

Life insurance is a contract between the policy owner and an insurer, wherein the insurer agrees to pay a specified sum to a chosen beneficiary upon the policy owner's death, in exchange for premium payments. This coverage aims to provide financial protection for loved ones, replacing lost income, settling debts, covering final expenses, and potentially creating an estate for heirs. The amount of life insurance needed varies based on factors such as marital status, family size, financial obligations, and personal goals, necessitating regular reassessment of coverage needs. Affordability of life insurance is influenced by the type of policy, coverage amount, age, and health of the insured, with financial professionals available to assist in selecting appropriate plans.

A life insurance contract includes legal provisions, the application detailing the insured's identity and medical history, and a policy specifications page outlining the death benefit, premium requirements, and any additional options or riders purchased. Common riders include the waiver of premium during disability and guaranteed insurability without further medical exams. Life insurance policies are categorized into term life, which provides coverage for a specific period, and permanent life, which offers lifelong protection as long as premiums are paid. Permanent policies can be further divided into whole life, universal life, index universal life, variable life, and variable universal life, each with distinct features regarding premium payments and cash value accumulation.

Beneficiaries must be designated, with the option to name primary and contingent beneficiaries, and multiple beneficiaries can be assigned specific percentages of the death benefit. Beneficiary designations can typically be changed at any time, except when an irrevocable beneficiary is named, which requires their consent for changes. Life insurance can be purchased through employers, associations, licensed agents, brokers, or directly from insurance companies. It is crucial to evaluate the financial strength of the insurer, using ratings from services like A.M. Best or Moody's, to ensure the reliability of the policy.