How's Your Group Life Insurance ?

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Owen is married and has two children. He has been working at the same company for over five years and relies heavily on his employee group plan for his life insurance needs. A new single co-worker got the same benefits after only 90-days and Owen wonders if his group insurance can let him down.

Owen learned that **group benefit plans treat all employees the same,** regardless of individual needs. Coverage amounts may be determined by income, but a single worker with the same earnings will get the same benefit as a married worker with children.

Many plans offer the option of additional coverage for extra premium. However, the total amount of coverage available is limited and may not fully meet Owen's needs.

A group employee insurance plan is a contract between an employer, union or association and an insurance company to provide protection for the employees or members. Because he is not a party to the contract, **Owen has no rights under the plan** other than to name a beneficiary.

The group plan can be changed at any time without Owen's approval. His employer may decide to switch insurance companies, reduce coverage or cancel it completely. Even though he is the insured individual, Owen has no voice in these decisions.

Group insurance is year-to-year coverage. The insurance company can change the policy on the renewal date. It can increase the premiums, reduce the coverage or **refuse to renew** altogether.

The group insurance Owen has is low cost for two reasons. First, it covers him while he is least likely to die, while he is still able to work. Second, his employer pays a good portion of the premium. Some insurance premiums paid for by his boss may be a taxable benefit to Owen.

When Owen quits, gets fired or retires, he will lose his coverage. Some companies, associations or unions may continue a portion of the benefits for a short time after retirement. He will get an opportunity to convert his life insurance coverage to a personal plan, but his options will be limited and can be very expensive. However, it is unlikely that Owen will feel he can afford it if he has just left his job.

Whether he is employed or not, Owen's family will need money to pay off bills and provide income when he dies. He realizes that his group plan is a nice perk while he is working, but it does not fully meet all of his needs.

The answer for Owen is to obtain personal life insurance now and coordinate his total coverage needs with his group plan. He will have the option of increasing or decreasing coverage as he sees fit. Some types of insurance coverages can even be used as collateral for a loan for situations like starting a business. With the purchase of an individual life insurance policy, Owen will have a policy that he controls and will be in effect whether he is working or not.

Contact our office [1] if you have questions about insurance.

**Fictional characters for illustrative purposes only.*

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