

The Life Insurance Buyer's Guide, prepared by the National Association of Insurance Commissioners and reprinted by John Hancock Life Insurance Company, aims to assist consumers in making informed decisions about life insurance purchases. It emphasizes the importance of determining the appropriate amount of coverage, the type of policy needed, and comparing costs among similar policies. The guide outlines three basic types of life insurance: Term Insurance, which provides death protection for a specified term and may be renewable or convertible; Whole Life Insurance, which offers lifelong coverage with fixed premiums and builds cash value; and Endowment Insurance, which pays a benefit if the policyholder survives to a certain age or a death benefit if they pass away before that age.

To find a low-cost policy, consumers are encouraged to utilize the Surrender Cost Index and the Net Payment Cost Index, which help compare the relative costs of similar policies based on premiums, cash values, and dividends. The guide explains that the cost of a policy is the difference between premiums paid and benefits received, with participating policies potentially offering dividends that can reduce overall costs. It stresses the importance of comparing similar plans and understanding the implications of cash values and dividends when making decisions.

Key takeaways include the necessity of selecting a policy that aligns with personal financial needs and the importance of long-term commitment to the policy, as early surrender can result in financial loss. Consumers are advised to read their policies carefully and seek clarification on any unclear terms, as well as to periodically review their life insurance needs in light of changing circumstances.