

Life Insurance After this Pandemic

April 2020 Newsletter | By: Ian Sachs, CFP®

We've been working with both new and existing clients on a large influx of life insurance applications this month because of the global pandemic. The application process has gone digital through what is known as *accelerated underwriting*. These programs do not require a medical exam if certain parameters are met (e.g. age and health) with a maximum death benefit of \$5,000,000. **We've been able to apply for and issue new life insurance policies to our clients within a matter of days as more and more of these programs have become available.**

Last month, we published a short newsletter titled "Coronavirus and Life Insurance" with a follow up regarding "Industry Changes in April 2020". Some of the **certainties, trends, and forecasts** have by now or will shortly become **matter of fact** as the weeks continue.

Certainties

The good news – life insurance policies that are already inforce cannot be retroactively changed or amended in ways that weren't already outlined in the original policy contract. You're still covered in virtually every scenario and do not need to be concerned about new price changes.

Trends

Insurance companies are beginning to postpone or decline new applicants who are of a certain age and have pre-existing conditions which can lead to health complications or death from Coronavirus (COVID-19). These preemptive



measures allow insurers to limit the amount of risk that they are insuring until the virus is better understood. People who have recently traveled to foreign countries, are showing symptoms of, or have been in contact with someone infected with COVID-19 may also find themselves postponed or declined.

This month alone, we've had over two dozen cases postponed because of simple pre-existing conditions like asthma and diabetes. Normally, this would never have happened due to these conditions alone.

The lack of clarity around COVID-19 is clearly a major concern to all insurance industries, but unlike other types of insurance, life insurance offers (in most instances) guaranteed premiums. They're able to back these guarantees to their policy holders by purchasing investment-grade bonds. Due to today's historically low interest rates which affect these bonds, insurance companies are working on additional ways to further strengthen their claims-paying ability by making changes to future product offerings and prices.

Last month, we mentioned that we're starting to see price increases on newly purchased policies and are even seeing some products

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being discontinued indefinitely with certain insurance carriers (e.g. 30-year term policies). If your policy is already inforce, you don't need to worry.

Forecasts

In the future, it may become common to see COVID-19 exclusions for new policies or even the nonacceptance of new life insurance applications from someone who has had the virus. It's still uncharted territory because there are no universal exclusions like this that exist today.

What Should You Do Now?

1. **Make sure you have the right amount of coverage and carry the right products,** whether they're term, permanent, or even something focused on wealth accumulation like Indexed Universal Life insurance. We can review all of this with you.
2. **If you realize now or in the near future that you may need or desire more life insurance, now would be the time to give us a call.**

About Risk Resource

Risk Resource is a nationally recognized financial services company that specializes in risk management and succession planning. We design and implement financial solutions to better prepare individuals and businesses for the future.

Risk Management: Our track record of success has earned us a reputation as an industry leader in life and disability insurance, long-term care, critical illness, and annuities. We understand every need is different which is why we represent over 100 insurance carriers. This gives us the flexibility and freedom to find the right solutions for each of our clients.

Contingency/Succession Planning: Our proprietary *Blueprints For Tomorrow™* program is designed to work directly with closely held businesses to create customized strategies and solutions to prepare business owners for the unexpected. To date, we have worked with over 3,000 business owners and their families in contingency, succession, exit, and transition planning. This program also includes key-employee retention and retirement planning.

Being independent advisors, we can help you navigate the entire insurance marketplace. It's important to have options and to know each insurance company's products and capabilities during this time. We have great relationships with the strongest carriers.

3. **Now is the time to apply for life insurance through the accelerated underwriting programs** that are offered with a variety of carriers. We utilize all of them.

Final Thoughts

If you already have a policy inforce, you don't need to worry about it being retroactively affected by these new changes. However, you should be aware of what the future will look like for newly issued products as they may affect your future needs.

Call or email us today to learn more about any of the above. We can also work closely with your estate planning attorney or CPA to ensure a seamless process. Stay safe and healthy.