

REVIEW YOUR PERMANENT LIFE INSURANCE POLICIES

The best way to determine how your policy is doing is to run an “In-Force” life insurance illustration. If you have a Variable Universal Life Insurance Policy, make sure your agent runs the illustration at a low rate of return, say, at 4%.* This will insure an accurate determination regarding the overall health of your policy.

This is one of the most important tools to help you determine if your “permanent” life insurance policy is, in fact, permanent. When you first bought your permanent life insurance policy, you were given a life insurance “illustration.” Your illustration, among other things, projects how long your policy is going to last.

While your life insurance illustration must meet certain regulatory requirements, it also is limited by the linear nature of the returns it projects for your policy. In layman’s terms, neither the carrier nor anyone else has any way of knowing what the returns are going to be on your premium dollars. Therefore, it projects whatever it’s making now (called the “Current Rate”) out to infinity. This has obvious flaws.

The bottom line is that, unless you have a No-Lapse Guarantee Life Insurance Policy, no one can know if your policy is going to be around when your family needs it.

For best results, have an in-force illustration run every year or two. By doing this you can avoid an unexpected lapse notice or a requirement to pay additional premium.

**For other types of policies, your in-force illustration will be run at the Current Rate.*

WAIVER OF PREMIUM RIDER (INDIVIDUAL LIFE POLICIES)

A “waiver of premium rider” clause in an insurance policy waives the policyholder’s obligation to pay any further premiums where he or she becomes seriously ill or disabled. The waiver of premium clause allows the insured person to remain insured and benefit from having the insurance policy even where he or she cannot work and cannot pay the premium.

If a member purchased an individual life insurance policy prior to retirement and elected a waiver of premium provision in that policy, and that member is now disabled, he or she may be able to stop paying their premium and still maintain the insurance coverage.

CONVERSION OF INDIVIDUAL TERM LIFE POLICIES

Most individual level term insurance policies contain a conversion privilege. If a person purchased an individual term insurance policy that is now near expiration and is unable to secure new coverage due to medical reasons, he or she can convert their existing term policy without the medical exam that a new application would require. The existing insurance provider would be required to give the insured the rating classification awarded when the policy was originally issued.

Need Help?

Contact
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