

What Life Insurance Companies Never Tell You About Term Life Insurance

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A lot has been written about the merits of buying term insurance. The financial press and media often times say that the only form of life insurance to buy is term insurance. Don't be fooled. There is a dark **side**. It is about time you heard the flip side of the story.

Most life insurance companies never pay claims on term insurance. It is like the bunny in the battery ad. The insurance companies love beating the drum because they keep collecting the premiums without paying claims. The premiums just keep "coming, and coming, and coming."

The facts are in the survey. Penn State University did a survey in 1993 and this is what they discovered.

- Only 1% of term policies issued resulted in claims.
- After 15-20 years of exposure less than 1% of policies are still in force.
- **Less than 1 policy in 10 survives the term for which it is written.**

Chances are the policy will not be in force when you really want it.

Term life insurance has a cost. It may seem to be relatively inexpensive especially if you are younger but it is still a cost. Cost is an erosion of your wealth.

It is not only the cost but also the lost opportunity had you been to keep the money and invest it somewhere else. This is called Lost Opportunity Cost or "LOC". LOC can have a huge impact on one's ability to create wealth over time. LOC does not stop when you terminate the policy. It continues throughout your life span.

What is the best day to own term insurance? If you said the day you die you may think through that again. **It is the day you bought it.** It becomes a cost every day after acceptance day.

Lease vs. Own. When you buy term insurance you are leasing. It's just like leasing an apartment or home. The landlord usually requires a signed agreement. The agreement is for a very specific period of time and a specific dollar amount. Once the lease matures the Landlord has several options. The Landlord can insist you move out because he or she wants to take possession of the property. The Landlord can also renegotiate with a new term and most likely an increase in the monthly lease payment. If the lease payment is not affordable then you simply start looking for a new apartment or make a decision to own a home if you can afford it.

Insurance companies issue policies and determine premiums based on your health classification risk. The healthier you are the better the rates. If you are issued super preferred you will pay the cheapest rate available and that is a good thing. However the insurance

company is ecstatic because they just told you there is a very small probability of your death and a very strong possibility that they will be collecting premiums for a very long period of time.

Term Insurance is very profitable for Life Insurance Companies. It is one of their most profitable centers. It doesn't get any better than collecting premium and not having to pay claims.

Most people understand it is better to own a home then lease one. But most people don't understand that it is better to own life insurance then lease it. It becomes less affordable as your grow older. At that time you might decide you really do want it.