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Warn Clients They Can Lose the Ability to Buy Life Insurance

However, USAA Life's president recommends compassion for late applicants.

By Allison Bell | August 07, 2023

Financial advisors should talk to clients about the importance of buying life insurance (<https://www.thinkadvisor.com/2023/07/31/permanent-life-insurance-and-a-volatile-market/>) as early as possible — and take a matter-of-fact approach to clients who are applying for coverage late.

Brandon Carter, president of USAA Life Insurance Co., gave that advice in a recent email interview.

"We believe that having your own life insurance and getting it while you are younger is the best approach," but "there's no perfect time to buy life insurance," Carter said.

In many cases, he said, clients decide to buy life insurance after someone close to them dies or their health deteriorates.

"It's like the concept of saving and investing," he said. "If we could have started saving earlier, we probably would have, right?"

What It Means

Your clients are up against the clock. You need to warn them, but show them that you're with them, not the clock.

Life Insurance and Time

Life insurers guard underwriting data carefully, but age clearly affects how likely clients are to qualify to buy life insurance at standard or better prices.

Having newly diagnosed cancer, for example, can make getting life insurance impossible.

About 7.5% of cancers are first diagnosed in people ages 20 through 44, according to the National Cancer Institute's Surveillance, Epidemiology and End Results program (<https://seer.cancer.gov/statfacts/html/all.html>).

In the 34 to 44 age group in 2022, the death rate was 256 per 100,000 lives, or 1 death per 390 people, according to the U.S. Centers for Disease Control and Prevention (<https://www.cdc.gov/mmwr/volumes/72/wr/mm7218a3.htm>).

Younger clients, especially, might not understand that underwriting life insurance based on health is legal, or how much getting older affects premiums.

Policygenius, for example, shows in its monthly index that, for a woman applying for \$1 million in term life insurance who is a nonsmoker, the monthly premium starts at \$33.77 at age 25, rises to \$43.70 at age 35 and climbs to \$90.29 at age 45.

USAA recently shared preliminary results from an online consumer survey of 1,114 U.S. adults ages 18 and older. About 26% of the participants who were 55 and older agreed that “you should get life insurance at an earlier age” is the message they would most likely tell their 10-year-younger selves about life insurance.

About 18% of the participants 35 through 54 said they would tell their 10-year-younger selves that.

The percentage of participants who reported having no life insurance was 57% for participants 18 through 34, 55% for participants 35 through 54 and 45% for participants 55 and older, even though 27% of the participants in all age groups said they expected to die suddenly, with less than a month’s notice.

Conversations

Carter said age was just one topic that financial advisors should bring up when talking to clients about the importance of buying life insurance sooner rather than later.

Another is the fact that consumers can’t simply take group life coverage from one employer to the next employer when they change jobs.

But life insurance does get more expensive as clients age, and “with life insurance, being proactive is better than being reactive,” Carter said. “None of us can predict when our health might change. But what we can predict is that we’ll be older next year. So, to protect our future insurability, and obtain the best rates, we should consider coverage at the youngest age possible.”

Pictured: Brandon Carter. Photo: USAA