

## RBC Insurance Withdraws Popular “LCOI” Security Fund Product Line Level Cost of Insurance Under Priced in Marketplace

On January 7th 2011, RBC Insurance announced that they are withdrawing the level cost of insurance (“LCOI”) version of their Security Fund universal life insurance policy effective February 1, 2011.

### What is LCOI?

LCOI and YRT (yearly renewable term) are the two methods of pricing universal life insurance. **LCOI is a fixed or “level” cost of insurance for life.** YRT is a cost of insurance that increases each year for life. LCOI costs more than YRT in the early years and significantly less than YRT in the later years of life. Generally, **it is wise to select LCOI pricing** rather than YRT pricing for insurance coverage that one intends to keep for life, to avoid the financial burden of premiums escalating out of control in one’s retirement years.

### What is Security Fund?

Security Fund is the brand name of the RBC Insurance universal life policy that currently offers both LCOI and YRT pricing. It also includes an option to assign the policy as collateral for an investment loan under an Investment Credit Facility (“ICF”) issued by RBC Insurance.

### What is the Advantage of LCOI Security Fund?

LCOI Security Fund offers two key advantages:

1. The internal rate of return calculation on almost any LCOI insurance policy produces an **annual pre-tax return of 10% to 15%** on the LCOI payments in exchange for the tax-free death benefit measured over a typical life expectancy.
2. The ICF offers the potential to add **lifetime personal tax recovery**, further increasing the overall rate of return produced by the insurance structure.

### Why is LCOI Security Fund Being Withdrawn?

RBC Insurance cites the downward pressure on interest rates as the reason for withdrawing LCOI Security Fund. Long-term Government of Canada bond **interest rates have declined 2.6%** this past decade. A 2.0% decline in long-term interest rates **requires an LCOI premium increase from 20% to 65%** (for issue age 60 and issue age 30 respectively). Yet **actual LCOI rates increased by 3%** or less this past decade. The bottom line is that LCOI is significantly under priced.

### Is There a Closing Out Sale?

Yes. LCOI Security Fund is still available for a very short period of time. Clients interested in securing this product for their estate plan to benefit from the unique combination of LCOI pricing and the ICF must proceed as follows:

1. **Contact us** by calling our office at 604-687-1507 and ask for Monica, or email [monicam@westwardadvisors.com](mailto:monicam@westwardadvisors.com)
2. Complete an **application** - must be received by Westward on or before January 28, 2011
3. Complete **medical requirements** - must be received by Westward on or before February 11, 2011
4. Complete **policy delivery requirements** including first premium payment – must be received by Westward on or before March 30, 2011

<sup>1</sup> See RBC Insurance News dated January 7, 2011.

<sup>2</sup> See “Buyer’s Market for Level Cost of Insurance Products” by John McKay published in Insurance Planning (2009) vol. XV, number 3, page 968.