Implementing an ICOLI Program

Executive Compensation and Benefits

ICOLI, or insurance company-owned life insurance, is a valuable risk-based management tool used by life or property and casualty companies to enhance financial performance and offset the aggregate costs of employee benefit programs. The annual growth in cash value of the policies is tax deferred — and tax free if the policies are held until the death of the insureds — and the ultimate death benefits are tax free.

Just as important, the use of ICOLI often results in a more favorable risk-based capital profile for the company which purchases the policies, pays all premiums and is the owner and beneficiary of the policies.

This funding approach is used by many insurance carriers, with some companies reporting ICOLI balances of several billion dollars. Purchase guidelines for ICOLI mainly follow the COLI Best Practices Act, requiring that coverage be limited to key persons and highly compensated individuals. Written consent is required of all insured individuals.

THE BENEFITS

- Favorable risk-based capital (RBC) treatment for both life and P&C companies
  - Life companies reduce RBC charge to 0 percent
  - P&C companies reduce RBC charge to 5 percent
  - Generally, no requirements for “look-through” to underlying ICOLI investments
- Favorable income tax treatment
  - Growth in the policy’s cash value is tax deferred and ultimately tax free
  - Death benefits are received tax free
  - Generally avoids diversification issue
- Potential for higher net investment yields
- Clear regulatory guidance
- Wide variety of investment strategies available
- Aggregate funding of employee benefits not tied to a specific participant or benefit obligation
- Favorable GAAP and statutory accounting treatment

THE A&M ADVANTAGE

Alvarez & Marsal Executive Compensation and Benefits (A&M ECB) can oversee every aspect of an ICOLI transaction to make the arrangement tax compliant, tax efficient and cost-effective. We help select the desired carrier to underwrite the ICOLI arrangement and negotiate a tailored private placement ICOLI platform.

A&M helps create private equity Insurance Dedicated Funds (IDFs) managed by advisers you select.

Once we manage the enrollment process to secure coverage on those employees you choose, our team works on a continuing basis to help you realize the benefits of the ICOLI arrangement.

ICOLI's many advantages means that it is a vehicle every insurance company should consider.

For More Information:
Albert J. "Bud" Schiff
Managing Director and CEO
+1 212 763 1610
bschiff@alvarezandmarsal.com

To learn more, visit
www.alvarezandmarsal.com

Follow us on:

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

Privately-held since 1983, A&M is a leading global professional services firm that delivers performance improvement, turnaround management and business advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who draw upon the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

ALVAREZ & MARSAL