

### **Term Insurance – Expense or an Asset?**

Most term Insurance policies contain a conversion privilege allowing your clients to convert their existing term insurance policy into a permanent policy without having to qualify medically, regardless of their health. If the policy is no longer needed to protect their family, our process could put cash in their pockets rather than allowing the policy to lapse worthless.

As their Trusted Advisor, your clients should be advised of potential options where convertibility may be relevant:

#### **Example #1 – If your client is older than 65 ...**

He may have had a change of health since he purchased his term policy, but would still like to have the security of insurance coverage for his family or business. Even though your client can no longer qualify for new coverage, he can maintain coverage at the same rate class by exercising his unilateral conversion rights within his existing term policy. However, without your initiation of the review process, your client may not have taken advantage of his rights, potentially putting his family in financial peril.

On the other hand, if the policy is no longer needed, most CPAs, lawyers and financial advisors will recommend the term policy merely be allowed to lapse. However, a more creative and financially appealing recommendation is the sale of the policy to the secondary life settlement market. The proceeds can then be used to bolster retirement income, fund a long-term care policy or take a vacation.

#### **Example #2 – If your client is younger than 65 ...**

He may have existing term policies that are not being reviewed. Longer life expectancies have brought the cost of term life insurance down in the past decade. Your recommendation of a term life insurance review may be an opportunity to replace an existing policy with a premium lower than what they are currently paying while extending the guarantee period.

As in the first example, if your client has had a change of health, the ability to convert an existing term policy into a permanent policy without evidence of medical insurability could be an option that provides your client with permanency in their life insurance planning when it would otherwise be unavailable.

Whom do you know that we might be able to help?

For a one-on-one or group consultation, please contact us. Visit our website: [www.mylifeaudit.com](http://www.mylifeaudit.com)

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### CASE STUDY #1

A CPA referred a client who recently had cancer and, although he was in remission, was uninsurable for life insurance purposes.

The CPA's client ("the Insured") owned a ten-year term life insurance policy that was nearing the end of the level term and the conversion period.

Life Audit Professionals was retained 90 days prior to the expiration of the conversion privilege. Upon review of the client's health and needs, we recommended the Insured take advantage of the conversion privilege immediately, to ensure continuation of coverage, which was needed to protect the financial integrity of the family if the cancer returned and he were to die. The client took our recommendation and converted the policy while maintaining his coverage.

The cancer reappeared 18 months later and, unfortunately, the client passed away. However, with his insurance policy in force, the financial integrity of his family was preserved.

Had the client missed the key conversion date, not only would his family have suffered from the loss of their husband and father, but they would have also faced financial hardship.

### CASE STUDY #2

A CPA referred a client ("the Insured") with a \$500,000 10-year level term life policy, which was nearing the end of the guarantee period. Due to a reduced need for coverage, the client's goal was to maintain only \$250,000 of permanent life insurance coverage.

Upon review of the insured's policy, a discrepancy was discovered between the declaration page of the policy and the conversion privilege discussed within the policy. As we read the policy, which is part of our detailed audit process, we determined the conversion privilege within the policy referenced a declaration page where the final date for conversion was to be noted. However, when the carrier printed the policy, the declaration page was silent and the date was not included.

Life Audit Professionals contacted the carrier and brought the omission to their attention. Upon review, the carrier made the decision to avoid litigation and allowed the policy to be converted, even though it was well past the carrier's intended conversion date.

We also requested the carrier split the policy into two \$250,000 policies, which they did.

Subsequent to the conversion, our office arranged for the sale of the unwanted \$250,000 policy, the proceeds of which paid the premium on the remaining policy for the next 10 years.

As CPAs and Attorneys, our financial knowledge, combined with our life insurance experience, provided a framework to realize not only that there was a carrier mistake, but how to capitalize on those errors for the benefit of the insured. As an added benefit, our efforts well represented the referring CPA who was seen as a hero to his client.