

AGING ~ LIFE INSURANCE PITFALLS

Over the past few months I have observed events that seem to form a pattern. This pattern encompasses our aging members and family. I see some pitfalls that have inspired me to just write out my observations and hope that someone else might learn from it.

To begin, my significant other recently lost his father. His name was Arthur. I've been up front and center watching the process of planning the funeral and then watching as the grieving family members sort through their loved one's important documents trying to figure out what Arthur would have said or done if he was still here. Trying to decipher documents is difficult with a clear head let alone when grieving and just wishing you could pick up the phone and ask 'where is your last will and testament; where are all your insurance documents; what do you want for a funeral; are there any special instructions with specific belongings you owned?' The family starts to recall passing conversations and comes to an agreement of the funeral arrangements. The last will is found but dated in the early 60's. The verbiage needed in Washington State to avoid probate is not there so probate is inevitable.

Years ago, when Arthur started to tell his kids he had purchased a life insurance with them as beneficiaries nobody wanted to hear him. It's a tough subject and who wants to hear your beloved parent telling you about life insurance and what you will get when he dies. Our parents are going to live forever, right? Sometimes it is easier to stick our head in the sand and not face one fact of life – death.

Anyway, back to the pattern. All those life insurances he purchased throughout the years that he tried to inform the family about turned out to be less than a good thing. Why? Well, several he recently purchased in his 70's were Accidental Death & Dismemberment (AD&D). For some people Accidental Death insurance is a good thing but maybe not so much for someone in his 70's who doesn't even drive a car. I'm certain Arthur knew his health would be his demise before an accident. Now who in their right mind at age 70 would pay a lump premium for an insurance that will only pay if you die of an accident? I'll tell you who; our aging parents that start feeling their mortality and want to provide for their families after they are gone. They don't hear 'accidental death' all they hear is life insurance OR maybe the insurance sales person doesn't emphasize the 'accident' part of that life insurance policy. Who knows? What I do know is many of our aging parents and loved ones need a checkup on what they think they have for life insurance. Out of the \$300+ thousand in life insurance policies Arthur had, only \$20 thousand of it was still valid true life insurance. Some policies were cancelled or no longer valid due to age and most of the recent policies purchased were AD&D. So when Arthur died of heart failure none of the AD&D policies would pay a claim. He would have had to run out and die of an accident or lose a limb to have a claim.

Many years ago Olympia Credit Union offered a group life insurance plan to its membership. After one of our members presented this insurance certificate to us when her spouse passed away, we looked back on old records and found that the group policy was dropped. This was not dropped by the credit union but dropped by the insurer as they terminated all business in Washington State. This insurance offer was before my time but I feel safe to say, we would have never offered it if we knew they could just drop us like that. A letter of notification was sent out to all who had this policy October 2004 to advise them of the canceled group coverage as of October 2005. Anyone paying for additional coverage saw their premiums stopped October 2005. We had only a handful of members on that policy so we were not able to find another insurance company to provide a group life policy. The only group policy

insurance we could provide was the accidental death and dismemberment (AD&D) insurance offers you see today.

Now do you see the pattern? I felt it necessary to let our members know what I am seeing and encourage you to review your life insurances to verify they are still valid. Are they the type of life insurance you think you have? Were they a group policy that has since been dropped? If you need assistance deciphering the insurances, ask a trusted family member or come to Olympia Credit Union for an insurance check up. We cannot sell you life insurance but we can certainly help you understand what you have. Then you can decide if it is enough or if you need to change what you have.

I honestly do not think Arthur knew what he had. I think he only saw the words 'life insurance' and thought he was doing a good thing for his family by purchasing the policies. He didn't like going to the doctor so a policy that he could buy without a medical exam was probably the selling point. Remember, that old saying, 'if it sounds too good to be true...'

I hope this article has inspired you to get that insurance check-up. It saddens me to see a spouse left behind thinking the life insurance will be there to take care of financial needs only to find out the insurance is not what they thought it was. If my observations can prevent just one person from being put in this predicament, then I did what I was inspired to do by the loss of Arthur; may he rest in peace.

Tammy Allender
CEO
Olympia CU