

# Final Expense: What's the difference between Level, Graded, Modified, and Guarantee Issue?

## Level Policies

- **Applicant Health:** Excellent
- **Benefits Eligibility:** Immediately after death

Level Policy benefits are given to applicants in excellent health. Level benefit means once the policy is issued the insured's beneficiaries are eligible for the full death benefit immediately after death occurs.

## Graded Policies

- **Applicant Health:** Minor health conditions(s)
- **Benefits Eligibility:** 2-year waiting period

Health conditions vary by carrier, but as an example, having Parkinson's, systemic lupus, liver disease, or COPD might place your client in a Graded plan. Graded Policy benefits usually have a two year waiting period before the entire death benefit can be paid to a beneficiary. If death (non-accidental) occurs before two years, the policy will only pay a percentage of the death benefit.

For example, if death happens in year one, only 30% of the death benefit will be paid. If non-accidental death occurs in year two, 70% death benefits will be paid. Death in year three or later will pay 100% of the death benefit.

## Modified Policies

- **Applicant Health:** Serious health condition(s)
- **Benefits Eligibility:** 2-year waiting period

Like Graded plans, carriers have health conditions that would place your client into a Modified plan, such as alcoholism, angina, stroke, aneurysm, or cancer. Modified Policy benefits usually have a two year waiting period before the entire

death benefit is paid to a beneficiary. If non-accidental death occurs before two years, the policy will only pay a return of premiums plus a percentage.

For example, if death (non-accidental) happens in year one, the premiums will be returned plus 10% will be paid. If non-accidental death occurs in year two, premiums paid are returned plus 20%. Death in year three or later will pay 100% of the death benefit.

## **Guaranteed Issue Policies**

- **Applicant Health:** Not applicable
- **Benefits Eligibility:** 2-year waiting period

Guaranteed Issue Policy benefits are very similar to a Modified policy, but more expensive since there is no health underwriting. GI has a two year waiting period before the entire death benefit can be paid to a beneficiary. If death (non-accidental) occurs before two years, the policy will only pay a return of premiums plus a percentage.

For example, if non-accidental death happens in year one, all premiums paid will be returned plus 20% . If non-accidental death occurs in year two, all premiums paid are returned plus 20%. Death in year three or later will pay the full benefit.

The conditions and percentages shown above are only examples, and vary by carrier and plan. But with most insurance products, the healthiest clients pay the lowest rates.