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Life Insurance is often a core component of a Group Benefits plan.

As the name suggests, life insurance is a protection for you loved ones or business partners that pays a pre-defined amount of money, often tax-free, in the event that the life insured dies.

Although it sounds morbid to make money from the death of loved-ones, it can be very important to have. Imagine yourself in a situation where yous spouse, or child, passes away and you don't have the funds necessary to give them a proper funeral. Even if you do have the funds for a funeral, do you have enough money to keep up the lifestyle that that your spouse's income helped create? Do you have enough money to take time off work to grieve over the loss of a loved one?

Even from a business perspective, if your business partner passes away, do you have enough money to buy out your partner's widow who had inherited his portion of the business?

It doesn't take much to realize that life insurance holds an important place in group benefits.

The amount of life insurance you get in your group benefits plan depends on the plan design. Often, a formula is used that is based on your annual salary. It can be 1 times salary, 2 times etc. So if you earn $50,000 and the formula says 1 times salary, your life insurance will be in the amount of $50,000. If it's 2 times salary, it will be $100,000.

It's important to note that on smaller groups, you might have to prove you are healthy (it's called proving insurability in the industry) to get larger amounts of life insurance. The plan might have a provision that states, the employee can get up $50,000 without proving insurability or up to $100,000 proving insurability.

It's important to note, that most often, this insurance only covers you while you are part of the group benefits plan. That usually means, when you stop working for the company, you are no longer covered. Keep in mind though, in some cases, you can convert your group coverage to a personal plan within 30 days after of you leaving the plan. It's best to contact your plan administrator for exact details since all plans can be different.

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