<u>3C's Instruction</u>

The New Paradigm of Efficiency Analysis is based on the 3 C's of policy efficiencies:

<u>Cost Efficiency</u> (Purchasing Power)
Cost Efficiency, as weighted to the first year premium breakdown, brings to light the impact of commissions and additional loads to the clients' "cost".

<u>Capital Efficiency</u> (Earning Capacity)
Capital Efficiency analysis will inform the client as to how long and how much of the cash value (capital asset) will be encumbered due to the acquisition costs of full loads and commissions bundled into the premium.

<u>Continuation Efficiency</u> (Safety Net)
Continuation Efficiency gives us additional insight to the cost structure of the policy, and more importantly, what flexibility we have in the event of any future economic change that may affect the ability to pay premiums.

Step 1:
Since advisors know that everything illustrated after the first year is based on numerous assumptions, the focus should begin on the first policy year. Therefore, to compare the commission compensation model to the fee-engagement model, the correct way to order illustrations is as follows:

The illustration request to the commission product provider should be as follows >

1) Minimum first year premium to put the policy in force.
2) Payment of the Target Premium for the first year only.
3) Payment of the 7-Pay Maximum Premium in the first year only.
4) Payment of the Planned Premium in the first year only.

Step 2:
Once received, the illustration request to the fee-engagement product provider should be as follows >

1) Minimum first year premium to put the policy in force.
2) "Like Kind" Target Premium for the first year only.
3) "Like Kind" 7-Pay Maximum Premium in the first year only.
4) Payment of the "Like Kind" Planned Premium in the first year only.

The data from the Step 1 and Step 2 illustrations can be inserted into the New Paradigm of Efficiency Analysis Form for Cost and Capital Efficiency comparisons.

Step 3:
The "Payment of the Planned Premium in the first year only" illustration from the fee-engagement product provider will also illustrate the number of years for which the policy will continue without additional premium payments. From this information, the last illustration request is made to the commission product provider to illustrate the number of years of planned premium needed to keep the policy in force for the same period that was illustrated by the fee-engagement product provider. This data represents your last input into the New Paradigm of Efficiency Analysis Form for Cost and Capital Efficiency comparisons.

NOTE: You may find that some companies cannot illustrate a 1-year premium due to software configurations and that is OK. Have them run what they can and just use the first year data.