

NU Whole Life Report 5-17-10

In the most recent report on Whole Life performance done by Roger Blease, there is one part that is always very interesting and eye opening -- that is the difference between the projected gain by the company (using Paid-Up Additions) and the **ACTUAL** gain 20 years later. In this report based on 12 companies (the consistent top performers), the projected IRR was 6.72%. Whereas the **ACTUAL IRR** was **3.81%** -- **that is 43% less than projected!** [The range was 2.77% to 5.11%].

In the projection of gains for **new policies** they are getting better/more realistic. For 28 companies the projected 30 yr. IRR is **3.8%** -- almost exactly the 20 year historical actual [the range is 0.61% with Nationwide to 4.72% with Penn Mutual]. For a 50/50 term blend with 15 companies the projected 30 yr IRR is 3.51% [so ½ the commission and less gain for the client too].

With the better IUL plans it is not unrealistic that the IRR will likely be double this.

They should be - these are different products. With WL the client is assuming no risk and reaps a comparable gain return. This is not the product most people should be using for a plan who's primary purpose is Retirement Savings and Income two and three decades from now.

In this NU WL report, for projected retirement income for a M40 for years 26-45 (age 65 -84), the IRR (including year 45 CV), for 13 companies is 4.98%. That is not unreasonable and frankly is better than about 1/3rd of the projections for IUL plans. The question is, how realistic is this projection given their past projection track record? With the top IUL plans a realistic IRR based on historical experience will be in the 6-8%+ range.

The NU report does not list the IRR values for the income projection, so here it is. Also, that report states it could not run the #'s for Minnesota Life, so I had ML run them:

1) Country Financial	5.85%
2) Northwestern	5.42%
3) Penn	5.36%
4) Ohio	5.21%*
5) Guardian	5.20%*
5) Security Mutual	5.20%*
7) MET	4.99%
8) Mutual Trust	4.90%
9) Thrivent	4.78%*
10) Minnesota	4.74%
11) Union Central	4.70%
12) Assurity	4.62%
13) John Hancock	3.81%

* Average if multiple plans

You can find the NU report and tables at:

<http://www.lifeandhealthinsurancenews.com/Issues/2010/May-17-2010/Pages/Full-Disclosure-Whole-Life-Report.aspx>