



Older Life Insurance Like a Brick Phone

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Do you still carry a “brick” cell phone around, perhaps in its stylish leather bag? If not, check on-line stores and you’ll find that some offer retro brick phones that can actually make calls—you can turn some heads and get a few laughs! Technology has evolved in the cell phone industry from brick phones to smart phones. We’ve gone from “comes with its own bag” to “fits in your pocket.” “Weighs only three pounds,” to “weighs four ounces.” “Stores 99 phone numbers,” to “stores 20 full length movies.” I could go on and on.

The technological improvements in cell phones are similar to those in life insurance policies. I’m not recommending that we need to change our client’s life insurance policies every year or two. Like all financial assets though, the periodic review of life insurance makes good sense especially since life insurance and market conditions have evolved drastically over the last 30 years, especially in the three ways outlined below.

1. Fees and expenses, mainly from the cost of insurance, have been driven down due to advancements in medical technology that have increased how long we live. Most life insurance policies written up to a few years ago were based on mortality tables and medical assumptions from 1980. There are numerous medical conditions, such as high cholesterol, high blood pressure and diabetes, that were assessed additional charges as recently as 10 years ago. For example, back then someone with controlled hypertension may have faced additional 150-200% cost of insurance, where today they may not. Our medical industry now has significantly better technology to treat these conditions.
2. The market conditions have changed drastically in the last 30 years. Think about interest rates. Many older life insurance policies were written when interest rates were much higher. Now that interest rates are significantly lower, there may not be enough cash value in the policy to support the fees and expenses as once assumed. In addition, the vast majority of older policies did not offer the guarantees on the payments or insurance amount that are offered today. Your clients shouldn’t wait too long to have their life insurance reviewed. For many that threw their policy in a drawer, set it and forget it, it may be too late.

3. New product features have been a game changer for people purchasing life insurance. There have been dozens of positive features and benefits introduced in the past ten years, but I’ll focus on what I think is the most significant. In the past, there was only one way to access the life insurance death benefit, and that method isn’t overly attractive to most people. Today, life insurance companies offer living benefit features that allow the advance of a significant portion of the death benefit if the insured has a qualifying illness. When Americans are surveyed, one of their top concerns related to retirement is paying for healthcare expenses. Newer life insurance products can help alleviate that concern, and be a significant cornerstone of a financial plan.

Now is the time to talk with your clients and prospective clients about their life insurance. Today’s products have better pricing, more features, and in many cases significantly better guarantees. Upon review of older life insurance policies, in many cases we see opportunities for people to either obtain larger amounts of life insurance for the same money, the ability to obtain the same amount of coverage and stop or reduce payments, and the opportunity to upgrade coverage to obtain living benefits and additional features.

Upon review, you may find that your client’s insurance is perfectly positioned for their situation. In that case, you’ll further demonstrate that you are a trusted financial professional who they may rely on for the future.

I also recommend reviewing their beneficiaries. I spoke to an attorney friend of mine who routinely reviews beneficiary designations—he finds about half of them don’t accurately reflect the owners’ wishes. Wouldn’t it be unfortunate if benefits were paid out to someone other than intended? People purchase life insurance when they love someone. Help people review their coverage to make sure it will be there for their loved ones when it’s needed.

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