

Employer-Sponsored Group Term Life Insurance vs. Individual Life Insurance



When you start a new job, you may be given a benefits package that includes a life insurance policy. If so, this coverage is generally offered to all employees and is part of a larger group term life insurance policy – not to be confused with life insurance that you might purchase on your own from an insurer. Group coverage through your employer is likely to be automatic and have a relatively low coverage amount (typically based on your salary). It provides a benefit to your beneficiary if you pass away while actively employed.

Group Term Life Insurance

There are numerous benefits to employer-sponsored life insurance, but two of these benefits truly stand out:

1. It generally doesn't require medical underwriting, meaning that you will receive coverage no matter your health status or age. Simply being an employee of your company makes you eligible for coverage, which becomes effective shortly after you enroll in the plan.
2. Policy premiums may be supplemented by your employer, effectively giving you free or very low cost access to life insurance coverage.

If you are offered life insurance through your employer, it is probably wise to enroll. However, there are some disadvantages to this coverage, so you may want to consider supplementing what is offered by your employer with an individual policy of your own.

- Employer-sponsored life insurance coverage only lasts as long as your employment. If you leave the company, whether on your own or after having been asked to leave, your life insurance coverage will terminate (either immediately or after a short grace period). Note that some employers give employees the option to convert their coverage to an

individual policy; however, in this case, you will be responsible for the full cost of the premiums.

- The coverage offered by your employer may not be enough for the needs of your family. This type of policy usually offers a death benefit that is a multiple of your annual salary, often 150% or 200% of what you earn before taxes each year. Depending on your salary, whether or not you have a working partner or children, and the financial needs of your household, this may not be enough coverage to protect those you love the most from financial hardship in the event of your passing.
- Depending on the coverage amount and what portion of the premium is paid by your employer, the life insurance benefit may be taxable to the policy holder.

Note that Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) are both group term life insurance plans. SGLI offers up to \$500,000 of low-cost life insurance coverage to all active duty servicemembers for the duration of their active duty service plus 120 days after separation or retirement – after which coverage expires. SGLI does not require any underwriting. VGLI is a renewable term life insurance plan that covers all former servicemembers with up to \$500,000 of coverage, provided they apply within one year and 120 days of retiring or separating. Premiums are paid by the veteran, and premiums increase every five years. VGLI does not require any underwriting if the veteran applies for coverage within 240 days of the end of their active duty service.

Some companies do offer their employees the ability to purchase additional life insurance beyond the amount that is offered automatically – called supplemental life insurance. Supplemental life insurance normally has a higher coverage limit, but employees may have to be at least partially underwritten before qualifying for the coverage. Note, too, that this coverage is still tied to your employment. While the price may be right, it is unlikely to be portable. This should be considered when you are debating whether to apply for supplemental coverage.

Individual Life Insurance

Individual life insurance is life insurance that you purchase on your own, independent of your employer. Looking at plans offered by commercial insurers can raise a lot of questions. Do you want term or permanent insurance? If you want term insurance, how long do you want it to last? How much coverage do you want? How much are you willing to pay in premiums? Fortunately, once you understand the basics, the decision becomes much simpler.

Individual life insurance can either be term insurance, with coverage lasting for a set period of time (typically between five and 30 years), or it can be permanent insurance, with coverage lasting through the end of the insured's life. Term coverage only pays a death benefit if the insured passes away while the term is active, while permanent policies always pay a benefit provided the policy is in good standing. Whether term or permanent coverage is right for you depends on your goals. Here are a few examples:

- If you are a new parent, a 20-year term policy would provide income until your child has completed high school, and a 25-year term would cover the costs of college.
- If you have a lifelong dependent, a permanent policy would provide a death benefit no matter the timing of your passing.



- If you just purchased a house, a 20-year or 30-year policy would correspond to the length of your mortgage payments, after which your family's need usually lessens.
- [Read more about term and permanent insurance.](#)

Purchasing an individual life insurance policy outside of an employer-sponsored policy gives you some level of protection after you retire, quit, or otherwise leave the company. In other words, regardless of your employment status, your coverage travels with you. This offers peace of mind if you face job insecurity or if the economy takes a downturn after your family's military service ends.

Further, with an individual life insurance policy, you are likely able to get more coverage than you can through your employer. Commercial insurers often offer coverage limits up to \$1 or \$1.5 million, providing protection through all of life's ups and downs: purchasing a new home, welcoming a child, sending a teenager to college, and retiring. If you were to pass away, the higher coverage amount offered by an individual life insurance policy can help your family members meet their financial goals and avoid the strain that comes with paying for end-of-life costs or medical bills.

Note that most commercial insurers do require underwriting, especially at higher coverage amounts. For people with serious illnesses, this could mean that they do not qualify for coverage, or, if they do, that they would have to pay higher premiums. If you are concerned about your health, you could look for insurers that offer "guaranteed issue" or "final expense" coverage. These products do not require a medical exam, but typically offer lower coverage amounts and higher premiums.

Note: Permanent insurance is more expensive than term insurance because it guarantees the payment of a death benefit. However, both permanent and term insurance are less expensive the younger you are and the healthier you are when you apply for coverage. It pays to consider purchasing coverage now!

Which Is Better, Employer-Sponsored or Individual Life Insurance?

Neither employer-sponsored group term life insurance nor individual life insurance is necessarily better than the other. If you can get low- or no-cost coverage through your employer, it makes sense to do so in case you pass away while still working for the same company.

However, many families have needs that go beyond the level of coverage offered by their employer and would benefit from receiving the benefit paid by an individual policy as well. Based on the duration of the expected need for coverage, a term or permanent life insurance policy may be more appropriate for your family's needs. An insurance representative or financial planner can help you determine your coverage needs and create a solution that works for you.

Navy Mutual offers term and permanent life insurance coverage in amounts of up to \$1.5 million to servicemembers, veterans, and their families. For more information, download our [Life Insurance LookBook](#) or get in touch with one of our representatives by calling [888-300-9331](tel:888-300-9331). We're here to help.