly, Quarterly, Semi-Annual - All Policy Types
 - a. If find that you cannot make the full annual premium there is the option to change the frequency. By changing the frequency, you may be able to continue without reduction in coverage.
 - b. Be aware that there is a slight charge for making Monthly, Quarterly, or Semi-Annual premiums.

- 2) **Premium Offset** – Whole Life Policies
 - a. Policies with sufficient cash values may be changed to Dividend Offset. Dividend Offset permits premium to be covered by dividends and/or policy cash value.
 - b. A policy may not have sufficient dividend and/or rider cash value to pay the entire annual premium, however it can help reduce the amount of out-of-pocket deposit or policy loan.
 - c. Using the Minimum Premium Deposit Option will surrender available cash value to cover premium. Any remaining balance must come from out-of-pocket or loan, and may vary annually.
 - d. Using dividends to reduce premium will change the way your dividend is applied to the policy. Instead of purchasing additional insurance the dividend will be applied toward some or all of the annual premium.
 - e. Making premium deposits via Premium Offset will affect policy values and future premium options.

- 3) **Skip a Deposit** – Variable Universal and Universal Life Policies
 - a. If the current policy has sufficient values to support the base death benefit, you can skip a deposit.
 - b. Variable Universal Life, Universal Life, Indexed Universal Life policies will allow for “catch up” deposits in the future for any skipped deposits. There are limits to the amount. When making these deposits it is important to be aware that you could trigger a Modified Endowment Contract (MEC) with penalty and ordinary income tax implications.

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4) Drop a Rider – All Policy Types

Your policy may have additional riders that could be dropped. This would reduce the annual premium for that rider. Prior to dropping any rider we would welcome a call to discuss this option.

5) Reduce the Base Coverage Amount of the Policy - All Policy Types

- a. Reducing the policy coverage will reduce the annual premium required, but also reduces the benefits payable.
- b. Under a whole life policy the difference between the guaranteed cash value of the original policy and guaranteed value of the reduced policy will be placed into the dividend/rider cash value this cash value can then be used to pay the premium needed to offset the premium. The current dividend value remains the same, but the guaranteed cash value and death benefit are reduced. Please be aware that this reduction may create a MEC.

6) Policy Loan for Premium Deposit – All Life Policy Types

- a. Take a policy loan from the existing cash value to pay premiums. While this strategy ensures that the policy remains in force, it also reduces the death benefit directly by the repayment amount of the policy loan.
- b. You should check your policy status as Automatic Premium Loan (APL) may have been elected allowing for automatic loaning of missed premiums.

Please note that Term life and Disability policies do not have cash value to support them, as such there are fewer options other than the frequency, reduction in riders and coverage amounts.

An email to rayfagullar@weirresources.com or directly jweir@weirresources.com is the most efficient way to have questions answered.

Best regards & stay safe!

Jon Weir

Jonathan D. Weir, JD*

ps - Attached is a communique from the NY State Department of Financial Services regarding what they have asked regulated entities to do during this period.

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The information below was taken from an official New York State Department of Financial Services communique that we received Friday March 20,2020:

"In response to this crisis, DFS is issuing guidance to urge all regulated entities during this outbreak to do their part to alleviate the adverse impact caused by COVID-19 on those consumers and small businesses that can demonstrate financial hardship caused by COVID-19, including taking reasonable and prudent actions to support affected New Yorkers by:

- *Offering payment accommodations, such as allowing consumers to defer payments at no cost, extending payment due dates, or waiving late or reinstatement fees, where consumers are unable to make timely payments of premium or fees due to COVID-19-related disruptions;*
- *Working with consumers to avoid cancellation of insurance policies for (a) failure to pay premiums on time, (b) discovery of acts or omissions that may have increased the hazard insured against, or (c) physical changes in the property insured subsequent to issuance or last renewal that result in the property no longer meeting the insurer's underwriting standards;*
- *Working with consumers to avoid non-renewal of insurance policies where a consumer fails to timely respond to a non-renewal notice;*
- *Increasing resources as necessary to accommodate increased claim submissions and increased inquiries from consumers about policy coverage benefits, including reviewing staffing plans to ensure that sufficient personnel are available to field claim submissions or inquiries and are informed on the most up-to-date developments relating to COVID-19;*
- *Preparing clear and concise descriptions of coverage benefits that may be triggered as the COVID-19 situation continues to evolve, which should be posted prominently on insurance company and producer websites and sent in response to policyholder inquiries;*
- *Alerting consumers to the heightened risk of scams and price gouging during financial disruptions, and reminding consumers to contact their insurance providers before purchasing unsolicited insurance policies or changing the terms of current insurance policies;*
- *Ensuring that consumers do not experience a disruption of service if regulated entities close their offices, including making available other avenues for consumers to continue to manage their products and to submit inquiries and claims;*
- *Providing flexibility regarding proof of death, disability, or other condition that triggers benefits under life insurance policies or annuity contracts;*
- *Providing consumers with information and timely access to all medically necessary covered health care services, including testing and treatment for COVID-19, in accordance with all applicable DFS guidance, including [DFS Guidance on Preparedness for Coronavirus \(COVID-19\)](#) and [DFS Guidance on Coronavirus and Telehealth Services](#); and*
- *Proactively reaching out to customers via app announcements, text, email, or otherwise to explain the above-listed assistance being offered to consumers. "*

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