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Louis C. Halley

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THE ROLE OF THE LIFE UNDERWRITER IN ESTATE PLANNING

LOUIS C. HALLEY

Educational Director, Colorado Life Underwriters

The life insurance industry and the method of marketing life insurance have, in the last century, traveled a long road—a road which has been filled with changes. We underwriters today have the benefit of these changes—all of them for the betterment of the business—until today the educational process of a life insurance man lasts from the day he enters the business to the day he dies. There have even been set up training standards which lead to the attainment of a recognized professional degree. It is interesting to note that, in securing that degree, the recipient agrees to follow the principles which are laid down by the Golden Rule.

Perhaps the most widely recognized estate planner living in America is Mayo Shattock. Mr. Shattock has written several textbooks on estate planning. He likes to think of a man's estate being arranged by a four man team consisting of an attorney, a trust officer, a certified public accountant and a life underwriter. Naturally the captain of that team would be the attorney.

In my preparation for this article a lot of research has been done, and one fact stands out above all others—the need for cooperation between attorneys and life underwriters. I realize that the comparison which I make is very unfair, since an attorney cannot go out and aggressively sell his business of practicing law and making wills with the same determination and persistency we use in selling life insurance. I was astounded to learn that there were some 2,000 attorneys in the State of Colorado. On the other hand I understand there are some 600 full time life insurance men (excluding part time agents). Again delving further into the results attained by these two groups of people, I found that about 50 per cent of the people who die in Colorado die intestate, whereas only five per cent of the people who die in Colorado die without life insurance. As stated above, I realize that this is an unfair comparison, however, I cannot help but point it out because the two groups working together can eliminate this condition.

The day is past (or at least certainly should be) when a client will walk into an attorney's office and say, "I want to draw a will" to which the attorney replies, "Fine what do you want in your will?" In an article appearing in the American Bar Association Journal for December, 1950, it is pointed out that if the client had known what he wanted in his will, he would not have had to come to an attorney in the first place.

To integrate life insurance into estate tax planning requires a good deal of acquaintance with the intricacies of the life insurance contract itself. For our purposes, particular emphasis should

be placed upon the various income settlement options selected by the insured for a beneficiary where the proceeds are held on deposit with the insurance company, and will also involve questions pertaining to the ownership of various types of contracts. The latter may arise where there has been an irrevocable designation of beneficiary or absolute assignment of the policies. Then, too, special rules applicable to life insurance, endowment, and annuity contracts are provided under specific sections of the Internal Revenue Code for ascertaining the federal estate tax liability of policies which the insured does not own, although includable in his gross estate at death, if the Internal Revenue Bureau can sustain a contention that the insured paid the premiums even indirectly. Your qualified life underwriter is familiar with all of these items and can furnish the answers to the questions of the attorney quickly.

I was very impressed by all of the speakers on your recent institute program in their talks when they settle mythical estates of \$200,000, \$300,000, \$500,000 and even \$1,000,000. I cannot help but believe that the little man, the man who dies leaving an estate of \$10,000 or \$15,000 is more in need of the joint services of the life underwriter and the attorney. These smaller estates which have been built up perhaps at even a greater cost in time and effort than your huge estates, show the necessity of estate conservation even more than does the larger estate. I cannot help but feel that \$500 shrinkage to the family of a decedent who died leaving an estate of \$10,000 means more to that family than \$100,000 does to the estate of a man who left \$1,000,000.

COOPERATION NEEDED

I appeal to the entire membership of the Bar Association for more cooperation between attorneys and life underwriters. It can and must be accomplished. If we, in the life insurance business, knew that by going to an attorney, our interests would be as much protected, as one attorney going to another attorney, these little men would be crowding attorneys' offices to get their affairs in shape. You see, we are all working toward the same end, although we start out with entirely different objectives. In order for you to settle a man's estate, he must first of all have an estate. We, on the other hand, go out and by the single stroke of a pen, create estates where none had existed before.

Some eight or nine years ago I had an experience about which I would like to tell you. It involved an attorney and myself and was just one of those things that should never have happened. I was an agent in St. Louis, Missouri, and I prepared the death claim papers on a life insurance policy involving payment of \$75,000. This was not this man's entire estate, nor was it all of the life insurance that he had. After I had the undertaker's (they call them morticians now) paper completed, the doctor's paper, and the claimant's statement filled out, I talked to the widow about her future plans for this money. She then told me that her husband had always singled out this \$75,000 policy to be divided

equally between their three minor children. She also told me that she was going to withdraw this \$75,000 from the life insurance company as she thought the 3½ per cent interest guarantee was inadequate. I came back with the idea that if she were to invest \$38,000 of this money in a single premium life policy, we would insure her life for \$75,000, and she could name the three children as joint beneficiaries. This would leave her \$37,000 which she could even lose and she would still have carried out her husband's wishes. She agreed to this proposition, so I took her application, and she promised to be examined the next day. The next afternoon, she called and told me she was not going to buy the insurance. She had been to see her attorney, and he told her the company I represented was no good. I told her I would be happy to place the insurance with any company her lawyer recommended. She then told me her lawyer had already sent out an agent of another company. He had taken her application and was waiting for her at that time to take her to the doctor to be examined.

If we, the life underwriters, and you, the attorneys, were to share in the type of cooperation which I am appealing for, who would benefit more? The attorney? The life underwriter? I don't believe so. I think it would be our clients.

I would now like to ask you to permit your imagination to go with me to a wedding. Someone once asked for a very simple explanation, in one sentence, of just what estate planners do. Here is a good definition: "Estate planners are individuals who wed a collection of assets with a collection of objectives and do everything possible to make the marriage a happy and fruitful one."

OBJECTIVES OF ESTATE PLANNING

In the course of this duty, estate planners perform some rather unusual services. They must first hunt for the objectives. These can be very elusive. Sometimes it's necessary to leap in the air to bring them down to earth, other times they are found almost suffocated beneath a mass of everyday routine activities. But when they are finally found and harnessed, they generally involve solution of the following problems for the client:

1. When and how I plan to retire and how much I will need at that time.
2. What I would like my children to have for educational, dowry or business purposes. Special bequests for others.
3. What I would like to have on hand as a fund for emergencies or special opportunities.
4. What I want to do about my business interest to safeguard my family and my faithful employees.
5. What I want my family to have when I die.

Now that we have formulated the objectives (brides), the estate planner is faced with the much more difficult task of finding, rehabilitating and introducing the assets (grooms) to the objectives. Then we bring the preacher (attorney) into the pic-

ture. Perhaps the best man (the life underwriter) was the first to call on the minister to make him aware of the budding romance. The minister then becomes the master of ceremonies, and he interviews the parent, otherwise known as the client, about the honorable intentions of the bride and groom. Assets will take almost any possible shape and are not always recognized as such by their owners. This is the preacher's job. What form might they take? Well, they might be bonds, stamp collections, or life insurance policies. Perhaps the beneficiaries named in the life insurance policies are already dead. Perhaps the settlement option which has been selected is no longer appropriate, and perhaps a change of plan might be necessary, or it's entirely possible and probable that there is not enough of this one particular asset which provides the ultimate in liquidity, and the life underwriter (best man) must be consulted. Sometimes the assets even take intangible forms, such as good will or some highly specialized talent. A surgeon's hands are only assets so long as he is able to use them. Other assets, for instance, life insurance, again come into being or increase in value when death of the owner occurs.

After locating these assets, the attorney must make certain that they are in sufficient quantity and in proper condition for the prospective brides. He might look at the government bonds, real estate, and business interests; one by one they must be thoroughly dusted off, X-rayed, and treated until they are in good physical shape. Sometimes it is wise to acquire more of one particular asset with qualities that the others do not possess. Again, sometimes assets such as business interests are discovered to be secretly plotting to stray from home the moment the parent dies. These plots must be frustrated forever.

The minister, after interviewing the prospective bride and groom, unites them in holy matrimony, but this job does not end there. Frequent visits are necessary to keep the married couple happy because now a collection of assets and a collection of objectives that might never have met are united. The best man also pays frequent visits because births, deaths, changing conditions, or a change of business interests might require his further services.

The foregoing illustration is for the little man with a \$10,000 or \$15,000 estate. If the parent is a wealthy person, additional consultation is needed—perhaps groomsmen will be added to the ceremony in the form of accountants and trust officers. This team must realize that team work is essential for a happy marriage and should lend every cooperation with each other to assure a long, happy married life.

In closing I would like to repeat—estate planning consists of team work. It consists of the whole team fighting to benefit the client. With cooperation between the attorney and the life underwriter, the client cannot help but have the advantage of their combined knowledge.