



News & Types: Employment, Labor & Benefits Update

Masuda Funai Employee Benefits Newsflash - Life Insurance Conversion, the Forgotten Option

3/17/2022

By: Frank J. Del Barto

Practices: Employment, Labor & Benefits

When employees separate from employment, companies generally remember to provide such employees with information about continuing their medical, dental, and vision insurance coverages under federal Consolidated Omnibus Budget Reconciliation Act (“COBRA”) continuation coverage or the state equivalent continuation program. In contrast, few companies remind separating employees about the ability to convert their group life insurance coverage into an individual policy without the need for medical underwriting. For a separating employee with a medical condition (high blood pressure, heart condition, etc.) or a life-threatening condition, the ability to convert their employer provided basic life insurance coverage may be the employee’s only possibility to obtain or retain needed life insurance coverage.

When employer provided basic life insurance terminates due to an employee’s separation from employment, the former employee has the right to convert their employer provided basic life coverage into an individual insurance policy without the need to undergo any medical questions or exams. Former employees can apply for any amount up to, but not exceeding the amount of life insurance coverage they had under the active employee plan. To convert their basic life insurance, former employees must generally apply within 30 or 31 days of their termination date, or the conversion right is lost.

Although life insurance premiums for a conversion policy often exceed the life insurance premiums available in the individual insurance marketplace, this forgotten option becomes very important for separating employees with a medical or life-threatening condition. As a result, we recommend that all separating employees be reminded of their right to convert their basic life insurance coverage and the requirement to convert their coverage within 30 or 31 days of their separation date.