

Beware... of group and association term insurance

A financial advisor referred to me a client for the primary purpose of evaluating a large cash value policy. In the course of talking with the client he discussed a few term insurance policies, including one through his place of employment. Following is an expert of my email to the referring advisor.

I wanted to check and let you know that I'm continuing to converse with Mr. Jones. As a result of our initial conversation I discovered that he has voluntary term insurance through his work. For \$500,000 of it he is paying the premiums himself.



oc consulting
group

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Beware Series
Life Insurance Consulting

As is the case with most group or association term coverage, it is priced in 5 year bands.

Here's Tom's company group term pricing:

age 50-54	\$190/month	or \$2,280 for the year
age 55-59	\$315/month	or \$3,780 for the year
age 60-64	\$475/month	or \$5,700 for the year

Assuming he is reasonably healthy, following are non-group term rates for the second best class:	10 yr term:	\$ 670 annually
	15 yr term:	\$ 900 annually
	20 yr term:	\$1,170 annually
	30 yr term:	\$2,000 annually

In other words, staying with the group plan he'll pay over \$30,000 for the next 10 years of coverage. With new insurance that number would be \$6,700. Through age 65 we'd be talking about \$58,800 versus \$13,500 for individual term insurance.

I know this might sound insane but I see it over and over again, specifically with accountants and college professors lately, but it's pretty much across the board with group and association coverage. Also, the group coverage is terrible. Usually no portability, no realistic conversion options, reduction of coverage at 70 or so, etc.

This is something every person in your practice should understand regarding every client who can qualify for individual coverage. Even at lower underwriting classes they could save a boatload. Your referral might have just saved your client over \$45,000, or maybe more, before I even start digging in to what you sent him to me for. Maybe he can go back to management and tell them to not pay for the other \$750,000 of the same term he is getting as a benefit and pay him 50% of the savings and he can buy his own coverage. It's a win/win.