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## **Benefit Facts Article**

### **Permanent Life Insurance Premiums Are Facing Significant Increases**

Individual permanent life insurance premiums are expected to increase by as much as 30% in the upcoming months. One major Canadian insurance company has announced that they are increasing their rates on October 15th and of course others will soon follow.

There are two factors that make these premium rate increases necessary and might actually threaten the long term sustainability of these products. The first is that bond yields have decreased substantially in the last ten years. Life insurance companies in Canada invest the premium money they receive from permanent policyholders in safe assets like bonds. While bond yields in the year 2000 were 6.3% they are now almost 50% less at 3.3% and they're expected to stay low into the foreseeable future.

The second factor is that the Canadian insurance industry is going to be obliged to adopt to new international accounting standards that require them to put more capital into their business. The primary reason for this is because strong price and benefit guarantees are included in most permanent products that Canadian consumers currently enjoy.

Broadly defined life insurance products can be broken into two categories; **term** and **permanent**. Initially term insurance is a very inexpensive product. It's easy to understand and provides a benefit for a set period of time; The most popular being ten or twenty years. One of the main drawbacks of term insurance is that for most people the coverage expires before you die. Therefore, even though you will pay premiums for a long period of time your estate or beneficiaries won't receive any benefit. Further, as you get older, the price of term insurance increases dramatically and often makes it unfeasible for you to continue to keep the coverage.

Permanent insurance on the other hand, will provide you with a guaranteed amount of coverage for your entire life. It provides you with an opportunity for a guaranteed cost with a payment period of your choosing. It's an excellent financial protection product and estate planning tool. Whole Life and Universal Life are permanent life insurance products.

I recommend that you contact a Life Insurance Broker as soon as possible to discuss your particular circumstances to see if permanent life insurance is right for you now or in the near future. And due to pricing differences be sure to speak to more than one or two Advisors to ensure that you get the best product and premium available. Premiums will never be lower than right now, so don't delay.