



Life Insurance Policy Fair Market Valuations

Providing Fair Market Assessments

The Life Insurance Policy FMV

The cash surrender value of a life insurance policy is an offer from an insurance company to 'buy back' an insurance policy from the owner. It is based on assumptions and other factors that were in effect when the policy was issued.

The fair market value (FMV) of a life insurance policy can be much higher than its cash surrender value for the following reasons:

- the insured's health may have declined since the policy was issued;
- the cash surrender value structure established by the insurer; and
- external factors such as interest rates.

There can be considerable tax implications associated with arbitrarily setting the FMV of an insurance policy to its cash surrender value.

Why FMV?

The FMV of a life insurance policy may be required for one or more of the following reasons:

- transfer/sale of a policy to or from a corporation;
- surrendering a policy into personal wealth;
- gifting a policy to a charitable organization;
- division of property on spousal death or due to marital breakdown;
- tax planning;
- estate planning;
- immigrating and emigrating; and
- corporate reorganizations.

FMV Factors

The process and method used to determine the FMV of an insurance policy can be complicated and may vary from one policy to another.

Each case must be analyzed on its own merit with the cash surrender value being only one of the many variables that must be considered. Examples of other factors are as follows:

- type of policy;
- face value of policy;
- current policy values and rates;
- past and future premium payments;
- insured's life expectancy;
- insured's age and health factors;
- conversion privileges;
- replacement value;
- policy loan value; and
- other policy terms (e.g., term riders and double indemnity provisions).

LMC Group Expertise

Our consultants have completed hundreds of reports and hold the highest and most respected certifications and credentials in the profession.

LMC Group Quote

Lesniewski Moore Consulting Group Inc. can provide an actuarial estimate of the FMV of a life insurance policy.

We will require the following documentation:

- copy of the insurance policy;
- current policy illustration with updated adjusted cost basis/cash surrender values;
- a recent medical report.

In order to obtain a quote for a FMV please contact a Lesniewski Moore Consulting Group Inc. Consultant.