

Life Insurance: Getting It and Keeping It
By Jacques Chambers
June, 2011

Health insurance is vital if you are dealing with a chronic medical condition such as HCV. Disability insurance also has a major impact on the quality of life, when you are no longer able to work due to your condition.

Life insurance, although not as important as health or disability insurance, is still an important part of your financial safety net, especially if there are spouses, partners, children, or others who would be affected financially and personally should you die. In addition, life insurance can be helpful to you while living as well.

Getting Life Insurance

Individual life insurance usually involves some type of medical underwriting, meaning the insurance company will either ask questions about your health history or require you to have a physical examination or both. If you have HCV, you will be declined if you apply for these “medically underwritten” life insurance.

There are certain types of life insurance you may be eligible to purchase, however:

Simplified Issue – This type life insurance does not require a physical examination and usually has only a few questions concerning your health history. A review of simplified issue policies shows that many do ask about kidney problems including hepatitis; you will be declined coverage for these policies.

However, other insurance companies ask about heart, HIV, and other conditions without mentioning kidney or hepatitis. Persons with HCV would be eligible for these plans as long as they can answer all the questions honestly.

However, it is important that all questions be answered honestly. If they are not, the insurance company can legally void the policy if they find an error on your application in the first two years of the policy. Most states also permit the carrier to void the policy at any time if there was fraud in the application. If you are diagnosed with HCV and fail to disclose it if asked, that is fraud. You won't go to jail, but the policy will be worthless.

Guarantee Issue – Also, called Graded Benefit Life, these policies are available to anyone who applies because there are no health questions at all and no physical examination.

The carriers are able to do this because the insured person must live at least two years to collect the full benefit. If the policyholder dies in the first two years (occasionally 3 years) of the policy, they only return the premiums that have been

paid plus interest. If, however, the death occurs after that period, the full face amount is payable to the beneficiary.

Because younger people are inclined to die from accidents more often, these policies are typically sold only to persons who are age 40 or older. A good example of these policies is the guarantee issue policy heavily marketed on television by Alex Trebek.

It should be noted that these guarantee issue policies are only for lower amount, with no benefit higher than \$25,000. Also, compared to what a healthy person would spend, these plan are expensive, but they can provide coverage for final expenses.

Group Life Insurance – Many employers provide life insurance for their employees, and this is available to all eligible employees regardless of their health history. It can be a set amount such as \$10,000 or \$25,000. Some employers provide life insurance based on each employee's salary, such as "One times annual salary rounded up to the next \$1,000." In that example, if your income were \$35,200 per year, your life insurance amount would be \$36,000.

Some larger employers will give each employee a basic amount of life insurance and then allow each employee the chance to purchase an additional amount of "supplemental" life insurance that they would pay for through payroll deduction. If this is done during the initial enrollment or, occasionally, during the annual open enrollment, there are usually no health questions required to get these additional amounts.

Association or Member Life Insurance – In the past, many associations, clubs, and organizations used to offer life insurance that was guarantee issue. Times have changed however. Those that still offer life insurance usually do so on a Simplified Issue Basis.

How Do I Buy Life Insurance? – If you are infected with HCV, first make sure you don't already have insurance through your employer's benefits program. Then, if you still need life insurance to help cover final expenses or other needs, try the programs mentioned above. Look into several Simplified Issue Life Insurance plans to see if there are any plans whose questions can honestly be answered by you. You can find them with a web search for: Simplified Issue Life Insurance.

If a simplified issue plan is not available to you, look for a guarantee issue plan. Web search: Guarantee Issue Life Insurance.

Keeping Life Insurance

Once you have life insurance in force it's usually just a matter of continuing to pay the premiums to continue it in force, although that can be easier said than done if you become disabled. If you have life insurance that may have to lapse due to inability to pay the premiums, see the section on Life Settlements below.

Disability Waiver of Premium

Some people who purchased individual life insurance paid an additional amount for a rider called **Disability Waiver of Premium**. If your policy has this rider, and you become unable to work due to disability, filing a claim can result in your life insurance continuing in force without you having to pay the premiums while you are disabled.

Without the Disability Waiver of Premium rider, it will be necessary to continue to pay premiums while you are disabled. However, if your life insurance policy is the type that builds cash values and there are enough built, you can make arrangements to have the premiums paid out of the cash values. The policy will "loan" you the money to pay the premiums. Contact your life agent for more details if this becomes necessary.

Group Life Insurance policies provide good coverage while you are working; however, it typically stops when you stop working, and life insurance does NOT continue under COBRA Continuation. Most group life policies do allow conversion to an individual life insurance policy; however, they require that the policy be a Whole Life policy, one of the most expensive types of life insurance. They virtually never allow conversion to low cost Term Life Insurance.

Group life insurance policies frequently have a Disability Waiver of Premium provision in their policies. While each contract can have its own requirements, the typical provision requires a claim form be filed between the ninth and twelfth month of disability. If the insured dies before a claim has been filed, the proof of death plus proof of disability since losing the coverage will get the benefits paid.

If a disability waiver of premium claim is approved after being filed, the life insurance will continue in force as long as the insured person remains disabled. They will usually want to confirm the disability at least once or twice a year.

Accelerated Life Benefits

It was mentioned earlier that life insurance could be of benefit to you while you are still alive. Most insurance policies now have a provision called Accelerated Benefits.

This provision is designed to provide you with funds should your health deteriorate so severely your life expectancy is six months or less. The typical provision states that if your condition becomes such that you are not expected to

live more than six months (occasionally twelve months), the insurance company will advance to you a portion of the death benefit. Often they will give you up to 25 – 50% of the face amount of the policy. This could be helpful to you and your family in your final months. It can be used for any reason whether it is to pay for experimental treatment not covered by insurance to a final family visit.

The amount paid to you will be subtracted from the final death benefit paid to the named beneficiary.

Life Settlements (formerly called Viatical Settlements)

These are programs where an outside investor buys the life insurance policy from a person with a terminal illness. They buy the policy at a substantial discount from the face amount, take over the policy, and make their profit collecting the full death benefit when you die.

I, along with many financial advisors, do not recommend these companies because the amount of money you receive is sharply discounted, and it totally eliminates any possibility that any of the insurance proceeds will go to your loved ones. Additionally, it is not fun to periodically get phone calls from the investors trying to tactfully ask, “Are you dead yet?”

The only time I would suggest you consider a life settlement is if you have a fairly expensive policy without a Disability Waiver of Premium benefit, and you are going to have to stop paying the premiums. Then, it may be worth it to sell it for 10 – 20% of the face amount rather than just let it lapse.