5Star Life Insurance Company: Comprehensive Study Guide

This study guide provides an in-depth review of the history, product offerings, and specific policy features of 5Star Life Insurance Company. It is synthesized from organizational records and product brochures to assist in understanding the company's evolution and its specialized voluntary benefits.

Part 1: Short-Answer Quiz

Instructions: Answer the following questions in two to three sentences based on the provided source materials.

1. **What was the primary reason for the founding of 5Star Life's parent company, AFBA, in 1947?**
2. **How has 5Star Life's market focus evolved since its establishment in 1996?**
3. **What is the specific function of the Claims Ambassadors located in the Lincoln, Nebraska office?**
4. **How does the "Portability" feature of the Family Protection Plan benefit an employee who leaves their current job?**
5. **What are the two medical conditions that trigger the Quality of Life (QoL) Rider benefits?**
6. **Under the Family Protection Plan, what is the "Terminal Illness Acceleration of Benefits"?**
7. **Describe the "Protection You Can Count On" provision regarding the timing and amount of beneficiary payments.**
8. **According to the FPPi (Individual) flyer, how is the monthly benefit amount calculated under the Quality of Life Rider?**
9. **What are the age eligibility requirements for the Family Protection Plan and its associated child coverage?**
10. **In which states is the Family Protection Plan Individual (FPPi) coverage currently unavailable?**

Part 2: Answer Key

1. **AFBA's Founding:** AFBA was founded because commercial insurance companies at the time refused to pay life insurance benefits if a servicemember died in combat. 5Star Life was later established in 1996 to continue providing tailored coverage for the unique needs of service members.
2. **Market Evolution:** Originally focused on AFBA members and service life, 5Star Life expanded into the employer group and worksite benefits markets starting in 2003. Today, it offers a customizable portfolio of employee benefit plans, including life, accident, and healthcare indemnity insurance.
3. **Claims Ambassadors:** Established in the Lincoln, Nebraska office in 2017, Claims Ambassadors assist beneficiaries, family members, and business partners. Their primary role is to help these individuals navigate the complexities of the claims process during difficult times.

4. **Portability:** Portability allows coverage to continue with no loss of benefits or increase in cost even if an individual terminates their employment. Once the first premium is paid, the company simply transitions to billing the policyholder directly.
5. **Quality of Life Triggers:** The rider is triggered by the permanent inability to perform at least two of the six Activities of Daily Living (ADLs) without substantial assistance. It is also triggered by permanent severe cognitive impairment, such as Alzheimer's disease or dementia, requiring substantial supervision.
6. **Terminal Illness Acceleration:** This benefit pays 30% of the coverage amount (25% in CT and MI) as a lump sum if the insured is diagnosed with a terminal condition. This condition must be expected to result in a life span of less than 12 months (24 months in IL).
7. **Protection Provision:** 5Star Life aims to mail 50% of the coverage amount or $10,000 (whichever is less) to the beneficiary within one business day of notification. This rapid payment is standard unless the death occurs within the two-year contestability period or is under investigation.
8. **QoL Calculation:** The rider accelerates a portion of the death benefit on a monthly basis, typically 3% or 4% as scheduled by the employer. For a $100,000 policy, this results in a monthly payment of either $3,000 or $4,000, payable up to 75% of the total face value.
9. **Age Requirements:** The Family Protection Plan provides group term life insurance up to age 121, though the QoL rider is not available for those aged 66–70. Child coverage is available for children of employees or spouses from age 14 days up to 19 years (or 26 if a full-time student).
10. **FPPi Geographic Exclusions:** Individual term life insurance coverage under the FPPi is available in most states and some U.S. territories. However, it is explicitly not available in California (CA), Delaware (DE), North Dakota (ND), New York (NY), South Dakota (SD), and the Virgin Islands (VI).

Part 3: Essay Questions

Instructions: Use the source information to develop comprehensive responses to the following prompts.

1. **The Evolution of 5Star Life:** Trace the historical timeline of 5Star Life from the founding of AFBA in 1947 to the present. Discuss how the company's product launches and office expansions reflect its growth from a niche provider for military members to a global competitor recognized by Forbes.
2. **The Mechanics of the Quality of Life Rider:** Analyze how the Quality of Life Rider functions as a "living benefit." Contrast the benefits received by the policyholder during their lifetime with the remaining benefits intended for the beneficiary, using the $100,000 policy example as a model.
3. **Strategic Support for Brokers and Employers:** Based on the company's "Who We Serve" segments and support features, explain how 5Star Life positions itself as a "Partner of Choice." Consider the roles of the broker blog, the Lincoln administration office, and customizable plan portfolios.

4. **Comparative Analysis of Benefits:** Compare and contrast the "Terminal Illness Acceleration of Benefits" with the "Quality of Life Rider." Detail the different medical triggers, payment structures (lump sum vs. monthly), and the impact each has on the final death benefit.
5. **Market Need and Consumer Trends:** Reference the 2018 Insurance Barometer Study data cited in the source context. Discuss the discrepancy between the perceived need for life insurance and actual coverage, and explain how features like "Guarantee Issue" and "Payroll Deduction" aim to bridge this gap.

Part 4: Glossary of Key Terms

- **Activities of Daily Living (ADLs):** Six basic tasks (such as eating, bathing, or dressing) used to measure functional mobility; inability to perform two of these triggers QoL benefits.
- **AFBA:** The parent company of 5Star Life, founded in 1947 to provide life insurance to servicemembers in combat.
- **Cognitive Impairment:** Deterioration or loss of intellectual capacity, such as Alzheimer’s or dementia, requiring substantial supervision.
- **Contestability Period:** A two-year window after a policy is issued during which the insurer may investigate a claim; rapid benefit payment may be delayed during this time.
- **Critical Illness Insurance:** A product providing financial protection upon the diagnosis of specific conditions like cancer or cardiovascular disease.
- **Defined Benefit:** A specific, pre-determined amount of insurance coverage (e.g., $25,000 or $50,000) selected by the policyholder.
- **ExpressEnroll:** A proprietary technology exclusive to Voluntary Insurance Partners, LLC used for enrollment processes.
- **FPPg:** Family Protection Plan Group; term life insurance offered through employer groups.
- **FPPi:** Family Protection Plan Individual; term life insurance offered to individuals.
- **Guarantee Issue:** An enrollment feature where eligible employees are approved for specific coverage amounts (e.g., $100,000) without standard medical underwriting during open enrollment.
- **Healthcare Indemnity:** Insurance that pays cash benefits directly to the insured when they are hospitalized or receive covered medical treatment.
- **Portability:** A policy feature allowing an individual to keep their insurance coverage at the same cost after leaving their employer.
- **Quality of Life (QoL) Rider:** An optional benefit that accelerates a portion of the death benefit to the policyholder while they are still living, following the diagnosis of a chronic illness or cognitive impairment.
- **Terminal Illness Acceleration:** A provision allowing a policyholder to receive a portion of their death benefit in a lump sum if diagnosed with a terminal condition and a life expectancy of less than 12-24 months.
- **Voluntary Benefits:** Insurance products offered through employers that employees choose to opt into and typically pay for via payroll deduction.