



# Life Insurance: Trust Owned Life Insurance (TOLI)

## TOLI Checklist for Producers

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## Life Insurance:

# TOLI Checklist for Producers

This checklist is designed to help you offer your services as a life insurance professional to an ILIT trustee and gather the information necessary to advise the trustee on life insurance issues. Most states have laws authorizing the trustee of an Irrevocable Life Insurance Trust (ILIT) to hire qualified agents to advise them on trust investments.

If you are selected to advise an ILIT trustee, you should be able to:

- Help the trustee perform the duties required by the trust document and state law
- Provide a thorough evaluation of the performance of every policy
- Advise the trustee on the advisability of acquiring a new policy(ies)
- Determine if the ILIT's life insurance coverage should be diversified
- Help the trustee create a workable investment policy statement
- Alert the trustee to questions that should be asked of legal and tax advisors.

## Information about You... Why Should the Trustee Hire You?

1. What qualifies you as a professional resource on life insurance?

\_\_\_ Your credentials

\_\_\_ Your experience

\_\_\_ Insurers you have represented in the past

\_\_\_ Insurers you represent today

2. What makes you qualified to evaluate TOLI policies?

\_\_\_ Other trustees you have assisted

\_\_\_ Letters of recommendation from attorneys & CPAs

## Information about the Insured(s)

1. Who is/are the insured(s)? \_\_\_\_\_

2. Insured's current age(s) \_\_\_\_\_ Age(s) when policy(ies) issued \_\_\_\_\_

3. What was the underwriting class when policy(ies) was issued? \_\_\_\_\_

4. What is the likely underwriting class today? \_\_\_\_\_

5. When was life insurance coverage last applied for? \_\_\_\_\_ What was the result? \_\_\_\_\_

6. What additional contributions are likely to be made to the trust? \_\_\_\_\_  
\_\_\_\_\_ When will they be made? \_\_\_\_\_

7. What is the insured(s) life expectancy(ies)? \_\_\_\_\_

## Information about the Trust:

1. Does the ILIT trustee have an attorney? \_\_\_\_\_
2. Does the ILIT trustee have an investment advisor? \_\_\_\_\_
3. Who is the grantor (creator) of the trust? \_\_\_\_\_
4. What is the trust's primary objective(s)? \_\_\_\_\_
5. How long is this trust likely to last? \_\_\_\_\_ Why? \_\_\_\_\_
6. Does it have a written investment policy? \_\_\_\_\_ Does it have a performance benchmark? \_\_\_\_\_
7. List all the life insurance policies the trust owns: \_\_\_\_\_  
\_\_\_\_\_
8. List all other assets the trust owns (e.g. checking account): \_\_\_\_\_  
\_\_\_\_\_
9. What state's laws apply to the trust (check trust document)? \_\_\_\_\_  
\_\_\_\_\_
10. Does the trust establish standards that preempt the application of state law? \_\_\_\_\_
11. If not, review the state's rules/standards for investing trust assets (this is usually the state's version of the Uniform Prudent Investor Act)
12. List the actions the trust requires the trustee to take (mandatory actions): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
13. List all the discretionary actions the trustee may take (but which aren't required): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
14. List the primary beneficiaries of the trust. When will they receive distributions? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. List the discretionary beneficiaries (those to whom the trustee has the discretion to make distributions but is not required to do so): \_\_\_\_\_  
\_\_\_\_\_
16. List the trust's secondary and/or contingent beneficiaries (if any): \_\_\_\_\_  
\_\_\_\_\_
17. What does the trust document say about life insurance? Is it a mandatory or discretionary investment?  
\_\_\_\_\_  
\_\_\_\_\_
18. What standards does the trust set for managing the life insurance policies? \_\_\_\_\_  
\_\_\_\_\_
19. What does the trust document say about investment diversification? \_\_\_\_\_  
\_\_\_\_\_
20. Is the trust a "grantor trust" for income tax purposes? \_\_\_\_\_

### **Information about Each Life Insurance Policy:**

1. Verify that the ILIT is the owner and beneficiary of each policy.
2. How and when did each policy become property of the trust?
3. Get a copy of the original illustration at time of issue.
4. Get copies of all inforce illustrations delivered during the life of the trust.
5. Order a current inforce illustration using the present crediting rate.
6. Order a second inforce illustration with a crediting rate at least 1% lower than the current crediting rate.
7. Compare the inforce illustrations to the original policy illustrations.
8. Analyze policy performance to date and estimate likely performance in the future considering scheduled additional contributions to the trust.
9. Analyze policy performance if future contributions are decreased by 50%.
10. Report to trustee on premium adequacy for the policies under different scenarios.

11. Obtain current ratings of the life insurance company that issued the policy. Determine if these ratings have changed since the policy was issued.
12. Report to the trustee on the suitability of each policy in the trust; make a recommendation as to what types of policies are most suitable for the trust.
13. Submit applications for suitable new coverage to insurers with ratings equal to or better than the current insurers to determine insured(s) insurability.
14. Compare the current policy(ies) with proposed new policy(ies) in regard to death benefits, cash values, premiums and guarantees.
15. Report to the trustee on the estimated future performance of the policy(ies) and the advisability of retaining them. Be prepared to present the trustee with options for future action.
16. Inform the trustee that steps five through 14 should be repeated regularly (at least every three years, if not sooner); organize the information obtained in this process so it can be easily used in future policy reviews.
17. Help the trustee create/revise an *Investment Policy Statement* for the trust. (Please refer to item number 136769 on ING for Professionals.)

**For more information on Trust Owned Life Insurance and for other ways to grow your life business in the wealth transfer market, please call ING Life Sales Support at 866-ING-SELL (866-464-7355).**

**ReliaStar Life Insurance Company**

20 Washington Avenue South  
Minneapolis, MN 55401

**ReliaStar Life Insurance  
Company of New York**

1000 Woodbury Road, Suite 208  
Woodbury, NY 11797

**Security Life of Denver**

Insurance Company  
1290 Broadway  
Denver, CO 80203

[www.ingvfc.com](http://www.ingvfc.com)

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