

# THE VALUE OF CONVERTIBILITY

## CASE STUDY: CONVERSION AFTER A HEALTH CHANGE

Term insurance is often purchased for short-term needs or as a more cost-effective alternative to permanent insurance. But what happens when the short-term need becomes a long-term need? Many term products provide conversion privileges, contractually allowing policyholders the right to convert their term policy to a permanent product. This conversion privilege locks in the client's insurability and is extremely valuable, especially when the client situation changes.



### THE SITUATION

John Reilly,\* age 54, purchased a \$2 million 20 year term policy at age 40 receiving the preferred best non-smoker risk class. When John's financial advisor asked him about his long-term goals at an annual review meeting, John expressed his desire to leave each of his two children \$1 million. The financial advisors recommended that John go through underwriting to help explore possible solutions to John's stated legacy goal. Through the underwriting process, John learned that his health had declined since his term policy was placed 14 years ago.



### SUMMARY

With informal underwriting offers for John ranging from Table A to Table E based on his current health, John's financial advisor determined that converting the existing \$2 million term policy was the best solution to achieve John's legacy goal.

#### INFORMAL UNDERWRITING OFFERS

CARRIER	RISK CLASS	ANNUAL PREMIUM
Carrier A	Standard Nonsmoker - Table E	\$40,136
Carrier B	Standard Nonsmoker - Table B	\$42,656
Carrier C	Standard Nonsmoker - Table A	\$44,371
Carrier D	Standard Nonsmoker - Table B	\$47,377
Carrier E	Standard Nonsmoker - Table D	\$52,055

#### CONVERT EXISTING TERM POLICY

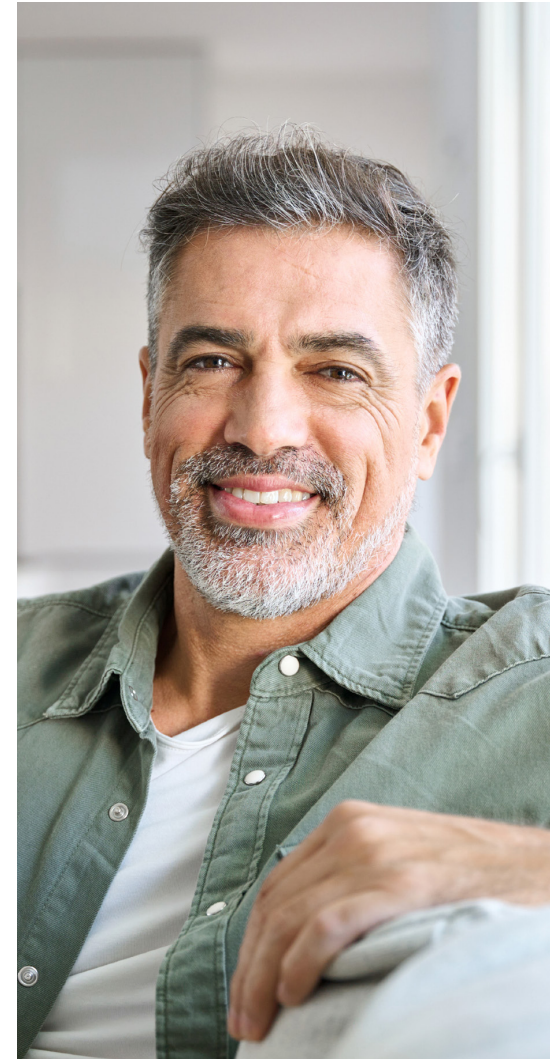
CARRIER	RISK CLASS	ANNUAL PREMIUM
Current Carrier	Preferred Best	\$24,060

Conversion resulted

in a **40% premium savings**

compared to other offers

## IS YOUR TERM POLICY CONVERTIBLE?



\*Client name has been changed to protect confidentiality. Each client's experience varies, and there is no guarantee that underwriting advocacy will generate a better offer.



### THE OUTCOME

By leveraging the conversion feature of his current term policy, John was able to conveniently secure permanent coverage for his legacy gift to his children and save 40% on premiums compared to fully underwritten alternatives.



### THE TAKEAWAY

Do not underestimate the value of term insurance convertibility. Conversion features and privileges vary among insurance companies and products, so choose carefully. The ability to secure a client's insurability is a huge asset as the client's health may change over time, and so may their financial situation and objectives.