

Association v. Individual Life

Association Life is convenient.

Association life insurance shares many similarities with group life insurance available in the marketplace. Many believe they are getting a “special deal” and a lower rate. You will often find convenience is the primary value of these plans. They rarely provide a better price unless you are holding coverage for a short period of time. They may provide a less intrusive underwriting process, but it is usually an inferior product to an individual life insurance policy.

Not everything is as it appears to be.

You may think buying in bulk has to be better, but that is not the case with group or association plans. Often it is the healthy members that subsidize the unhealthy members. The healthier you are the more you should pursue individual coverage. It is also true the younger you are and the longer you expect to have coverage, the more an individual life insurance policy will be superior. Some less healthy clients may get a better price from their association coverage when underwriting is not required.

Association, group and individual life.

The primary difference between group life and association life plans is portability. Group life insurance requires employment, and it is rare for a plan to allow you to keep your group coverage after your employment ends. If they allow you to take coverage with you, they often require you to convert it to a very expensive non-participating whole life policy. The only time those numbers make sense is if you don't expect to live long. You can change employers and keep your association insurance as long as you maintain your membership in the association.

One of the main benefits of association coverage is the ability to obtain coverage with little or no underwriting. The insurance company is concerned about reverse selection or knowingly taking on unhealthy clients. This is why you may be offered association insurance upon joining the association but if you choose not to go with their coverage when first offered, they are likely to trigger underwriting later if you change your mind.

An association plan often offers banded coverage like group life insurance plans. Some may also offer a level term option for their members. We recently worked with a physician who had an offering from a medical association. The numbers are clear as to why she decided to purchase an individual term policy.

Benefits of Individual Life

An individual term policy allows you to keep your coverage whether you change employer or end your association membership. Selecting a quality term product offers you the option to extend coverage if you decide to keep it longer, without having to go through medical underwriting. The association level term product we are comparing would require underwriting if she wanted to keep coverage longer.

Individual term products can offer additional riders and features not available in group or association insurance. Today, term coverage may include living benefits for critical, chronic and terminal illness events which could happen along the way. These riders allow you to collect off your death benefit if certain medical events happen.

Physician Case Study

Dr. Pat, 42-Yr Old Female, Preferred Best NS health, total premium paid over 20 years:

\$2Mill Death Benefit - Association v. Individual Term Comparison (Annual Premium)

Year	Age	Association Coverage		Individual Coverage - 20 Year Level		
		Banded	20 Year Level	Strictly Term	Quality Term	Quality Term w/More
1-3	42-44	\$ 1,440	\$ 2,440	\$ 1,050	\$ 1,185	\$ 1,392
4-8	45-49	\$ 2,360	\$ 2,440	\$ 1,050	\$ 1,185	\$ 1,392
9-13	50-54	\$ 3,680	\$ 2,440	\$ 1,050	\$ 1,185	\$ 1,392
14-18	55-59	\$ 5,520	\$ 2,440	\$ 1,050	\$ 1,185	\$ 1,392
19-20	60-61	\$ 9,320	\$ 2,440	\$ 1,050	\$ 1,185	\$ 1,392
<i>Total Premium Pd</i>		<i>\$ 80,760</i>	<i>\$ 48,800</i>	<i>\$ 21,000</i>	<i>\$ 23,700</i>	<i>\$ 27,840</i>