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# Insurance agents: Nothing sinister in taking out policy on child

Local insurance agents say it's not uncommon for a parent to buy life insurance for a child, an issue that has been raised recently as the investigation of missing toddler Ayla Reynolds enters its third month.

BY BEN MCCANNA / MORNING SENTINEL

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**WATERVILLE** — Local insurance agents say it's not uncommon for a parent to buy life insurance for a child, an issue that has been raised recently as the investigation of missing toddler Ayla Reynolds enters its third month.

The role of life insurance for children has emerged as an issue since Ayla's mother, Trista Reynolds, contends that she learned from state police that Ayla's father Justin DiPietro bought a policy on the child. Reynolds shared the information on [www.aylareynolds.com](http://www.aylareynolds.com), a family-run website. Ayla was 20 months old when she was reported missing Dec. 17.

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Ayla Reynolds



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Local insurance agents said the reasons for buying insurance for a child vary from making the child easier to insure later in life to providing money for college or beyond and most parents don't buy a policy with an eye toward collecting a benefit if the child dies.

The lack of information about the investigation into the toddler's disappearance has raised the question what role the insurance policy plays. State police won't confirm the existence of the policy and Ayla's father, Justin DiPietro, could not be reached for comment.

Covering children with life insurance policies is routine, according to a senior official at the state agency that regulates insurance companies and brokers in Maine said.

"Parents having life insurance on their children is not at all uncommon. In fact, many group life insurance plans have dependents' coverage because children do pass away," said Tom Record, senior staff attorney for the Maine Bureau of Insurance.

Charles Reeves, a family-law attorney in Waterville, said he would never consider buying a life insurance policy on a child, but added that the existence of a policy doesn't signify something illegal in the Ayla investigation.

Three Waterville insurance brokers said this week buying a life insurance policy for children is a logical and responsible thing for a parent to do.

John Fortier, an insurance salesman, said he often sells cash-value policies to parents. He has policies on all his children, and his father bought a policy on him.

That type of policy is transferable and it serves as a savings account.

Naturally, if a child dies, the parent receives the benefit. However, that isn't the intent, he said.

"No parent that I have ever known bought a life-insurance policy looking for a death benefit," he said. "They're always looking to guarantee the insurability."

Buying a life-insurance policy ensures a child will always be eligible for coverage. Common chronic illnesses such as asthma and diabetes that develop as a child grows can keep a person from getting insurance, which often hinges on whether the person has a pre-existing condition. If parents buy a policy for a child early in life, however, that coverage is guaranteed for a lifetime, as long as the premiums are

paid.

Also, the earlier a person is insured, the smaller the premiums will be.

Fortier said the minimum coverage he sells for a cash value policy is \$50,000. It costs about \$20 a month.

As the child grows, so does the cash value of the policy. The premiums that are paid into the policy gain compound interest, currently at 4.25 percent, just like a savings account.

Unlike a savings account, however, the interest isn't subject to taxes until a withdrawal is made.

At age 18, the child can take ownership of a cash value policy and withdraw the accumulated money, but many times a parent will retain ownership of the policy until the child is financially stable enough to pay.

"In my own case, I handed over the ownership of the policies once my kids got through college, once they became self-sustaining and had the ability to pay for them."

Doug Legg, another Waterville insurance salesman, said it's not unusual for a parent to buy a policy on a child. He added that term policies, particularly riders to a parent's policy, are a low-cost option for parents who don't have a lot of money.

"The cost is very, very small," he said. "It could cost \$25 per year, which covers all children in your family."

The minimum rider to a term policy is \$5,000, Legg said.

Steve Bousque, another Waterville insurance salesman, said life insurance policies for children used to be common.

"Years ago, it was a very common practice that grandma or grandpa would buy a very small \$5,000 policy on the kids. Today, I think parents have gotten away from that."

Recently, Bousque said he has seen parents of older children buying life-insurance policies.

"College students are incurring astronomical loans these days," he said. "If parents co-sign on those loans, they will come in and buy a term policy, because otherwise they're on the hook for that child."

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