

What to Expect From Life Insurance in 2021

Lower rates for some applicants and more no-exam policies

The coronavirus pandemic has brought life insurance to the top of the priority list for many Americans. Fully a third of consumers last year reported that they had purchased or were planning to purchase new or additional life insurance, according to a survey from Lincoln Financial.¹

Looking Back on 2020 and Ahead in 2021

“Anytime you have an event that’s as impactful as COVID-19 has been, that threatens mortality, the demand for life insurance goes up,” says Byron Udell, president and CEO of Accuquote. “It happened in 2001. After 9/11 we had an immediate spike in demand that never really went down.”

Along with the pandemic's increased demand for life insurance came some hurdles to issuing new policies—chiefly the perceived danger of face-to-face interaction with a medical examiner—so companies had to make adjustments. Some customers faced difficulty getting policies last year if they had COVID-19 risk factors.

As the industry turns to 2021, experts anticipate further evolution in how insurance companies are addressing the challenges of COVID-19. Here’s what’s on tap from the life insurance industry this year:

Lower Rates for Consumers Without COVID-19 Risk Factors

Some insurance carriers have increased underwriting restrictions for people with comorbidities associated with a higher risk of death from COVID-19, such as diabetes or cardiopulmonary disease.

“But for customer segments who represent very low mortality risk related to COVID-19—people in their 30s and 40s with no underlying conditions—we’ve seen rates come down, and for non-smokers specifically,” says Jennifer Fitzgerald, CEO and co-founder of Policygenius. “I think we can expect to see more of that in 2021.”

Insurers Softening Restrictions Related to COVID-19

Last year, insurance carriers imposed a number of limitations related to the coronavirus. For instance, many stopped offering temporary coverage, which is coverage while you’re going through the underwriting process. Some also required customers to wait 30 days after international travel to apply for insurance.

“Some carriers weren’t issuing to anybody over 70, period,” Udell says. “Then that became really stupid. They eventually backed off of that. I expect insurance companies to soften up their requirements as they become less concerned about the risk of COVID-19 affecting mortality.”

While many carriers have started offering temporary coverage again, some still impose a 30-day waiting period following international travel. And no one is certain how carriers will respond to customers who've gotten the COVID-19 vaccine.

“It’s too early in the vaccine development and distribution process for carriers to commit to any related adjustments in pricing or underwriting,” Fitzgerald says. “But it’s something we’re keeping a close eye on.”

More No-Exam Life Insurance Offerings

“Medical exams have become more difficult to administer, especially in the last eight months,” Fitzgerald notes. As a result, many carriers have started offering no-exam life insurance policies up to a certain face value, or increasing the face value they’ll now issue with no exam. For instance, SBLI has raised its no-exam face value limit to \$750,000 from \$500,000.

Other companies are offering a “maybe no exam” option in which they reserve the right to order an exam, but you might not have to have one.

“Almost all the carriers have developed some way to issue on a maybe-no-exam process,” Udell says. “And they continue to raise the limits, because if they don’t, they’re going to lose to companies that have the higher limits for those cases.”

More Hybrid Life Insurance Policies

Hybrid life insurance policies incorporate certain features of [long-term care insurance](#) policies—giving consumers some benefits of both. For example, a hybrid product might have slightly higher premiums but allow you to pull money out for long-term care expenses, reducing the death benefit dollar for dollar.

“This is a category that has grown tremendously in the past five years, mostly on permanent products, and it’s very popular,” Udell says. “Most carriers that don’t have these features available are playing catch up at the moment and will likely be introducing these options moving forward.”

Guaranteed Universal Life Insurance May Be on the Way Out

Guaranteed [universal life insurance](#) is a type of permanent life insurance in which you pay a guaranteed annual premium for your entire life. “It’s sort of like term [insurance] forever,” Udell says.

As interest rates continue to stay low, an increasing number of companies are dropping the insurance offering because it’s no longer profitable. “Those products are drying up like crazy,” Udell says. “If we don’t see some interest rate increase, most of the remaining carriers still issuing the product will raise prices dramatically or pull out.”

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1. **Lincoln Financial Group. "COVID-19 Raises Importance of Life Insurance and Drives Consumer Purchase Intent, Study Shows." Accessed Jan. 16, 2021.**

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