

LIFE INSURANCE CASE STUDY

# Converting Term to Permanent Life Insurance

## Client

A 52-year-old Senior Executive

## Assessment

Having purchased a 20-year, $500,000 term life insurance policy at age 32, the client was facing policy expiration within 6 months. While the original coverage was intended for basic mortgage and family protection, the client's financial priorities shifted toward estate planning and leaving an income-tax-free legacy. However, a recent diagnosis of Type 2 diabetes and hypertension made applying for a new underwritten policy cost-prohibitive, with expected substandard premiums exceeding $1,200/month or facing outright decline.

## Solution

The agent executed the policy's contractual Term Conversion Option, converting $250,000 of the expiring term policy into a Permanent Whole Life policy while letting the remaining balance expire. Because the conversion required zero medical underwriting or health questionnaires, the client locked in permanent coverage using their original "Preferred Best" health rating from age 32.

## Result

The client secured $250,000 in lifelong coverage without new medical underwriting, locking in a level premium of $410/month. The new policy immediately began building tax-deferred cash value—hypothetically illustrated to reach $85,000 by age 65—providing flexible equity for supplemental retirement income or estate liquidity.

## Summary

A term conversion option allows policyholders to transition temporary term coverage into permanent life insurance without new health underwriting. It can help preserve future insurability options, helping provide lifelong protection and tax-advantaged cash value growth.

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