

Finding Life Insurance as an Employee or Retiree After losing employer provided coverage



Consumers 1-800-686-1526 • Medicare 1-800-686-1578 • Fraud & Enforcement 1-800-686-1527

During lean economic times, some employers may decide to reduce or terminate the life insurance benefits of their employees and/or retirees. The Ohio Department of Insurance has prepared this tip sheet to help people understand the different life insurance coverage options available to them if their benefits are reduced or terminated.

Typically, the purpose of life insurance is to provide money to beneficiaries after a loved-one who has life insurance dies. After losing employer-provided coverage, many people will want to ensure the ones they care about are still financially protected. There are many coverage options and the selection process can be complicated. Representatives from the Department are available at **1-800-686-1526** to answer any questions about life insurance.

Convert Your Group Coverage

Before shopping for coverage, employees and/or retirees want to first determine if they can retain their current benefits. If your employer sponsored life insurance ceases because of your termination of employment, you may be eligible to “convert” your group policy coverage. An eligible individual would be entitled to have issued, without evidence of insurability, an individual policy of life insurance, provided the application is made and the first premium is paid to the insurer within 31 day days of the termination. A conversion option is not available if the group life insurance contract is cancelled by the employer.

If the group coverage does not remain in place, you have to shop for new coverage. Group policies do not accumulate a cash value so there is nothing to take with you.

Shop Around

There are many different types of life insurance available, some products even accumulate a cash value. Determine your needs and budget, and compare different products, including the death benefit amount. Secure the services of a licensed insurance agent and contact the Department with any questions. Underwriting factors such as age, sex and health status help insurers price your monthly premium.

Those in poor health may want to consider a guaranteed issued policy. The insurer selling the coverage will not ask health history questions. The company balances this risk by charging higher premiums or by limiting the amount of insurance you can buy. However, in some cases, the premiums can be almost as much as the insurance. Such policies may offer only the return of your premiums if you die within the first couple of years after you buy the policy.

Professional or Fraternal Organizations, Association Plans and Trade Unions

Sometimes local associations such as chambers of commerce and professional groups such as farming organizations offer life insurance. Coverage may also be available through a religious or fraternal organization.

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Life Insurance Shopping Tips:

- Your life insurance plan should be structured to meet your life circumstances (for example, a single person may need less life insurance than a couple or a couple with children).
- Life insurance is complicated. Utilize the services of trained insurance professionals. Check with the Ohio Department of Insurance to ensure your agent and company are licensed to do business in the state.
- An agent is not allowed to be the beneficiary of a life insurance policy the agent has sold you – unless the agent is a family member or a funeral director. Nor is the agent allowed to misrepresent any aspect of the policy being sold or a policy you already own or encourage you to put incorrect information on your application.
- Decide what type of life insurance policy you want: term, whole life, universal life or a combination of these policies. Make sure you calculate your total premiums for the life of the policy. It is possible to pay more in premiums than the face amount of the policy.
- Some policies have an accelerated benefits feature, which is a policy provision that lets the policyholder, under certain conditions, collect part of the death benefit before he/she dies.
- Be alert to any promise that you will never have to pay premiums again (the vanishing premium pitch). Also, make sure you are aware of any surrender penalties.
- Don't sign any life insurance application that has not been completely and accurately filled in and dated, and make a copy for your files.
- Immediately study the policy once you receive it and make sure it's exactly what you ordered: many life companies will offer a "free-look" (or "right to review") provision. Take advantage of it.
- The policy owner is the only person who can cancel the policy. If premium payments are not being made the insurer will generally send a payment notice before cancellation.
- Make your premium payment check to the insurance company, not the agent.
- A failure to pay your premium will cause your policy to lapse or it could be terminated.
- Review your policy periodically. Your insurance needs change during different periods of your life.

Questions or concerns

Ohioans with questions about life insurance can call the Department's consumer hotline at **1-800-686-1526**. A life insurance informational toolkit is also available on the Department's website at www.insurance.ohio.gov. The toolkit provides tip sheets, publications and links to other helpful websites.