

Conversion flexibility with term rider reset

Lower premiums for longer

When it comes to life insurance, there are many options to choose from – term or permanent insurance – which one is right for your client? At some point in their lives, your clients may need both types to meet their short-term and long-term insurance objectives. What's the most cost-effective way for this planning scenario?

Take a look at Adam

- 42 years old
- Just started his own business
- Married with two children
- Single income earner
- Has some debt

Insurance Checklist for Adam

- ✓ Term insurance to help pay-off his household debt and cover his family's living expenses, if he should prematurely pass away
- ✓ Option to purchase permanent coverage in the future without having to think about his future insurability
- ✓ Keep premiums low

STEP 1: Purchase Term policy

Working with his advisor, Adam decides that he needs \$500,000 of term insurance and plans to use the conversion feature on his Term 10 policy to purchase permanent coverage as his business grows and as he pays down his debt. The annual premium for the first 10 years of coverage is \$380.00.

8 Years later...

- Adam's business is a success, and he's earning a good income
- He's experienced some recent cardiac issues
- His children are in high school (with plans to go to university)

Updated Insurance Checklist

- ✓ Keep some term coverage to offset his remaining debt – at the lowest possible cost
- ✓ Get some permanent coverage for estate planning
- ✓ Optimize the tax-deferred benefit of life insurance as an alternative asset class



Conversion with term reset

- Available at any time prior to attained insurance age 70
- Conversion allowed to eligible permanent life plans (whole life or universal life)
- Permanent coverage must be at least 50% of the total sum insured that's converted
- Remaining portion of the term rider can be added as a new term rider for the same or longer term
- No further underwriting required upon conversion
- No face amount increases allowed
- Can be exercised only once
- Not available on Term policies that are on Waiver of Premium or on Term coverages (base or rider) that originated from a term conversion with reset
- Available on term policies and riders issued with Wave 40.0 (July 2, 2019) or later

STEP 2: Exercise the Conversion Option

Adam can convert \$250,000 of coverage to a whole life policy. For the remaining \$250,000 of term coverage, he has two options:

Option 1: Traditional approach

Maintain some coverage on his existing Term 10 policy. With this option, the renewal premiums would increase the overall cost of his insurance coverage in two years.

Option 2: Conversion with Term rider reset

Add a new Term rider to his new whole life policy and “restart” his term coverage at a lower premium without having to provide any further evidence of insurability.

		Total Annual Premium*		
Age	Option 1: Traditional approach		Option 2: Conversion with Term rider reset	
50-51	Estate Protector (Life Pay)	\$5,807.50	Estate Protector (Life Pay)	\$5,807.50
	Term 10 policy	\$380.00	Term 15 rider	\$590.00
	Total	\$6,187.50	Total	\$6,397.50
52-61	Estate Protector (Life Pay)	\$5,807.50	Estate Protector (Life Pay)	\$5,807.50
	Term 10 policy (renewal)	\$2,480.00	Term 15 rider	\$590.00
	Total	\$8,287.50	Total	\$6,397.50
62-66	Estate Protector (Life Pay)	\$5,807.50	Estate Protector (Life Pay)	\$5,807.50
	Term 10 policy (2 nd renewal)	\$6,730.00	Term 15 rider	\$590.00
	Total	\$12,537.50	Total	\$6,397.50

*Refer to a Wave 50 illustration report for a complete premium schedule.

BMO Insurance solution for Adam

- By converting a portion of his Term policy, Adam has locked-in some permanent coverage at a level cost
- With the Conversion with a Term rider reset option, Adam has lowered the overall cost of his coverage compared to a traditional conversion approach
- He converted his insurance coverage without having to provide any further evidence of insurability

Let's connect

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