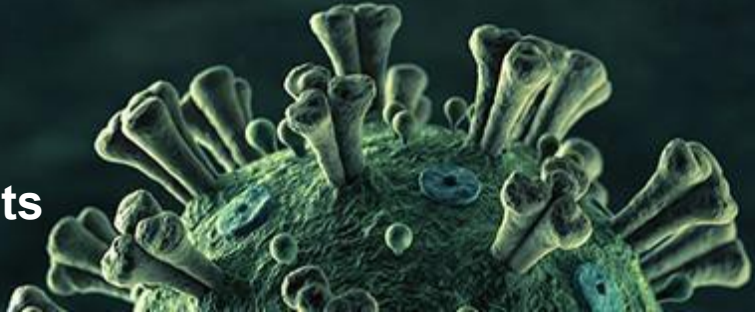




## COVID-19 Latest Insights



### Sample Client Comfort Letter

These days, we're being bombarded with unsettling news and are left feeling uncertain about how to act, what the future will bring, and what to say to our clients and their advisors. Suffice it to say, this virus and its resulting impact have disrupted life as we know it and will likely bring with it permanent changes. We all hope it will soon be a thing of the past and that, in the meantime, you and your families remain safe and healthy.

In order to help you navigate these challenging times with your clients and centers of influence, we reached out to two of our member firm principals to talk about the ways they are trying to provide comfort to their clients. Jay Cavanaugh of KNW Group shared the letter he recently sent to his clients.

Dear Valued Client,

While we go through this tough time together, I wanted to provide a small measure of comfort and assure you that I'll remain a servant to your family and will do everything in my power to protect your financial security.

Although fear and continued bad news have negatively affected financial markets, I wanted to take the opportunity to share some good news. First, all major life insurance companies are extremely well capitalized. In addition, most of these carriers have very little unaffiliated stock exposure. Secondly, large life insurance companies benefit from the "law of large numbers"; their risk is spread amongst millions of insureds. And lastly, unlike most financial instruments, life insurance products come with guarantees that are backed by the issuing carrier.

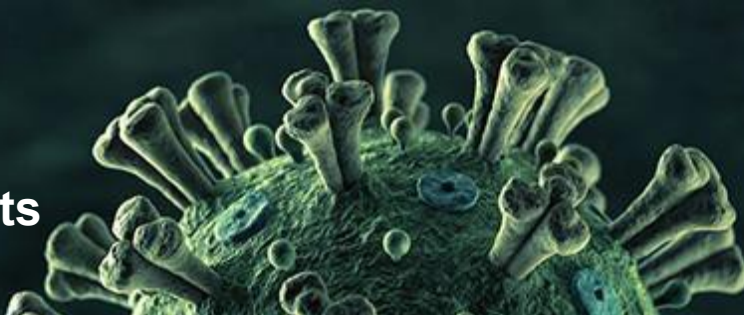
During this extraordinary time, it is important to trust that you made the right financial decision for your family by purchasing life insurance products from reputable carriers with a history of financial strength and fulfilling promises to their customers. I'd be happy to review your existing program to make sure that it still fits your current needs and to ensure that you don't miss any windows of opportunity, such as term conversion options.

Please do not hesitate to reach out at any time if you want to review your current insurance, talk about opportunities that may be presenting themselves, or just commiserate about the state of our world. My team and I are here for you throughout this crisis and beyond.

- Jay Cavanaugh, Principal, KNW Group



## COVID-19 Latest Insights



Jeff Ostrum of Financial Architects Partners, who has a practice that relies on a network of accomplished advisors and financial professionals, shared the letter he is sent out to his advisor network as well.

Hello Valued Advisor,

Hoping you and your family are doing well and getting through this, I look forward to seeing you and your team when this thing clears. In the current environment, our goal is to keep you informed about recent developments in our space that impact clients.

I was recently on a call with C-level executives from six of the top US life insurance carriers. What follows is a summary of their observations with additional details. We were told that US life insurance carriers pay approx. \$2.1B in benefits to US families every day. These benefits may be more meaningful now than ever. Those same carrier executives also stressed the financial security that exists among US life insurance carriers. These carriers are not overly concerned about the impact of the virus. Specifically:

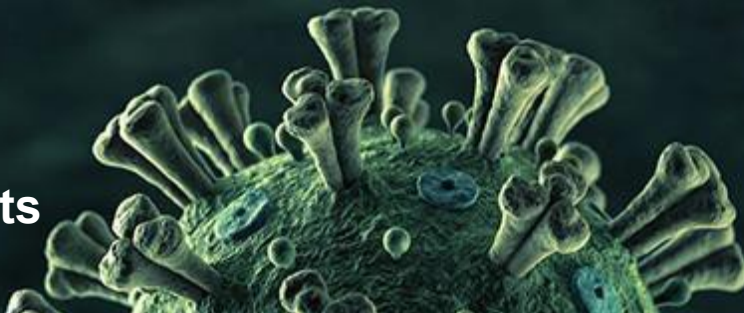
- Mortality will not likely be a financial issue, as carriers are well capitalized, have reserve requirements, and have a 100+ year history of fulfilling death benefit promises.
- They are challenged by the current economic state, but were expecting a market adjustment and are prepared for extended periods of low interest rates and market volatility.
- Carriers offer many products and manage their balance sheets with predictable mortality pools and asset/liability matching (more deaths reduces annuity payments, which offsets an increase in death benefit claims).

Policies can still be guaranteed, but many move with the markets.

- Much of our clients' coverage is "fully guaranteed" no-lapse universal life. These policies are insulated from market volatility because of guaranteed premiums, death benefit, and duration.
- Clients who have policies with performance dependencies – dividends (whole life), crediting rates (universal life), or market returns (IUL or VUL) – should review performance:
  - To understand guaranteed and non-guaranteed elements and make sure that policies are not at risk of early lapse
  - To understand performance dependencies going forward, i.e., lowering caps on indexed products, reducing crediting rates on universal life products, and reducing dividends for whole life products



## COVID-19 Latest Insights



### Your Clients May Want to Know ...

#### Existing Policies

- Cash value may be accessed from a policy with favorable tax treatment (basis first on withdrawals), which provides liquidity when other asset values are depressed.
- The Life Settlement Market may be an option to create a liquidity option during life.

#### New Coverage

- Carriers and clients are still implementing new coverage, and are streamlining the process (DocuSign applications and possible medical exam waivers).

We will continue to share meaningful updates as they are announced. The landscape is changing rapidly to respond to these unprecedented times. However, we are here to help you navigate it and are happy to answer any questions you may have.

Both of these letters can be taken as they are or adapted to fit your particular client or advisor base. On the whole, they should be used to provide comfort to you, your clients, and your referral network to remind them that despite these unprecedented times, we are all here doing what we can to support each other.

As always, if you have any questions, please do not hesitate to reach out to your NFP team.

*This information has been provided as an informational resource for NFP clients and business partners. It is intended to provide general guidance, and is not intended to address specific risk scenarios. Regarding insurance coverage questions, each specific policy must be reviewed in its entirety to determine the extent, if any, of coverage available for the impact of the Coronavirus. If you have questions, please reach out to your NFP contact.*