

## WHY DO I NEED TO MANAGE MY TERM LIFE INSURANCE POLICY?

### IT NEVER HAPPENS AT A CONVENIENT TIME.

You invested in a high-quality vehicle, but put off maintaining it through a service plan. And now when you're on your way to an important meeting, the car breaks down.

The same is true for the term policy you bought to protect your family or business. Ongoing maintenance can keep it performing properly. Without it, risks can occur. What happens if the policy unintentionally lapses or there's an issue causing the death benefit not to pay out as

These things never happen at a convenient time. But proper maintenance can help prevent problems from getting worse.

### EXECUTIVE SUMMARY

The purpose of this article is to point out the benefits of Term Life Insurance while making policyowners aware of the risks that might occur if the policy is left unattended.

To help avoid these risks and keep the policy operating in proper condition, The Policy Management Company offers a service plan and team of specialists that monitor your policy, perform regular checkups, send reminders, make proactive recommendations, and take care of servicing issues when they arise.

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## WHY DO I NEED TO MANAGE MY TERM LIFE INSURANCE POLICY?

### TERM LIFE POLICIES ARE VITAL

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Term life insurance is the most common type of life insurance. It is generally used to provide income for families, protect a business, and support estate plans. These policies are advantageous for providing affordable coverage for a defined period of time with the ability to adapt as the policyowner's needs change. They are especially vital for young people who are unsure of the type and duration of coverage they need.

### BENEFITS OF TERM LIFE POLICIES

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Term policies come with many benefits and meet people's needs in a variety of ways, which is why they are such a popular product for so many individuals. Key benefits include:

**Flexible:** They are simple and only last for a finite period. As objectives change, they can adapt easily.

**Affordable:** They have a lower premium than permanent policies, enabling the owner to have coverage in place at a reasonable cost.

**Ability to Convert:** They can be converted to permanent policies. The conversion feature is a powerful benefit as it allows the insured to maintain their original underwriting class for the new permanent policy, which results in much lower premiums.

**Customizable:** Policyowners have the ability to select the duration and the amount of coverage.

### TERM LIFE POLICIES ARE COMPLEX

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Like other types of life insurance policies, term policies are sophisticated, long-term financial instruments that require specialized expertise to ensure they deliver on their intended promises.

You may be surprised to learn that while term policies are simple and flexible, there are a variety of moving parts that are commonly misunderstood or missed by policyowners. If they are not addressed, it can result in issues with the policy, headaches for the owner and beneficiary, and potentially, complete loss of coverage. Without policy management, one or more of the following factors could put your policy at risk.

**Missed Premium Payments:** The performance of a term life insurance policy is solely based on the premium payments. One missed payment can cause a lapse or an entire loss of the coverage.

**Missed Conversion Deadline:** Deadlines for the conversion option may go unnoticed by the client which could result in a missed opportunity depending on the policyowner's needs.

**Annually Renewable Term Policy (ART):** When a policy goes past the term level deadline, the premiums will increase exponentially and could go unnoticed.

**Entity Owned Policies:** Policies owned by a business or trust are at particular risk due to the importance of planning tools such as a "Key Man" policy or as part of a Buy-Sell arrangement. This risk can be compounded by the complexity of procedures and departments needed to make a premium payment on time and in the correct amount which can easily lead to mistakes.

**Carrier Strength & Stability:** Insurance companies' financial stability is constantly changing which could impact things such as customer service and even the carrier's ability to meet its obligations to policy holders.

**Customer Service Mistakes:** An insurance company's customer service teams will inevitably make mistakes. When those small mistakes go unnoticed, they can result in big headaches down the road.

## WHY DO I NEED TO MANAGE MY TERM LIFE INSURANCE POLICY?

### THE NEED FOR POLICY MANAGEMENT

Actively managing a term life insurance policy provides the policyowner and their beneficiaries peace of mind as it ensures the policy performs as intended. A term policy is an important asset that has many benefits but is also faced with risks that need to be managed. By proactively ensuring premiums are paid as planned, monitoring important deadlines, completing annual reviews, and monitoring the strength and stability of the insurance company, you can be sure that the policy is there when it is needed.

### THE POLICY MANAGEMENT COMPANY

The Policy Management Company (PMC) can help monitor a term life policy and mitigate the burden of policy maintenance. The PMC monitors premium payments, conversion deadlines, conversion options for the policy, and the strengths of the carriers. An annual review provides the policyowner with a summary of deadlines to be met, options moving forward, and a recommendation from a team of skilled professionals. Some of the services the PMC team provides for your term policies include:

**Premium Reminders:** PMC sends premium reminders in advance of the due date to avoid unintended lapses.

**Continual Market Updates:** These keep track of current market changes in products and carriers.

**Late Notices:** PMC emails your agent if the premium has not been paid 10 and 20 days after the due date.

**Detect Potential Problems:** PMC pinpoints problems in the policy such as administrative or payment errors.

**Identify Opportunities:** PMC does extensive research to maximize coverage and reduce cost through new options to better fit the policyowner's needs.

**Life Settlement Opportunity:** Term policies that are no longer needed can be converted and then sold for a sizable cash payout to the policyowner.



#### THE CASE OF THE MISSING PREMIUM PAYMENT

A 57-year-old orthopedic surgeon owned a \$7.5 million term policy and had a perfect record of paying his \$10,000 premium on time. During his annual review, the PMC team discovered the client's premium hadn't been received by the insurance company.

Upon investigation, the team learned the client paid his premium a month early, but due to a clerical error by the carrier, the payment was not applied to the policy. The team, in turn, resolved the error with the insurance carrier.

Had the error not been caught early by the PMC team, the policy would have eventually lapsed.



#### THE CASE OF THE TERM CONVERSION RESCUE

A 64-year-old executive bought a \$1 million term policy seven years ago when he was in perfect health. During his annual review, the PMC team found that his term conversion option would soon expire.

Because the client's health had deteriorated, this option enabled him to convert to a permanent policy without new underwriting. Otherwise, his deteriorating health and new underwriting would cause his premiums to be much higher or his coverage could be declined.

The PMC responded quickly by doing due diligence on a new policy and helped facilitate paperwork. This enabled the client to purchase uninterrupted permanent coverage at a lower cost. The coverage might not have been available at all due to the change in the client's health.

Had the error not been caught early by the PMC team, the policy would have eventually lapsed.