

## Life Insurance For The Critically Ill and Previously Declined



Have you ever been told that you not qualify for life insurance because of a serious illness or have been declined? This does not mean that you cannot get coverage but you will be restricted as far as the amount and type of coverage that you will be able to receive.

### **What is a high-risk client?**

That would be a person who has or have had in the recent past any life threatening illness such as cancer, heart disease, HIV, etc. It can also be a person with a combination of illnesses or habits such as a person with high blood pressure, and heart disease who is also a smoker or a person with diabetes and kidney disease. These are just a few examples.

### **What type of life insurance is available for a high-risk client?**

Usually high-risk clients can qualify for what is called a graded benefit policy. A graded benefit policy is a policy, which increases over a period of years, usually three or four. For example if you choose a 4-year graded \$20,000 policy, if you die within the first year you may receive all of your premiums paid plus a percentage such a 10% of paid premiums, in the second year you may receive all paid premiums plus 25% of paid premiums, in the third year they may pay a percentage of the policy such as 75% or \$15,000, then in year 4 they would begin paying the full policy benefit of \$20,000. This is only an example to help you understand how these types of policies work. Your benefits will be based on the terms of the policy that you apply for.

On many high risk polices you will need to answer a few health questions. There are policies where you can opt not to answer any health questions but they are usually low dollar policies \$10,000 or less, and are good for a people that are mainly interested in covering burial expenses.

### **Why would I want a graded benefit policy?**

Since some high-risk policies can be expensive you need to ask your self if something happened to me right now would my family have the money to care for my final expenses? How much money do I need to take care of my final expenses right now? How much will it cost to bury me? These are some of the questions you can ask yourself to determine your *immediate insurance* needs. If you or your family do not have anything saved to take care of your immediate final expense needs it would be a good idea to calculate what your expenses may be and take out a small policy to cover those immediate expenses.

Some people may say “Wouldn’t it be cheaper to save the money in the bank than to take out a small final expense policy?” maybe or maybe not. If you save the money in the bank ask yourself, how much money would you have at the end of the four year graded benefit term? Also ask your self would it be enough money to take care of your final expenses if something happens to you? For example if your \$10,000 policy would cost you \$75.00 per month that would be \$900 per year or \$3600 over the four-year period. Would that be enough to take care of your final expenses? Since most of the policies will pay you back at least all premiums paid if you die within the graded benefit period you will not lose the money you put onto the policy. You would need to check with your insurance company to see what are the terms their graded benefit policies offer. Whether this is a good option for you or someone in your family is up to you. Make sure you understand the terms of the policy.

### **What if I want to leave something behind for my family?**

There are some policies that will let you get a high-risk policy as high as \$150,000. They can be expensive depending on your budget. A \$150,000 policy for a 50-year-old male could be as much as \$700 per month for a whole life policy and in the \$500’s for a 20-year term policy. For the whole life policy it could cost you around \$8400 per year. These are generic examples. Rates and policy face amounts vary depending on the company. Check with your insurance agent for rates.

### **Do I have any other options?**

Yes. If you are currently considered high risk you can apply for a small high-risk policy to cover your immediate expenses. Many companies go back 7-10 years when they look at your medical history. If 7-10 years has past since your last decline or your condition has been cured or is in remission and you can answer all questions no on you application you may be eligible to apply for a policy. Speak with an agent to get your questions answered. It would be good to speak with a broker who can shop around to see which company would be willing to take your case.

If you are still dealing with any health issues but would like to apply for insurance when you speak with an agent ask them if they know of a company that will let them submit a trial application. What is a trial application? It’s where your agent submits generic information about you to the insurance company to see what the possible outcome could be. Be thorough and truthful when giving your agent information about your health conditions. The more complete the information the better. Your agent will then submit the information to the underwriting department and wait for a response.

This way you do not risk getting declined by the insurance company. If you get declined it could make it difficult to apply with another company. This process could take a little longer but it’s in your best interest. An agent with your best interest at heart will be willing to go through this process.

If you have a need for high-risk insurance think of your immediate needs first. Speak with an agent. Do not despair there may just be a policy out there waiting for you.

