

## BLOG

# A Better Life Benefit Beyond the Group

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In these unusual times employers are looking for an edge to recruit and keep good people. An important tool in this effort is employee benefits, typically medical coverage. These plans often come with a “side” of group life insurance.

Unfortunately, this can provide a false sense of security for employer and employee alike. The majority of employees are not aware that they lose this protection the day they terminate employment regardless of the reason, including retirement, disability, and terminal illness. Surprisingly, most employers and even HR specialists are also not aware of this. Some plans offer a “conversion” privilege, however the cost increases exponentially rendering it unaffordable. I have never met an HR specialist who has completed a conversion, despite multiple inquiries, due to the overwhelming cost.



An employer recently told me of a valued associate who left his company after receiving an advanced cancer diagnosis. While she had significant group life from the job, her protection terminated when she left. She passed away several months later, leaving several young children.

I've had several clients inquire about life insurance over the years after learning they lost their group coverage upon retiring. They were shocked to see the cost of the desired coverage due to their age and pre-existing conditions, which often resulted in a decline of their application.

Because employees rarely die while employed, 99.9% of all group life plans never pay a benefit. Worse, 75% of Americans do not own personal life insurance, perhaps lulled by the “placebo” of group life protection. As an employer, you can provide something that “sounds good” or provide an additional opportunity that guarantees permanent protection.

Supplemental life programs offer “personally owned” policies employees pay via payroll deduction. These are offered guaranteed issue with no exam or questions so no one is declined. Spouses and children can be covered as well. When employment terminates, coverage can be kept with no change in cost or benefits (both guaranteed level for life) and paid directly or deducted from a checking account.

There are a variety of plan options available including policies that give employees an option of lifetime “paid up” protection after only 20 years of premiums, or a tax-free return of paid premiums in cash.

Tax-free benefits are payable the moment an application is signed for any means of death with no exclusions or waiting periods. Benefits double for accidental death and premiums are waived if the policyholder is off work due to disability. Plans feature “living” benefits as well such as tax-deferred cash values and nursing home benefits.

Here are some examples of how I have seen this program be a “miracle” for employees at my groups over the years;

- A single father of four killed in a car accident four days after enrolling. His application had yet to be processed and no premium had been paid. His \$50,000 plan paid \$100,000 (double for accidental death) tax-free to his beneficiaries.
- A single mother of three was diagnosed with terminal cancer two months after enrolling. The “accelerated benefit” feature of her policy let her access \$50,000 (50% of selected death benefit) tax-free to live on while off work receiving treatment. Two years later I saw her during a re-enrollment. She beat her terminal diagnosis and returned to work. She asked when she had to repay the money the plan paid her. When I told her that was her money and there was nothing to repay, she burst into tears and hugged me.
- Two young parents hit by a drunk driver one month after the husband started plans on each of them. The wife was killed. The husband will miss a year of work recovering from his injuries. Her \$25,000 plan paid \$50,000 (double for accidental death). The husband maintains his \$100,000 plan with premium payments waived for disability.
- A 12-year policyholder called me to report his son had drowned at the high school pool. He had added a \$10,000 children’s rider to his original plan but never called to add the child who had been born years later. He was paid \$10,000 proceeds regardless.

Plan enrollment can be done in person locally, or remotely for national groups. This program is offered for manufacturers, social service agencies, hospitals, home health care providers, machine shops, universities, and any institution where an employer sees the value of providing something better.

No cost to the employer, no servicing or administration for the HR team, and grateful employees. A win-win for all.

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