

Term Life Insurance: Why the Lowest Price Isn't Always the Best Policy

When it comes to life insurance, **term life** is often the go-to choice for its affordability and simplicity. It offers straightforward death benefit protection for a set period - usually 10, 20, or 30 years - at a relatively low cost. For families with young children or people looking to cover temporary needs, it's a powerful tool.

But here's what many people don't realize: **term life insurance is highly commoditized**. Because policies appear similar on the surface, many buyers assume the cheapest premium equals the best policy. That's not always the case.

In reality, the **fine print matters**, especially when it comes to **conversion options** and **carrier stability**. Let's take a deeper look at what you should consider before signing that low-cost term policy.

Understanding the Real Value of Term Life Insurance

Term life insurance offers two major benefits:

1. **Mortality protection** – This is the traditional death benefit. It ensures your family receives a payout if you pass away during the term.
2. **Insurability protection** – This is the **conversion privilege**, which allows you to convert your term policy into a permanent one without undergoing another medical exam.

While most people focus on the first, **the second may actually be more valuable over time**. Why?

Because **less than 1% of people die during their term period**, but a much larger percentage experience health changes that make obtaining new insurance difficult. The ability to lock in your original health rating and **convert to a permanent policy regardless of your health** can be a financial lifesaver.

Why Conversion Privileges Matter

A strong conversion feature lets you extend coverage beyond the end of your term without needing to prove you're still in good health. This is especially important because:

- After 20 or 30 years, your policy ends and **renewal rates skyrocket**.
- If your health has declined, **qualifying for a new policy may be impossible or prohibitively expensive**.
- The **conversion allows continuity**, ensuring you maintain coverage at an affordable rate class—even if you're no longer healthy.

However, **not all conversion options are created equal**.

Some insurers limit your choices to a **single, outdated permanent product**—often with high premiums and limited benefits. This usually happens when your policy is taken over by a company that no longer actively sells new policies.

Carrier Stability: An Overlooked Risk

Here's a lesser-known but critical point: **many long-established insurance companies have exited the individual life insurance market in recent years.** When this happens:

- Your term policy is typically transferred to another insurer.
- Your original policy terms are still honored.
- The transition is legally seamless—but functionally limited.

Think of it like your home mortgage being sold to another lender. The terms stay the same, but your relationship changes—and so do your options.

If you want to **convert your term to permanent coverage** later on, you may discover the new carrier:

- **Doesn't offer competitive permanent products, or**
- **Isn't actively writing new life insurance at all**

This leaves you with limited, often costly conversion choices—even if your original policy had solid terms.

What to Look for When Choosing a Term Policy

To make sure you're not caught off guard in the future, consider these steps:

1. **Prioritize financially strong, committed insurers**

Choose a company with a strong history in the individual life market and a track record of offering competitive permanent products.

2. **Read and understand the conversion language**

- What products can you convert to?
- How long is the conversion period?
- Are the products still being actively sold?

3. **Think long-term, not just short-term premium cost**

A policy that costs a few dollars more per month may offer vastly better conversion privileges and flexibility.

4. **Work with a knowledgeable advisor**

An independent advisor can guide you through the complex details and help match your goals with the right carrier.

Final Thought: Don't Just Buy the Cheapest

It's tempting to grab the lowest quote and assume you're covered. But life insurance - especially term - is not just about the **cost**; it's about **value** and **options** down the road.

Your life and health will change. By choosing a **first-in-class insurance carrier** and understanding your policy's conversion terms up front, you protect not just your family, but your future self.

The best time to plan for that future is now—while you still have the **power of choice**.