

Waiver of Premium Provision for Group Life Policies: Flexibility When Changing Carriers

Purpose of Waiver of Premium Provision

Changing group life insurance contracts can be problematic as most group life insurance policies stipulate that an employee must be actively at work at the time they become eligible for coverage. When an employee is not actively at work at that time, coverage generally becomes effective on the date he/she returns to active work status. In the case of employees who are not actively at work at the time of a change in life insurance carriers, there may be a gap in coverage.

Waiver of premium is a common provision included in most group life insurance policies, designed to address this issue and allow an employer the flexibility to move the contract to a new carrier. It is intended to provide continued life insurance coverage through an incumbent contract, for an employee who becomes totally disabled prior to the age specified in the group life insurance contract (typically 65 years of age).

The provision also suspends the employer's requirement to pay group life insurance premiums on behalf of a qualified claimant during the time the claimant is disabled, once the claim for waiver of premium has been approved. Typically, the waiver period (or discontinuance of premium) starts after a specified duration of disability, as indicated in the contract, and continues

“...designed to provide continued life insurance coverage without premium remittance if an employee becomes totally disabled prior to the age specified in the contract.”

until one of the following conditions occurs:

- employee is no longer disabled
- employee reaches the specified age limit (such as 65)
- employee dies

If you have employees who are disabled on the date you change life insurance carriers or when terminating your group life insurance contract, you will need to have them complete a Waiver of Premium claim form and an application for conversion of their group coverage to an individual policy, if they have not already done so.

Filing a Waiver Claim

The waiver of premium provision is generally activated as long as the waiver claim is filed/applied for by the employer within the specified amount of time from the disabled employee's initial date of disability (typically nine or twelve months). If an employer does not properly comply with this provision (for example, by waiting too long or not filing the claim at all), denial of life coverage to the disabled person may result.

Most insurance companies with which Mesirow Financial works will now automatically file waiver of premium claims on behalf of employers and qualified claimants if the insurance company provides both the life and long-term disability coverages.

Be sure to verify whether your current life insurance policy(ies) contains a waiver of premium provision. More importantly, make sure you understand how the provision works and file all claims on time.

For more information, please contact your Mesirow Financial representative.

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This article is intended as an overview and should not be viewed as legal advice. Please consult with your attorney if you have any questions.