

# Episode #225: Act Now to Avoid High Life Insurance Rates

## Video Transcription

Hi, welcome to this week's episode of "Money Script Monday." My name is Laurence Williams, and I want to welcome you back.

Today, we're going to be talking about how acting sooner may help you avoid having to pay higher insurance rates in the future. I think we're all sick of hearing about COVID. COVID-19, we've all heard it.

Unfortunately, we've been saying it for far too long, but when you think about it, it's really changed the world in which we live today.

It's changed the way that we socialize. It's changed the way that we travel, and it's changed the way that we work. Sadly, for some people, it's resulted in a loss of life. Life insurance is no exception, it's been impacted tremendously from COVID-19.

There's a study done by the American Council of Life Insurers that shows that in 2020 there was an increase of death benefit payouts to the tune of 15.4%. That resulted in \$90 billion of death benefit paid out to families of lost loved ones, and a large percentage of that had to do with the pandemic.

Now you ask, well, you know, how is that important? What does that mean for me? What that means is that with life insurance companies, there are what's called actuaries. It's their primary job to make sure that the insurance company isn't taking on too much risk. They do that by using a lot of different tools, but the primary ones are mortality tables.

Mortality tables essentially look to see, as a population, what the likelihood is that we'll live the longest. We look at life expectancy. For the first time in a long time, they're actually looking at reducing the life expectancy table because of the increase in deaths due to the pandemic.

You may ask, "well, what does that mean for me?" Well, what that means is that if they reduce the life expectancy table, that's going to conversely increase the insurance premiums for the cost of insurance. When you think about it, think of a 20-year-old and a 50-year old; they're equally healthy, but we know that the 50-year-old is going to have a higher premium than the 20-year-old because of the age.

The 50-year-old doesn't have quite as long, in theory, to live as the 20-year-old. It's the same principle here. Knowing that, what are some things that we want to be mindful of if we're in the market to purchase life insurance?

We're going to go over four brief questions that we oftentimes hear when we hear about COVID and the impact that it may have on life insurance.

The first one is, "how has COVID-19 changed obtaining life insurance coverage?" Great question. Believe it or not, now is the best time to purchase life insurance. Life insurance companies, traditionally, haven't put a lot of emphasis on technology; because of the pandemic, it's forced all of us to adjust, and insurance companies are no different. Insurance companies now are making it easier to apply online.

They're allowing certain voice signatures and just different applications that you can download on your smartphone to have more customer service and be more customer fluid. There are a lot of different initiatives that have come out of the pandemic that has made it easier to apply for life insurance.

The second one would be in how life insurance is sold. Six, seven, eight years ago, it was traditionally done face-to-face. Now we're seeing it done through different platforms like Zoom and GoToMeeting with an advisor, which is great. It allows the clients to have obviously the comfort of their own home; for the advisors, it allows them to reach even more people.

Sadly, there are some downsides to obtaining life insurance now with COVID. The first one would be due to age. Some carriers are preventing or limiting the amount of coverage that people who are elderly can obtain, if any at all. Typically, the age is about 60, 65; anything higher, they may postpone.

In addition to age, health, if somebody is rated highly due to a variety of things, table four, table five is typically the cutoff. Anybody that is a higher rating than that, they are a postpone really until COVID subsides, which we don't know when that's going to happen. These are some of the things to keep in mind when you're in the market for life insurance.

The second thing is going to be, "will COVID-19 change life insurance payouts?" The great news here is no. If you pass away from COVID, you and your family will be getting those benefits from the life insurance policy. Just two caveats, though.

One is that throughout the application process, there cannot be anything omitted that otherwise would have changed the rating of that life insurance application. The second one, kind of in the same breath that is, there's a two-year contestability period. If you were to pass away within the first two years of your policy being placed in force, the insurance company will do their due diligence to make sure that, again, nothing was omitted from the original application.

It's really important when you're applying for life insurance that everything is truthful and is up to date. If it is, then you have nothing to worry about, and that death benefit will be paid out.

The third thing is, "is it possible to obtain life insurance coverage after contracting COVID 19?" This is probably one of the most popular questions we get, and it absolutely is. I think the important thing here is, again, if you get COVID-19 and there are no other lingering complications, you can actually still get the very best rate class that's available.

There are no changes in rate class. The only difference is if you do contract COVID either prior to the application, or perhaps during the application process, many companies are postponing for about 30 to 60 days until those symptoms have subsided. Then you can resume the application process.

Last but not least, probably one of the most controversial questions that we get is, do you have to be vaccinated to get life insurance? And the answer is absolutely not. It's completely up to you if you choose to be vaccinated or not. Right now, life insurance companies are not mandating that by any means.

Furthermore, if you have a life insurance policy or purchase a life insurance policy and happen to get COVID-19 and pass away, they're still obligated to pay out that death benefit. So, vaccination status has nothing to do with your ability to purchase life insurance.

Again, we went over four of the most common questions on the impact of COVID-19 in the life insurance business, and like anything, there's a quote that says, "The best time to buy insurance was yesterday." This is no different, as you get older, as some of these rules may change, as it regards to mortality and longevity, we never know what's going to happen in the future.

If you are in the market, or you're looking to get an additional policy, it would behoove you to look into that today rather than tomorrow.

I want to thank you again for watching. My name's Laurence Williams, and we'll see you next time.