

# Bill Boersma - Blog

## In the Washington Post!

Last month I wrote a commentary about a piece I heard on NPR when Robert Siegel spoke with Washington Post staff writer David Hilzenrath regarding life insurance companies and the risks facing them in this economic climate.

For the fun of it I decided to shoot him an e-mail commending him on the piece but encouraging him to look deeper at the more important issues facing life insurance policies. Specifically I wrote "... without diminishing the importance of your reporting to date, to me the systemic issue of the declining money rates since the eighties is even more important. Very few policies will be cancelled due to carrier failure but many policies have failed before the current crisis, are failing now and will continue to fail even when the crisis has passed. The bottom line is that your policy failing and your insurance company failing are two entirely different things and policies issued by the very strongest of insurance carriers are failing regularly."

To my surprise David called me to ask about this and we are currently working on a story or two, one of which is a real life story that just came to me locally. There are two main issues on which I am working with him; the effect of a decades long continuous slide in the interest rate market and the potentially devastating effects of life insurance policy loans when misunderstood and unmanaged.

The following link is a Los Angeles Time article about the dangers of policy loans by naive policy owners. Some may dismiss this as an example of an extreme situation but, this story is eerily similar to a case that I am working on right now. Whether or not it makes it to the pages of the Washington

Post, I will be sharing this local story with you as soon as I can. The situation concerns an ordinary middle class couple living in northeast Grand Rapids whose situation is even more devastating than that shared in the LA Times article. This couple stands to lose everything they have. I mean it. Their entire worldly net worth, including their home, may not be enough to pay off their IRS tax liability when these policies collapse - and they do not have enough money to keep them in force.

### LA Time link to "Borrowing From a Life Insurance Policy Can have Dire Consequences."

Now, it would be reckless to even insinuate that this is happening to all policies which have outstanding loans, but the fact that this can happen and is not understood by a vast majority of policy owners, is almost unbelievable. Most people understand that a worst case scenario in an "investment" is that you can lose everything you put into it. Virtually no one understands that you can lose everything AND owe the IRS a massive tax bill if the investment is a life insurance policy. Yet, amazingly I am still countered by traditionalists in the local insurance community who criticize me for fear mongering and undermining the life insurance industry. The sad fact is that some of these agents don't understand the very products they are selling. Helping policy owners and their professional advisors deal

with misunderstandings is what I do every day.

As a footnote, Hilzenrath's recent focus on the potential solvency of insurance carriers is not without merit. Through my consulting process, I was in the midst of helping an agent move a client from Shenandoah Life to a larger, more highly rated, financially secure carrier when I got the news that the company went into receivership by the state of Virginia. Coincidentally, while I was dealing with this issue, David decided to do a story on Shenandoah Life and reached out to me to help him understand the situation and what this means to the policy owners. Admittedly, the only reason I include a link to this article in today's Washington Post is because he quoted me. Great for my ego but my kids weren't particularly excited when I told them over dinner last night.

Washington Post link to "Va. Insurer's Decline Came With Scant Warning"  
<http://www.washingtonpost.com/wp-dyn/content/article/2009/03/03/AR2009030303833.html?nav=emailpage>



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