



## LIFE INSURANCE

# Differences Between Employer (Group) and Individual Life Insurance

If you need more life insurance, you may be faced with a question: Do I purchase an “Individual” life insurance policy? Or, do I just get it at work? Sixty percent of employees have access to life insurance through work<sup>1</sup> (commonly referred to as “group life insurance”). How does this coverage differ from an “Individual” life insurance policy (purchased separately from work)? When does it make sense to buy an individual policy?

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**66%** of consumers agree they need life insurance and **57%** say they have coverage.<sup>2</sup>

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**4.2 YEARS** is the median number of years employees have been with their current employer.<sup>3</sup>

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**ONLY 12%** of those ages 30 to 34 are employed for at least 10 years with their current employer.<sup>3</sup>

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**48%** of employers offer life insurance as a benefit, a **23%** decline since 2006.<sup>4</sup>

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Policies issued by American General Life Insurance Company, Houston, TX, except New York, where issued by The United States Life Insurance Company in the City of New York (US Life).

## UNDERSTANDING EMPLOYER (GROUP) LIFE INSURANCE

### ✓ **BASIC Term Life Insurance Policy:**

For some, the policy coverage is a flat amount (e.g., \$25K of coverage). For others, it is based on one’s salary (e.g., coverage = 1 x salary).

- Advantages:
  - **Convenient**—Sign up at work, premiums get deducted from paycheck
  - **Guaranteed coverage**—No questions, no tests, no underwriting
  - **Free**—Generally free, regardless of age, health, etc.
- Disadvantages:
  - **Work-Related Restrictions**—Coverage typically requires “active” working status. If you become ill and unemployed before dying, the insurance may not pay.
  - **Not Portable**—Can’t take policy with you if you leave the employer. Next employer may not offer life insurance.

### ✓ **SUPPLEMENTAL Term Life Insurance Policy:**

Some employers offer the option to buy additional life insurance – which can be 2x salary, 3x salary, etc. This can be added to the “Basic” coverage.

- Advantages:
  - **Convenient**—Sign up at work, premiums get deducted from paycheck (if issued).
  - **Minimal Underwriting (if any)**—There may be some high-level medical questions (e.g., “Have you ever had a heart attack?”) or a medical exam.
  - **Potentially Lower Costs for Unhealthy**—Have health issues? Your premiums may be lower than for an “Individual” policy because they are based on covering a group (the young, old, healthy and unhealthy).
- Disadvantages:
  - **Work-Related Restrictions**—Like the “Basic” coverage, typically requires you to be “actively” working.
  - **Not Portable**—Can’t take policy with you if you leave the employer. If your next employer doesn’t offer “Supplemental” insurance, then you may need to purchase an “Individual” policy to maintain the same level of coverage – paying higher premiums based on your age and health.
  - **Increasing Premiums**—Typically, costs increase each year as you age.
  - **No Options**—Employer coverage typically offers few or no bells and whistles that an “Individual” policy may include.

## UNDERSTANDING INDIVIDUAL LIFE INSURANCE

### INDIVIDUAL Term Life Insurance Policy

A policy purchased from an insurance company or a licensed agent – outside of the workplace.

- Advantages:
  - **Potentially Lower Costs for Healthy**—Coverage is dependent on your circumstances via underwriting. Healthy people will typically experience significantly lower premiums compared to “Supplemental” insurance.
  - **Level Premiums**—Term policies lock in the premium for a fixed period (e.g., 10 years, 20 years).
  - **Portable**—Since this policy is not connected to your employer, it is completely portable, providing you continuous coverage.
  - **No Work-Related Restrictions**—This means that an “Individual” insurance policy is more likely to pay out benefits than employer-provided coverage.
  - **Multiple Options**—Can choose from large selection of term policies which offer variety of special features and riders that provide flexibility.
- Disadvantages:
  - **Underwriting process**—Policies are, typically, fully underwritten, meaning that your policy will be based on your health and other factors. There will be more questions than for the “Supplemental” insurance, and may include some medical tests.

### How do I decide what to do?

1. Always take advantage of free “Basic” employer-provided coverage.
2. Determine how much insurance you’d like to have.
  - Online calculators, available at [aig.com/calculators](https://aig.com/calculators), can help determine the right amount. Or, you can work with a licensed insurance professional.
3. Get quotes for both “Individual” and “Supplemental” group life insurance for the coverage needed in addition to the “Basic” employer policy.
  - Get an “Individual” life insurance policy quote from a licensed insurance professional.
  - Get the price for “Supplemental” coverage from your employer benefits office.
4. When making your decision, consider the features/benefits that are important to you.

#### FOR MORE INFORMATION

Feature/Benefit	SUPPLEMENTAL Employer Insurance Policy	INDIVIDUAL Insurance Policy
Convenient/Least Underwriting	✓	
Best Price – Healthy		✓
Best Price – Less Healthy	✓	
Level Premiums		✓
Portable		✓
No Work-related Restrictions		✓
Multiple Options/Features/Riders		✓

<sup>1</sup> Employee Benefits in the United States - March 2018, Bureau of Labor Statistics, July 20, 2018

<sup>2</sup> 2019 Insurance Barometer Study, Life Happens and LIMRA, 2019

<sup>3</sup> Employee Tenure in 2018, Bureau of Labor Statistics, September 20, 2018

<sup>4</sup> Hidden Currents: Under-the-Surface Changes in the Employee Benefits Market, LIMRA, 2018



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