

Group Life Premiums High or Low?

By Corry Collins CLU CHFC CHS



For some people it is a common thought that the cost of group term life insurance was a great deal. "This is not always the case" says Corry Collins a financial planner and Partner with Maritime Wealth Management Limited in Halifax.

Group Life Insurance is a form of life insurance offered through employers for the staff of a company. The amount of coverage can be a flat amount or in multiples of the employees annual income with an overall maximum. "The cost of the life insurance portion should be looked at carefully" Collins adds.

The cost of the overall group life and health plan is most often shared with the employer and the employee. For tax reasons, the specific cost of the life insurance premium is paid by the employee in order to keep the premium a non-taxable benefit.

Group life insurance can be expensive however there is a false belief that it is a good deal. The cost of group life insurance is based on several factors including the demographics of the group itself. Insurance companies will often pool your coverage with other companies to blend the rate. "The impression is that the premium will be lower because you are buying in bulk" but this is not always the case" Collins reminds his clients. The age of the people in the group, the number of males and females and the experience of the group are some of the factors used to determine the cost.

Group insurance is also reviewed every 12 months providing a 'one year term rate', often an expensive way to buy term insurance.

An unexpected surprise with group coverage is that it often terminates with your employment. This may not be a cost consideration, just an unintended consequence of group. "Seeing that many people are not remaining with their employers for 40 years as in past generations, group coverage may be lost when you leave that company" says Collins.

So what is one to do? Collins reiterates "Review your needs annually, compare the cost with private plans, and be sure to build a plan suited to your personal needs"