



Juvenile life insurance

When it comes to your customers applying for a juvenile life insurance policy, there are specific things you can do to make the underwriting and approval process go more smoothly and quickly.

Your customers most likely understand the benefit of putting aside emergency funds, securing life and disability insurance, and saving for their retirement. As a parent, however, they may wonder if there is anything else they could do to help secure their children's future. The answer is, yes. Parents and grandparents can consider juvenile life insurance.

Juvenile life insurance is frequently sold as part of a combined financial plan of savings and insurance. Since insurance on a juvenile is relatively inexpensive because of their young age and good health, even a small amount of excess premium will generate some investment into a UL policy. Plus, it provides for the future insurability of the child as an adult.

When it comes to underwriting juvenile policies, due to the young age and good health, more focus is put on financial rather than medical. However, if there is a medical condition to consider, it is important to know that certain juvenile medical conditions can only be secured with an Attending Physician (APS) report. So, the more details you give about the medical condition, the faster the APS will be requested.

General financial underwriting

Financial underwriting is the process of gathering and assessing information to ensure an application for insurance is consistent with the likelihood of financial loss in the event of a claim. Unlike medical underwriting, much of financial underwriting is based on principles governing the appropriate level of coverage in a given set of circumstances.

The primary objectives of financial underwriting are:

- Minimizing anti-selection/early claim
- Preventing suspicious or fraudulent claims
- Reducing the risk of early lapse

In order to assess the above, we require the following information:

- Reason for coverage
- How sum assured has been calculated
- Financial position: income, profits, net worth, debts, valuation etc.
- Details of existing insurance coverage

Financial underwriting for juveniles

Why do we care about the amount of insurance on a juvenile?

When it comes to insuring a child, there are moral underwriting concerns that most often do not come into play with adults, such as child maltreatment. Child maltreatment, which refers to the harm, or risk of harm, that a child or youth may experience while in the care of a person they trust or depend on, including a parent, sibling or other relative, is a serious public health issue. These concerns must be considered when underwriting a juvenile policy application.

The value of life insurance for children is also the subject of some debate. While some financial experts say it's totally unnecessary, others see it as a useful way to ensure wealth and peace of mind for your offspring. In the U.S., some states have restrictions on what the face amount of a child life insurance policy should be. In Canada, there are no restrictions but, as a general guideline, the sale must make sense in the context of the family's income and net worth. Plus, the parent's own insurance needs should be taken care of first.

People are talking...

Talk on the street about financial underwriting on juveniles is mixed. To help you understand the reasons why financial underwriting is needed for juveniles, here are both sides of that discussion.

Against financial underwriting

From Forbes Finance Council: The point is, if no one will experience an economic loss as the result of an individual's death, there is no need for life insurance. Parents and Grandparents will certainly suffer an emotional loss, but rarely will this create a debilitating economic loss for the parents or family. In truth, there may be better ways to secure the financial needs for the child.

Would you buy a car for your four-year-old child just because they might need one when they get older?

In favour of financial underwriting

From streetdirectory.com: We hear about unfortunate stories all the time and we never expect things to happen in our lives. Planning for unforeseen or unexpected events is what insurance is all about. Putting a life insurance policy in place for an infant or child guards against the unforeseen or unexpected events that may happen in your child's life. Because there are clearly two sides to this issue, when presenting your case to an underwriter, it is important that you provide the following information:

- Why is the insurance needed?
- What is the purpose of the insurance?
- Who is also being covered?
- How it is not over-speculative, or anti-selective?
- How it is not suspicious or morally unethical?
- How does it all make sense?

Guidelines from ivari for juvenile insurance applications

Simply put, the sale must make sense in the context of the family's income and net worth, and the parent's own insurance needs should be taken care of first. The primary wage earner should be covered for at least 2x as much as his/her children. Then, the following should be considered as a guide for juvenile policies:

- Insurance is capped to 50% of the higher maximum amount of insurance on the parents
- All siblings are covered with the same amount of insurance
- Over 250,001 financial evidences are required on the parents
- No more than 10% of the household's salary should be spent on the family's insurance needs

We're here to help!

If you have customers considering a juvenile policy and you have questions or concerns, please contact your regional Sales Director.

