

Should I Convert My Group Life Insurance?

Things You Should Know

When the group life insurance available through your employer either terminates or reduces for you or your spouse, you will be able to convert this coverage into an individual policy of insurance. This conversion privilege is guaranteed regardless of your state of health, provided you make application within 31 days of the termination of your group coverage. This is a very valuable option for some, particularly if you are uninsurable for reasons of ill health. For others it may be too expensive or unnecessary. If you or your spouse die within this 31-day period, the beneficiary will receive the amount of insurance eligible for conversion.

Here are some things to consider:

Cost

Conversion policies are special individual policies of insurance, which are more expensive than the group policy available through your employer. Premium rates vary and will depend on the type of policy you choose and such things as your age, sex and smoking status. Further, when you apply for an insurance policy under the Conversion Privilege, the insurer may limit the types of policies to the more costly varieties because they assume you uninsurable.

The maximum amount of insurance available for conversion is \$200,000 per insured.

Need

How much life insurance do you really need or want? For many, the answer is little or none. For example, if you are retiring you may have concluded that your financial affairs are in order. You have no major obligations and therefore little need for life insurance. You may have other insurance policies that you deem adequate under the circumstances. Some may conclude the opposite. A desire to leave an estate or outstanding debt may precipitate a need for life insurance.

How Should You Decide

First, remember **you only have 31 days following the termination of your group insurance coverage, to make application for the guaranteed issue policies that are available under the Conversion Privilege.** You can always make an application and then decide not to proceed if the coverage is too costly or cancel if you later decide you have no need for life insurance. However, if you are in good health, it may cost you less to buy a regular individual life insurance policy (as opposed to the limited offerings of the Conversion Privilege). Many of you however, may not know if you are in good enough health to be accepted for a regular policy.

In these circumstances, the best way to proceed is to apply for both: a regular policy where you must provide evidence of good health and a conversion policy where you are guaranteed coverage regardless of your state of health. If you are accepted for the regular policy, this likely will be the less expensive way to proceed, but if you are declined, you will not have missed the application deadline for the conversion policy. You might even decide, after you have all the information, that neither approach is right for you. It is also a good idea, that when you search for a regular individual policy, you see what might be available from several different insurers.

How Should I Proceed?

You may have your own insurance agent who can give you quotes on alternative regular individual policies. Many of you will also want to talk to a financial advisor to seek their advice on what might be necessary to compliment your personal financial plan. **Remember, the responsibility to make application for a conversion policy is yours, and you must do so within 31 days of the termination of your group insurance coverage.**

If you would like to explore converting your group life insurance into an individual policy, or if you need more advice on the subject before deciding, two Canada Life agents are available to help. Please contact either one at the contact points shown below.

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