Do I need life insurance?

Life insurance may be unnecessary if you don't have anyone depending on your financial support (e.g., no children or dependents). However, it provides several important benefits: serving as income replacement during one's absence, offering mortgage protection for homeowners, aiding in efficient estate planning, facilitating the transfer of wealth, and covering final expenses related to burial. In cases where others count on your financial contributions, life insurance is indispensable.

How can I save money when buying life insurance?

Purchasing term life or bundled term and whole life insurance early in life typically leads to lower overall costs. This is because insurers generally charge lower premiums for younger policyholders, who represent less risk. Conversely, older individuals often face higher premium amounts due to their increased likelihood of mortality risks. Therefore, securing coverage at an earlier age can help you secure more affordable rates.

How does the insurance company determine my premium?

Premium rates are typically based on factors such as age, gender, height, weight, health status (including whether you use tobacco), and if you participate in high-risk activities or occupations.

What is a permanent policy?

When it comes to securing lifelong protection or building up a tax-deferred cash reserve, permanent insurance plans are usually the way to go. These policies allocate part of your premiums towards accumulating cash value. This accumulated cash value can be utilized in various ways, such as obtaining loans against it or covering your premiums once your policy matures and becomes fully paid up.

Once I buy the policy, will I even need to change my insurance coverage?

When evaluating insurance policies, consider that existing coverage may offer lower premiums compared to newly purchased ones. For instance, when acquiring a long-term policy, its initial cash value tends to be modest. Therefore, if there are substantial alterations in your personal situation, it could be advantageous to explore purchasing a fresh policy instead.

What does it mean when a policy is “fully paid up?”

“Fully paid up” means that you have paid enough premiums to cover the cost of the policy for the rest of your life, and the company will use the cash value to pay your premiums until you die.

What happens if I miss a premium payment?

Most insurance policies come with a 31-day grace period during which late payments incur no penalty or interest charges. For term life insurance policies, missing the deadline results in policy termination; however, if you hold a permanent policy, you may allow the insurer to withdraw the premium directly from its cash value to avoid cancellation.

What is a contestability period?

A policy's contestable period is typically two years from its inception during which insurers can investigate potential misstatements or concealments made when applying for coverage. If such misrepresentations are found, the insurer may choose to rescind or cancel the policy.

What is the “return of premium” feature?

Term policies may include a rider known as "return of premium" which refunds all or part of the premiums paid if there's no claim during the policy term. These plans typically come with higher premiums compared to standard term policies; it is crucial to ensure timely payments to leverage this feature fully.

What are accelerated death benefits?

Terminal illness provisions in certain insurance policies enable policyholders to withdraw a substantial part of the death benefit during their lifetime, which can then be utilized for medical costs or other personal purposes before passing away. The sum taken early will be deducted from the total death benefit alongside accrued interest.

What is a term policy?

Term life insurance provides coverage for a specified period (one or multiple years), paying out a death benefit if the insured individual dies during that timeframe. Even though you may outlive the policy term, your investment remains sound – similar to purchasing auto insurance but never filing a claim. The primary advantage of term life insurance is its affordability, as these policies generally come with lower premiums compared to other types of life insurance. Furthermore, you can often renew term policies over time, maintaining coverage despite changes in your health status. Nevertheless, keep in mind that renewal comes with potential increases in premiums.

There are four kinds of term policies:

1. In level term policies, the death benefit amount will remain the same for the entire term. Depending on the policy, your premiums may be level or may increase over the term.
2. Decreasing term policies have a death benefit that decreases over the term. Your premium will typically remain the same throughout the term. People who purchase decreasing term policies usually have financial obligations that decrease over time (such as mortgage payments or loans).
3. Annual renewable term policies have a death benefit that remains the same throughout the term, but a premium that increases each year as you get older.
4. Convertible term policies allow you to convert the policy into a permanent policy, typically without a medical exam or further underwriting. Generally, this does increase your premium payment and must be done before you reach age 65.

How much life insurance do I need?

To determine how much life insurance you need, it's best to look at your surviving family's immediate, ongoing, and future financial obligations, and compare that with your financial resources. Below are examples of each type of need:

- Immediate: funeral costs, medical bills, taxes.
- Ongoing: mortgage payments, utilities, food.
- Future: college tuition, retirement funds.

Financial resources can include your partner's income, savings, income-producing assets, and investments. Considering all these obligations and resources, the difference between the two is how much life insurance you need.

Am I still eligible for coverage if I have a serious health condition?

When evaluating insurance plans, most providers will necessitate medical examinations and assess fees according to the associated risk levels determined by these tests. Even if you're in poor health or dealing with significant medical conditions, certain guaranteed acceptance policies may still be accessible; however, these come with increased premium costs and reduced coverage limits compared to other alternatives.

What is a graded benefit life insurance policy?

Graded Benefit Life Insurance policies from insurance providers serve as a solution for those who cannot obtain standard coverage due to their health status. These policies limit the death benefit payment during the first two or three years after purchase. For example, if you buy $10,000 worth of coverage, the insurer will initially pay 40% if you pass away within the first year, followed by 75% in the second year, and 100% starting from the third year. It's crucial to carefully consider these plans and opt for a Level Benefit Plan instead, which features no waiting period, whenever possible.

Do I need life insurance for my child?

A child's policy can provide a saving vehicle, the ability to buy more coverage in the future without proving insurability and pay the death benefit in the event of a child's death, which can be used for burial expenses.
However, most child coverages aren't large enough to begin with (maximum benefit is typical $25,000).

What is the underwriting process?

Life insurance underwriters evaluate applications for coverage by considering factors such as medical exams, applicant responses, and data from databases like Medical Information Bureau, prescription database report, and Motor Vehicle Report to determine if they should accept, reject, or adjust premiums for a policy.

Should I buy no-questions-asked life insurance?

"No-questions-asked life insurance," often referred to as guaranteed issue life insurance, offers unconditional approval without considering one's current or past medical history. However, such policies come with certain drawbacks. First, they include a graded benefit clause that restricts the full death benefit payment during the first two policy years. Second, these policies tend to be significantly more expensive compared to traditional life insurance options, with a maximum death benefit capped at $40,000. Lastly, applicants must fall within the age range of 40 to 85 to be eligible, leaving out those under 40. Therefore, it is generally advised to only consider guaranteed issue coverage as a last resort after exploring and exhausting all other affordable life insurance alternatives.

How long does it take to get my policy?

The duration of the underwriting process for life insurance coverage varies depending on the insurer and the specific plan chosen. For a standard, comprehensive application process, it typically takes between 2 to 8 weeks. Conversely, a no-examination or simplified issue policy may be approved within just a few minutes to up to 2 weeks. After the policy has been authorized, the delivery period ranges approximately 1 week.

Do I need to take an exam?

Life insurance providers differ in their requirements for applicants. Traditional policies typically necessitate medical examinations before approval, but some insurers offer policies with up to $1 million in coverage that don't require exams. Final expense policies, which provide lower coverage amounts, can be issued based on simplified underwriting criteria, avoiding the need for medical tests.

Why do I need to take an exam?

Insurers are on the hook for millions if you die soon after getting the policy. They increase their odds by conducting an exam and consequently decide how risky you are to insure. Additionally, they make sure not to insure the unqualified individuals who may have a terminal illness or otherwise are likely to die soon.

What do the insurance companies test for?

During the nursing assessment for a health screening or job application process, expect a licensed healthcare professional to review your answers from the questionnaire, measure your vital signs (pulse, blood pressure), record your height and weight, draw a blood specimen, and potentially collect a urine sample and electrocardiogram (ECG) based on your age and the specific requirements of the organization.

What is a death benefit?

Life insurance death benefit is the amount of money the insurance company pays the designated beneficiaries upon the insured’s death, provided the policy was in force at the time of the incident.

What is a beneficiary?

A life insurance beneficiary is an individual, entity, trustee, or estate named by the policy owner to collect the death benefit proceeds upon the insured’s death.