

What your family needs to know about your life insurance policy

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You've protected your family by buying life insurance, but you're not done yet — you have to share the details with them.



Do you remember those “set it and forget it” rotisserie infomercials? While buying life insurance can have the same set it and forget it feel, there's another important step to take after purchasing a life insurance policy before you can consider the job of protecting your family done: You need to share this important information with your beneficiary (your spouse, your children, a sibling, a business partner — whoever you've designated on your policy).

It's vital to tell that person or persons not only that you've taken out a policy, but also which life insurance company is holding it. Without this critical knowledge, your beneficiary may not be able reach the insurer to submit a claim.

In 2013, it was widely reported that the New York Department of Financial Services and New York-based life insurance companies had recovered more than US\$1.1 billion in unclaimed life insurance benefits. In response, the American Council of Life Insurers pointed out that life insurers paid benefits totaling \$1.1 trillion in the U.S. over the past 25 years, and in the normal course of business, 99% of claims made for benefits were paid promptly. In other words, unclaimed life insurance benefits represent a very small percentage of total claims paid.

Nonetheless, you don't want your policy to be in that small percentage. Buying life insurance is one of the most unselfish things you can do. You purchase the policy and pay

the premiums to ensure the people you love receive a benefit when you die. You intend to provide for them financially in your absence, to leave them a significant legacy or at least to help pay for your funeral. But if your beneficiaries don't know they're named on your policy, which life insurance company holds the policy or even how to file a claim, your good intentions won't be realized.

Have a talk with your family

A 2013 survey report from BMO Financial Group revealed that Canadians understand the importance of talking to family members about their estate plans but need some help in providing the details. Discussing life-and-death matters may be uncomfortable, but it's important to leave family members with clarity and order so that your estate may be distributed and administered smoothly.

To make this easier, the Canadian Life and Health Insurance Association, a voluntary association whose member companies comprise 99% of Canada's life and health insurers, has produced Your Virtual Shoebox Guide, an interactive tool to help people keep track of important personal and family documents — everything from insurance policies, bank accounts, investments and mortgages to health records and will and estate information.

If you find it too difficult to broach this topic with your family, consider making your financial advisor part of the conversation. He or she could act as a facilitator and could provide other resources to help you tackle the topic.

While buying life insurance isn't anything like buying a rotisserie from the "set it and forget it" guy, people do often buy insurance policies and forget them. But by having open, honest and comprehensive conversations with your family regarding your estate plans, you can help ensure that everyone gets all benefits you have intended for them.