



Benefits Toolkit

# Life Insurance

Provided by Franconia Insurance & Financial Services



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# Introduction

Life insurance is a crucial financial tool that provides peace of mind and security for individuals and their loved ones in times of need. It serves as a financial safety net, ensuring that beneficiaries are financially supported in the event of the policyholder's death. While individuals often purchase life insurance to protect their families, it also plays a significant role in the realm of employment benefits; in fact, life insurance is one of the most common employer-provided benefits. Individuals can also purchase personal health insurance on their own or obtain coverage both personally and through their employers. Policyholders often carry coverage through both avenues.



Most (80%) Americans are concerned about being financially prepared in the event of a premature death, yet almost 30% do not own life insurance, according to life insurance company Guardian.

Employer-provided life insurance is an essential component of a comprehensive benefits package, as it demonstrates a company's commitment to the welfare of its employees beyond their day-to-day work responsibilities. This coverage typically includes group life insurance policies, which are more cost-effective and accessible than individual plans. Life insurance can also fit into employers' larger picture of expanded financial wellness education and support.

This Benefits Toolkit offers an overview of life insurance, its advantages for organizations and workers, and employee benefits considerations for employers.

# Overview of Life Insurance

Life insurance can provide financial protection to individuals and their loved ones. It's a contract between an individual and an insurance company; in exchange for regular premium payments, the insurance company provides a death benefit to the policyholder's beneficiaries upon the policyholder's death. This death benefit is often a lump-sum payment to the beneficiaries that can help cover various expenses, such as funeral costs, outstanding debts and ongoing financial needs. Alternatively, beneficiaries may have the option of a life insurance annuity or a retained asset account.

This section provides a snapshot of the current life insurance market and further provides an overview of life insurance, including key terms and types of policies.

## Life Insurance and the Current Market

The life insurance industry in the United States is vast. According to market research from IBISWorld, the 2023 market size of the life insurance and annuities industry was estimated to reach \$1.1 trillion in revenue, a 4.85% increase from the previous year. From a broader perspective, the industry in the United States has grown, on average, 1.9% each year between 2017 and 2022. Although it still holds a top spot in the overall insurance industry, and the market size is projected to increase over the next five years, market growth is slower than the overall economy.

Consider the following survey results from global financial platform Forbes Advisor about life insurance:



At least 3 in 4 American adults have **some form of life insurance**.



About 1 in 4 adults is covered **solely by an employer-based life insurance policy**.



Women (22%) are twice as likely as men (11%) to **lack life insurance**.



Many (68%) life insurance owners say they **feel financially secure**. That number jumps to 78% when consumers have both employer-based and individual life insurance policies.



Almost half (44%) of American households would **encounter significant financial difficulties within half a year** if they lost the primary wage earner in the family, and more than one-quarter (28%) would reach this point in a month.

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Additionally, insurance trade association LIMRA conducts an annual report to uncover ownership, behaviors and attitudes about life insurance. Consider the following findings from the 2023 Insurance Barometer Study:

- One-fifth (21%) of life insurance owners report insufficient coverage.
- The perceived cost is the top barrier to purchasing life insurance. Only one-quarter (24%) of respondents correctly estimated the cost of a term life insurance policy.
- The life insurance ownership rate is the highest among Baby Boomers. A quarter of the three younger generations—Generation X, millennials and Generation Z—cite a “lack of knowledge about life insurance products” as a reason not to purchase.

However, the COVID-19 pandemic made Americans consider life insurance more seriously. About 30% of LIMRA survey respondents indicated the pandemic made them more likely to buy life insurance. About 60% reported a “heightened awareness” of the value life insurance might provide.

Many of today’s employees are looking to their employers for help and guidance as they seek to optimize how they spend on benefits—and life insurance is no different. Employers have an opportunity to help educate employees about the types of life insurance available and how they can provide a financial safety net for their loved ones.



## Key Terms

Insurance can be complex, so here are some key terms to understand:

- **Policyholder**—The policyholder is the individual who purchases and owns the life insurance policy. They are responsible for paying the premiums to maintain coverage and have the authority to make changes to the policy, such as naming or changing beneficiaries.
- **Beneficiaries**—Policyholders designate one or more beneficiaries who will receive the death benefit when the policyholder passes away. Beneficiaries can be family members, friends, charities or any individual or entity the policyholder chooses.
- **Premium**—Premiums are the regular payments made by the policyholder to the insurance company in exchange for coverage. It may be paid monthly, quarterly, semiannually or annually. The premium's amount is determined by factors such as the policyholder's age, health, coverage amount and the type of policy. Failure to pay premiums can result in the policy lapsing or being canceled.
- **Death benefit**—The death benefit is the core component of a life insurance policy. It is the amount of money that the insurance company pays to the designated beneficiaries upon the policyholder's death. This lump-sum payment is often tax-free and is intended to provide financial support to the beneficiaries, helping them cover expenses like funeral costs, debts and ongoing financial needs.
- **Underwriting**—Life insurance companies assess the risk of insuring an individual by evaluating factors, such as age, health, lifestyle and occupation, to determine the premium cost.
- **Riders**—Riders are optional add-ons or enhancements to a life insurance policy that can provide additional benefits or customization. Common riders include accidental death riders, waiver of premium riders (which waive premium payments in case of disability) and accelerated death benefit riders (which allow the policyholder to access a portion of the death benefit if diagnosed with a terminal illness).

Understanding these components is crucial when selecting a life insurance policy. However, there isn't a one-size-fits-all approach, as the type of policy, coverage amount and additional features should align with the policyholder's financial goals and needs.



## Types of Life Insurance

Many employers offer life insurance as part of their benefits package to help provide financial peace of mind for employees. Ultimately, the choice of life insurance type depends on individual circumstances, financial objectives and budget constraints. By offering various options, employers can empower their workforce to make choices that provide peace of mind, ensuring their loved ones are financially protected. This section explores group life insurance and the various types of policies, many of which overlap.

### Term Life Insurance

Term life insurance is a straightforward, budget-friendly option that provides coverage for a specified period. Coverage commonly ranges from 10 to 30 years, depending on the policy. Term life insurance is an excellent choice for individuals who want to ensure financial protection during a specific time frame, such as when their children or family depend on them or they have significant debts. If the policyholder passes away during the term, the death benefit is paid to the beneficiaries. Term life insurance is the type of life insurance most employers offer as part of a benefits package.

Consider the following advantages of term life insurance:

- **Affordable premiums**—Term life insurance typically offers the most affordable premiums among all life insurance options. This makes it an excellent choice for individuals or families on a budget.
- **Flexibility**—Policyholders can choose the term length that aligns with their needs and financial goals. Whether to cover a mortgage, educational expenses or income replacement, term life insurance can be tailored to fit individual circumstances.
- **Death benefit**—The primary purpose of term life insurance is to provide a death benefit to beneficiaries if the policyholder passes away during the term. This benefit is usually tax-free and can help cover living expenses, debts and future financial needs.
- **Convertible policies**—Some term life insurance policies offer the option to convert to a permanent life insurance policy without needing a new medical exam. This can be a valuable feature if a policyholder's circumstances change and require lifelong coverage.

### Level and Decreasing Term Life Insurance

Term life insurance is available in two forms: level term and decreasing term. “Level” and “decreasing” refer to the death benefit amount during the policy's term. Level term life insurance offers consistent coverage throughout the policy's term (e.g., 10, 20 or 30 years), making it ideal for providing stable financial protection to loved ones regardless of changing circumstances. Beneficiaries receive a pre-agreed lump sum payout, providing them the means to cover ongoing expenses, such as living costs and education. The fixed premiums ensure that coverage remains affordable and predictable throughout the term, offering peace of mind without worrying about fluctuating costs.

Conversely, decreasing term life insurance suits those with specific financial obligations, such as mortgages, as the coverage decreases over time in line with the outstanding debt. The premiums for this type of policy are often lower than other life insurance options, making it an attractive choice for those

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seeking cost-effective protection tied to a specific financial obligation. It's important to note that not all term policies, such as group life, offer both options.

### Convertible Life Insurance

Convertible insurance allows the policy owner to change a term policy into a whole or universal policy without going through the health qualification process again. A convertible level term policy works just like a traditional term life insurance—with the premium and death benefits remaining the same for the length of the term—but it has a rider that allows the policyholder to convert it to a permanent life policy later. Many term policies are convertible, but they may have a conversion deadline.

Here are some policy advantages:

- **Affordability**—An individual may choose a convertible term policy if they can only afford a less expensive term policy at the moment but think they could afford a more expensive permanent life insurance policy in the future.
- **Health concerns**—From another forward-thinking perspective, individuals may choose a convertible life insurance policy if they're worried about developing health problems. They may not want to take the risk that a health change could disqualify them from life insurance coverage options. Conversion generally doesn't require policy owners to complete a medical exam, so they would not be denied coverage based on any change in life expectancy.
- **Flexibility**—Policyholders can choose which type of permanent life insurance they want to convert their policy to. Convertible life insurance could be a valuable alternative if an individual's insurance needs, finances or health change in the future.

Each life insurance company sets its own procedures for policy conversion, but the process typically begins with the policyholder contacting the agent about available permanent conversion options.

### Permanent Life Insurance

Permanent life insurance is a type of coverage that provides lifelong protection and often includes a cash value component. While premiums are higher for permanent life insurance, cash value accumulates in the policy and grows tax-deferred. Whole life policyholders are eligible to receive dividends taken in cash or used to help pay premiums or purchase more insurance. Additionally, the cash value of a permanent life policy can be accessed to help with major expenses, such as a down payment on a house.

### Whole Life Insurance

Whole life insurance is a more comprehensive and long-term solution for individuals looking to build wealth and ensure their beneficiaries' financial security. Here's a closer look at three primary types of whole life insurance: traditional, universal and variable.

1. **Traditional whole life insurance** offers coverage combined with a cash-value savings component. This type of policy has higher premiums than term life. Premiums remain constant throughout the policy, and a portion is invested by the insurance company, which becomes the policy's cash value. Whole life insurance pays a fixed amount upon death.



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- 2. Universal life insurance** is another type of permanent insurance policy that combines term insurance with the ability to earn interest on the cash value, paying a market rate of return. Cash value grows tax-deferred and can be withdrawn or borrowed from the policy. It is more flexible than traditional whole life insurance, allowing the policyholder to change their premium payments and death benefits within limits.
- 3. Variable life insurance** is similar to universal life insurance regarding flexibility and investment. However, instead of simply earning interest on the accumulated cash value, policy owners have more control over how to invest that cash. The ability to invest in professionally managed options allows for the potential to accumulate cash value while providing death benefits protection. However, there is a greater risk of loss due to this benefit.

Employers usually offer term life insurance, while individuals typically purchase permanent life insurance with the insurance company or a broker.

### Other Types of Insurance

Alternatively, employers may offer the following types of insurance to supplement group life insurance coverage:

- **Business travel accident insurance** only covers the employee's death while traveling for work.
- **Disability insurance** provides an income if a policyholder is prevented from working and earning an income due to a disability (e.g., acute injuries, chronic pain and cancer), regardless of whether or not they are workplace-related.
- **Accidental death and dismemberment insurance**, commonly known as AD&D, pays benefits to the employee's beneficiary if death occurs due to an accident or if the employee loses use of portions of the body. For example, the loss of one arm or leg may result in payment of a percentage of the total benefits. While AD&D insurance overlaps with life and disability insurance, it doesn't fully replace either one, which is why it's commonly offered by employers. AD&D is supplemental life insurance, meaning it's not an acceptable substitute for a full life insurance policy and is usually added as a rider to a life insurance policy. When adding an AD&D rider to a life insurance policy, the designated beneficiaries receive benefits from both the rider and the underlying policy if the insured accidentally dies. Employers that offer this coverage generally offer it with group life insurance.
- **Split-dollar life insurance** pays the employee's beneficiary when the employee dies and returns the premiums paid to the employer. Both the employer and employee pay the insurance and have a substantial investment element. It is something to consider for key employees only, unlike the entire employee group.

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### Life Insurance Coverage

Life insurance covers death due to natural and accidental causes, including but not limited to the following:



An accident, such as a vehicle crash



Heart attack or disease



Homicide



Illness



Old age



War or terrorism

### Life Insurance Exclusions

Suicide is only covered after the policy's suicide clause period ends, which typically lasts two years. Similarly, a life insurance policy will not pay out if the policyholder is murdered by the beneficiary. Other common insurance exclusions include death caused by service in the military or an aviation accident.

Furthermore, the insurance company can deny paying out the death benefit in certain circumstances, such as if the applicant lied or committed fraud on the application, engaged in risky behaviors, illegal activities or substance misuse, or failed to pay the premium. Therefore, policyholders could make a costly mistake by not fully understanding their life insurance exclusions.

### Group Life Insurance

One of the most important decisions people have to make regarding life insurance is whether to choose an employer-sponsored policy, individual coverage or both. Group life insurance is a cost-effective way for employees to obtain life insurance without needing a medical examination. Employers offering a base level of group term life usually sponsor the lower level of coverage, with employees often having the option to purchase additional coverage, if desired. This makes it an accessible option for employees to secure life insurance. Alternatively, employer-sponsored insurance can be paid for by the employee. Employers commonly offer both approaches.



Many employers fully cover a basic level of life insurance, usually equivalent to one to two years of an employee's salary.

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Consider these additional features of group life insurance:

- **Simplified underwriting**—Employees usually don't need to undergo a medical examination or answer detailed health-related questions when enrolling in the plan, a key advantage of group life insurance. This makes it an attractive option for employees with preexisting medical conditions.
- **Affordable premiums**—Since the risk is spread across employees, group life insurance tends to have lower premiums than individual policies. This affordability makes it appealing for employees looking to protect their loved ones without breaking the bank.
- **Basic coverage**—Group life insurance policies often offer basic coverage that may be a multiple of the employee's salary or a fixed amount. While this may not be sufficient for individuals with extensive financial responsibilities, it can provide essential protection.
- **Portability**—In some cases, employees may have the option to take their group life insurance coverage with them if they leave their current employer. This can be a valuable feature, as it ensures continuity of coverage.

Cost sharing also varies for group health insurance, as some employers cover the full cost, while others require employees to pay the full premium (or a portion of it).

Generally, any form of compensation an employee gets from their employer, including life insurance, is considered part of the employee's gross income unless a particular exclusion specified in the Internal Revenue Code (Code) is applicable. Code Section 79 grants an income exclusion for the expense of up to \$50,000 of employer-sponsored group term life insurance coverage. In order to qualify as a group-term life insurance plan under IRS rules, the plan must meet certain conditions. Visit the [IRS' website](#) to learn more about plan requirements.

## Voluntary Life Insurance

Voluntary life insurance is an employee benefit that can increase an individual's basic life insurance coverage. While group life insurance is typically free through an employer and provides basic coverage, additional voluntary group life insurance is an optional benefit employees can purchase at a reduced rate. Group coverage is provided at one level for all employees, but voluntary term insurance usually offers different levels of coverage. Since it's a voluntary benefit, voluntary life insurance's monthly premium is often deducted from a paycheck. Employers often offer voluntary life insurance alongside other voluntary benefits, such as dental, vision, and pet insurance or short- and long-term disability insurance.

Although employees must pay for voluntary life, the monthly cost is often lower than obtaining a private insurance policy. Voluntary life insurance can be a great way for workers who are older or have concerns to get a more extensive policy at a lower cost. That's because, unlike many individual policies, individuals can usually purchase voluntary life insurance with no physical exam. They'll likely just need to answer a health questionnaire.

## Life Insurance Versus Annuities

Fixed annuities and life insurance policies are often backed by the same companies and may protect a lifestyle and future, but these financial products meet very different needs. Generally speaking, life insurance policies can help safeguard the future by helping replace income if the policyholder passes away. Conversely, fixed annuities provide a pension-like stream of income that can help fund retirement.

Here are the differences between life insurance and annuities:

- **Beneficiaries**—The annuity holder and, in some cases, a spouse are the primary beneficiaries, so they receive all income payments. A spouse, children or other designated individuals are the primary beneficiaries with life insurance, so they receive the death benefit.
- **Funding**—Annuities are typically funded in one or more lump-sum payments, while life insurance policies are usually funded by premiums (e.g., monthly or annual payments) made over time.
- **Payouts**—Life insurance pays the death benefit in one lump sum, whereas annuities typically pay benefits monthly over time.
- **Purchase timing**—Annuities are typically purchased later in life to provide additional income in retirement. On the other hand, life insurance is often purchased earlier when the death benefit protection may be more important to family and loved ones.
- **Underwriting**—Individuals must usually apply for life insurance coverage, and their acceptance is based on factors like age and health. No underwriting is required for an annuity.

Annuities are designed to be a long-term component of a financial plan along with other retirement income streams. Several types of annuities are available, and a licensed insurance agent can help provide information and guidance.

# Why Life Insurance Matters

While the primary purpose of life insurance is to provide a safety net for loved ones in case of the insured's demise, it offers several advantages and benefits for both employers and employees. This section explores why life insurance matters and its significance for organizations and workers.

## Why Employers Should Care

Employers play a vital role in the lives of their employees, and offering life insurance as part of their benefits packages can have several advantages for the company:

- **Enhanced employee financial wellness**—Many of today's workers struggle to meet their financial goals. More employers are taking a holistic approach to employee well-being and supporting financial wellness through various efforts, such as offering life insurance and financial education. Employees who are secure in their finances are more likely to be satisfied, engaged and productive in the workplace, which can be a win-win situation for workers and organizations.
- **Increased employee attraction and retention**—One of the primary reasons employers offer life insurance is to attract and retain top talent. Potential employees are drawn to companies that provide robust benefits, and life insurance is often a deciding factor when individuals choose between job offers. Moreover, existing employees feel a stronger sense of loyalty and security when they know their employer is looking out for their financial interests and those of their families. Knowing that their loved ones are protected financially can also reduce employees' stress levels, allowing them to focus more on their work.
- **Boosted employer brand**—Offering life insurance as part of a benefits package can enhance a company's reputation as a responsible and caring employer. This positive image can have far-reaching effects, including improved relationships with clients, partners and even the community.
- **Tax advantages**—One of the most notable advantages of employer-provided group life insurance is the favored tax treatment. Employer-paid premiums for employee group life insurance can offer tax advantages in some cases. As previously mentioned, Code 79 governs employer-sponsored group term life insurance plans and grants an income exclusion to qualifying plans. The value of the coverage up to \$50,000 is not included in the employee's gross income for tax purposes. This can help reduce the financial burden on employers while offering a valuable benefit for workers.
- **Cost-effective coverage**—With all employees under one contract, a bulk coverage purchase of group life insurance is more cost-effective for employers. Policies provide coverage at a lower cost per employee than individual life insurance policies. Since premium rates are based on the collective risk of the group, group life insurance can be an affordable benefit to offer.
- **Convenient enrollment process**—The insurance company provides the necessary information and enrollment forms, so all employees must do is designate a beneficiary for the death benefit. This also means the enrollment process is simple and convenient. After enrollment, employers should simply remind employees to update their group life insurance policy or beneficiary to reflect any major life changes (e.g., marriage, divorce or birth of a child).

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- **Efficient benefits administration**—Group life insurance policies can streamline the administrative process for employers. With group coverage, there’s no need to monitor and manage individual policies for each employee, making it easier for employers to sponsor the insurance program.

## Why Employees Should Care

Life insurance is not just advantageous for employers; it also holds several benefits for employees that extend beyond the peace of mind it provides.

- **Financial security for loved ones**—Life insurance for employees also offers financial protection. In the event of an employee’s untimely passing, their beneficiaries receive a death benefit, helping cover immediate expenses such as funeral costs, outstanding debts, and ongoing financial obligations like mortgages and education expenses. This assistance can be invaluable during a difficult period.
- **Debt protection**—Life insurance can also serve as a crucial tool for debt protection. Many individuals have mortgages, car loans and other financial obligations. If the primary wage earner passes away, the life insurance payout can be used to pay off these debts, ensuring that the family home and assets are not at risk of being lost due to financial hardship.
- **Income replacement**—Beyond immediate expenses and debt, life insurance can also replace the income that the insured provided to their family. This can be especially important for families with children or dependents who rely on that income for daily living expenses, education and other future needs. Life insurance can help maintain the same standard of living and ensure that long-term financial goals are still achievable.
- **Tax benefits**—In many cases, the proceeds from a life insurance policy are not subject to income tax. This means that the beneficiaries receive the full amount of the death benefit without deductions, providing an efficient way to transfer wealth to loved ones.
- **No medical underwriting**—Group life insurance typically does not require individual employees to undergo medical underwriting or provide detailed health information. As such, employees with preexisting medical conditions or more health risks may still be eligible for group life insurance coverage. It offers a convenient way for employees to obtain life insurance without requiring extensive medical examinations, which can create a barrier to coverage.
- **Flexibility and portability**—Life insurance can offer flexibility and choice to employees, as they can customize their coverage and beneficiaries according to their needs and preferences. Some group life insurance policies even offer portability, allowing employees to continue coverage even if they leave the company. This feature enables employees to maintain their life insurance protection, regardless of job changes or career transitions.



## Summary

Life insurance matters significantly for both employers and employees. For employers, offering life insurance as part of the benefits package can help attract and retain top talent, boost employee loyalty and productivity, and provide potential tax benefits. It also enhances the employer brand.

For employees, life insurance offers essential financial security, debt protection, income replacement and legacy planning. It provides them peace of mind knowing that their loved ones will be financially protected in the event of their passing and that their long-term financial goals can still be achieved. While many may assume life insurance is only helpful in transferring wealth or maintaining a lifestyle, all employees can benefit from life insurance. In fact, people with less wealth likely need more life insurance coverage since they may not be prepared to deal with financial risks. Life insurance is a critical tool for financial planning and security in today's uncertain world.



# Employer Considerations

Offering life insurance as an employee benefit requires thoughtful consideration by employers. Choosing coverage based on employee needs and demographics and effectively educating employees are crucial elements in providing a valuable benefit that supports both the workforce and a company's overall compensation package. By assessing these factors, employers can enhance their employees' financial security and well-being. This section highlights employer considerations related to life insurance.

## Common Employer Strategies

Employers can take a couple of approaches to life insurance, including:

- Offering fully sponsored group life insurance
- Offering group life insurance as a voluntary benefit

Organizations often offer a base-level group term life insurance that is paid partially or fully by the employer and then give an option for the employee to add more coverage. Group life insurance may seem like an easy decision for employees since the employer has already done the research and selected policy options. Life insurance may seem confusing, so offering group life means employees don't have to research or compare policies on their own. This type of life insurance is often an affordable way for employees to establish a policy.



More than half (54%) of U.S. workers say they have life insurance through their workplace, according to 2023 LIMRA research.

## Coverage Selection

When deciding to offer group or voluntary life insurance as an employee benefit, there are several factors for organizations to consider:

- What type of coverage will the company offer?
- Who will be covered (employees only, retirees, spouses, dependents)? Keep in mind that only employees can be covered under a group term policy.
- When is coverage effective? Will there be a waiting period?
- What amount of insurance will be available? How will that amount be determined (flat fee versus multiple of salary)?
- Who will pay premiums (the employer, employees or both for different levels of coverage)? Keep in mind that it's common for employers to pay the base level and then also offer an employee-paid option.
- Will there be a minimum amount employees are required to elect? What is the maximum coverage amount allowed?

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Furthermore, today's multigenerational workforce requires a closer examination since benefits needs vary. Understanding the unique needs and demographics of their workforce is essential for employers when choosing which life insurance to offer. They should consider the following characteristics of their workers:

- **Age**—The age of employees can significantly impact their life insurance needs. Younger employees may have fewer financial obligations, while older employees may have mortgages, children's education expenses and retirement planning concerns.
- **Family status**—Employees with families or dependents may prioritize life insurance more than single employees. Employers can tailor their offerings to accommodate various family structures.
- **Employee feedback**—Employers should seek employee feedback through surveys or discussions to understand their preferences and needs regarding life insurance coverage. This input can help tailor offerings more effectively.
- **Personal needs**—Employees' life circumstances naturally change over time. Employers should periodically assess the adequacy of their life insurance offerings and adjust coverage options accordingly.

As employer and employee needs vary, a life insurance company can help find a plan that's the right organizational fit.

## Employee Education

Although life insurance is a common benefit, many employees don't appreciate its value and significance.



The 2023 LIMRA study revealed that while half (52%) of American adults have some type of life insurance (including individual and workplace policies), 8 out of 10 consumers overestimate the expense of getting a life insurance policy.

Fortunately, employers are well-positioned to educate employees on the affordability and importance of this coverage. Here are tips to do so:

- **Cover the basics.** Regardless of what coverage is offered, employers can teach employees the basics of life insurance, starting with the main types of coverage and the benefits and drawbacks of each. This can lead to more accurate health beliefs and knowledge and, thus, to better lifestyle choices and skills and greater self-advocacy.

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- **Promote coverage.** When teaching employees about life insurance, employers can also educate them on the specific coverage offered. It's important to provide ample information about the type(s) of coverage offered, the premiums, the benefit, enrollment requirements, restrictions and any other details employees need to know.
- **Sell employees on employer-provided coverage.** Employers can help workers understand the advantages of insurance coverage acquired through the organization. Not only will employees appreciate the financial education, but they'll also better realize the value of their available benefits. Advantages of employer-provided coverage include:
  - Lower rates through a group policy than if buying individual coverage
  - No medical exam or review required for group policies; this is in contrast to individual policies, which require medical reviews and may charge much higher premiums or deny coverage based on unfavorable results
  - Convenience of purchasing at work instead of having to shop around
- **Provide access to resources.** Employers can provide access to resources like brochures, online tools or informational sessions where employees can learn more about life insurance and how to select the right coverage for their needs.
- **Offer general financial wellness support.** Employers can expand financial wellness support by offering resources and workshops on budgeting, debt management and estate planning.

Life insurance is integral to financial planning. Because many employees are interested in financial education, educating employees about life insurance can yield higher benefit enrollment, greater appreciation for a benefits package and increased loyalty to the organization. In general, financial education from an employer can foster a stronger employer-employee relationship.

## Conclusion

Life insurance is a critical component of robust employee benefits packages, offering financial protection and peace of mind to workers and their families. Employers who include life insurance for their workers can not only attract and retain talent but also demonstrate their commitment to their workforce's productivity and overall well-being.

Amid rising costs and uncertainty, life insurance is a critical tool for financial planning and security. It's not just a financial product; instead, it's a means of caring for one's family and ensuring their financial future remains stable and bright—especially in the face of adversity. Helping employees understand the nuances, benefits and importance of life insurance is a crucial step toward securing a better financial future for themselves and their loved ones.

This Benefits Toolkit is only an introduction to life insurance. Contact Franconia Insurance & Financial Services for additional employee benefits information and resources.

# Appendix

Life insurance can be complicated. As such, this toolkit is only meant to be an introduction to this type of coverage. Reach out to Franconia Insurance & Financial Services if you have any questions about these materials or any other content in this toolkit.

## Printing Help

There are many printable resources in this Appendix. Please follow the instructions below if you need help printing individual pages.

1. Choose the “Print” option from the “File” menu.
2. Under the “Settings” option, click on the arrow next to “Print All Pages” to access the drop-down menu. Select “Custom Print” and enter the page number range you would like to print, or enter the page number range you would like to print in the “Pages” box.
3. Click “Print.” For more information, please visit the Microsoft Word [printing support page](#).



# 5 Steps for Buying Life Insurance



Life insurance is a crucial tool that can provide peace of mind and security for individuals and their loved ones in times of need. It serves as a financial safety net, ensuring that beneficiaries are financially supported in the event of the policyholder's death.

If you're considering buying life insurance, these five tips may help you choose a policy:



- 1 Assess your current financial situation and needs.** Start with identifying your financial obligations (e.g., mortgage and debts) and consider your family's lifestyle and future expenses. While assessing your needs, you should also consider how many people depend financially on you. This foundational step will help you calculate the coverage amount needed to secure your loved ones financially.



- 2 Evaluate policy types.** It's important to understand the different kinds of life insurance policies available, such as term, whole, universal and variable life insurance. You'll want to evaluate each type based on your financial goals and coverage requirements. A financial advisor may offer personalized guidance.



- 3 Determine the policy duration.** Part of choosing the policy type is deciding on the length of coverage needed based on your financial goals and life stage. Do you need short-term coverage for specific needs, or do you need lifelong for comprehensive protection?



**4 Shop around.** To best estimate affordability, you can obtain quotes from multiple insurance providers and compare premiums, coverage amounts and cash values. It comes down to finding a policy that fits comfortably within your budget while offering adequate protection. Looking at options offered through your employer is a good place to start. However, you can also work with a personal lines insurance broker or a life insurance and annuities provider.



**5 Review policy terms and conditions.** As with any contract, it's important to read the policy terms, including exclusions and limitations.

Once a life insurance policy is purchased, inform your beneficiaries about policy copies and any specifics related to the death benefit. If possible, store your life insurance documents so you and your beneficiaries can easily access them.

This infographic is not intended to be financial guidance; it's best to connect with a financial advisor about life insurance. A licensed insurance broker can help point you toward the right policy for you and your family's needs. **Contact us for more information.**

# Employer Cheat Sheet for Life Insurance



Life insurance is a crucial financial tool that provides peace of mind and security for individuals and their loved ones in times of need. It serves as a financial safety net, ensuring beneficiaries are financially supported after the policyholder's death. Individuals often purchase life insurance to protect their families, and it's also a significant component of employment benefits. In fact, life insurance is one of the most common employer-provided benefits.

At least **3 in 4 American adults** have some form of life insurance,



and **1 in 4 adults** is covered solely by an employer-based life insurance policy, according to a Forbes Advisor survey.

Insurance can be complex, so this infographic highlights key terms and aspects of life insurance.

## Key Terms



### Policyholder

The individual who owns the life insurance policy



### Beneficiary

The person(s) who receives the death benefit



### Premium

The amount paid regularly to the insurance company for coverage



### Underwriting

The process of evaluating an individual’s risk profile to determine insurance eligibility and premium rates



### Rider

An additional provision or amendment to a life insurance policy that enhances or customizes coverage (e.g., accidental death rider, waiver of premium riders and accelerated death benefit riders)



### Death benefit

The amount paid to beneficiaries upon the insured’s death

## Types of Life Insurance

Life insurance is divided into two categories: term and permanent.

### Term Life Insurance

Potential renewal or conversion into a permanent policy after term

No cash value accumulation

Fixed-term coverage (e.g., 10, 15, 20 and 30 years)

### Whole Life Insurance

Other types of cash-value insurance include universal and variable life

Permanent coverage

Cash value accumulation over time

### Group Life Insurance

One of the most important decisions people make regarding life insurance is whether to choose an employer-sponsored policy, individual coverage—or both. Group life insurance is a cost-effective way for employees to obtain life insurance without needing a medical examination. It is often sponsored and paid for by the employer, with employees often having the option to purchase additional coverage if desired; this makes it an accessible option for employees to secure life insurance.

Life insurance is a crucial component of a comprehensive employee benefits package. By understanding related key terms, employers can provide valuable financial protection for their employees and contribute to a secure and stable work environment.

Contact us for more information.