

The Life Insurance Buyer's Guide, prepared by the National Association of Insurance Commissioners (NAIC), outlines essential information for individuals considering life insurance. Life insurance provides a death benefit to beneficiaries if the insured passes away while the policy is active, helping to cover financial burdens such as income loss, funeral costs, medical expenses, debts, and childcare. Prospective buyers should assess their financial needs to determine the appropriate coverage amount, considering factors like dependents, income contribution, and existing insurance through employers, which may be insufficient.

When comparing policies, individuals should understand the differences between term and cash value insurance. Term insurance offers lower-cost coverage for a specified period, while cash value insurance, such as whole life and universal life, provides lifelong coverage with a savings component. Premium affordability is crucial, as future increases may affect the ability to maintain coverage. The application process typically requires personal and health-related information, and honesty is vital, as inaccuracies can lead to reduced or canceled coverage.

Choosing a beneficiary is an important step, with recommendations against naming minor children directly. After purchasing a policy, it is essential to read it thoroughly to confirm personal information, understand premium variability, and clarify any non-guaranteed elements. A review period, usually around 10 days, allows for a full refund if the policy does not meet expectations. Regular reviews of the policy every few years are advised to ensure it aligns with changing needs and life events, such as marriage or the birth of a child. Policyholders can adjust beneficiaries at no cost and should keep their information updated to reflect their current circumstances.