

WHAT IS IT?

Employee or employer-paid life insurance that provides term life coverage for spouse/domestic partner and/or children.

WHY OFFER IT?

- Financial security for employees and their families.
- Proceeds are tax-free to beneficiary.
- Group-sponsored plans generally offer coverage up to certain limits without proof of insurability, assuming minimum participation requirements are met, allowing employees to purchase coverage for otherwise uninsurable dependents.
- Offers employees the convenience of purchasing coverage through company-sponsored plan via payroll deductions.

WHAT TYPES OF EMPLOYERS OFFER IT?

All types of employers offer spouse and dependent life insurance coverage. Most commonly offered by companies with high dependent ratios, where at least 10-25% of employees will enroll.

WHAT SIZE EMPLOYERS OFFER IT?

Employers of 100 or more employees are generally able to offer dependent life coverage with some level of guarantee issue.

WHAT ARE THE CRITICAL UNDERWRITING OR PARTICIPATION REQUIREMENTS?

- Premiums are based on plan design, coverage amounts, employer industry classification, and employee demographics.
- Insurers typically require 10-25% participation in order to offer some level of guarantee issue.
- Spouse and domestic coverage can be limited to a percentage (50% or 100%) of employee's coverage, and child coverage is typically limited to \$10,000.
- Child coverage typically does not require evidence of insurability.

WHAT'S NEW IN THIS AREA?

- Terminal illness benefits allow an insured to receive up to 50-80% of their death benefit amount upon being diagnosed with a terminal illness.
- Portability provision allows an insured to keep all or part of the death benefit coverage in force upon termination or retirement at the group rates (subject to state availability).

HOW MUCH DOES IT COST?

Spouse and domestic partner premium rates are age rated. Coverage for children is usually quoted per unit covered.

Note: Dependent life insurance purchased directly from a carrier specializing in such coverage may be less expensive than employer-sponsored dependent life. This is because employer-sponsored plans generally offer some form of guarantee issue benefit while individual life insurance is always medically underwritten.

INFORMATIONAL LINK(S)

- [Life Insurance for Children](#) (Insurance.com)

PROS AND CONS

PROS

- Offers employees the convenience of acquiring and paying for dependent life insurance through the workplace with payroll deductions.
- Per IRC Section 79, dependent life insurance is not taxable to employees if benefit is less than \$2,000.

CONS

- Requires administrative work, especially when dependents must submit evidence of insurability.
- Coverage remains in force as long as the master contract is in force unless employee converts coverage, which usually requires a premium increase.
- Carriers may require minimum participation to keep the plan in place.

NOTES

- To avoid additional administrative work involved with imputed income calculations, some employers limit dependent coverage to \$2,000.
- Dependent life insurance is not a qualified benefit, and therefore cannot be funded with pre-tax contributions.
- Waiver of premium provision allows coverage to remain in force during total disability without requirement of continued premium payment.
- Portability riders may be added to allow employees to keep the insurance after terminating employment (subject to state availability).



This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization.