

Life insurance provides essential financial protection for your family, helping to cover immediate and ongoing expenses after your death. It is important to evaluate the financial needs of your dependents and understand the different types of policies available. The American Council of Life Insurers (ACLI) offers resources to assist in this process. To assess your need for life insurance, consider whether anyone relies on you financially; the death benefit can help cover daily living expenses, mortgage payments, tuition, and other debts, alleviating financial burdens on your family. Stay-at-home parents and retirees may also benefit from life insurance for routine services or peace of mind for surviving spouses. A common recommendation is to have coverage equal to seven to ten times your annual income.

There are two main types of life insurance: permanent and term. Permanent insurance provides lifelong protection and may accumulate cash value, which can be borrowed against or used to pay premiums. Types of permanent insurance include whole life, with fixed premiums and death benefits; variable life, which allows investment choices affecting cash value and death benefits; and universal life, offering flexible premium payments and death benefits. Term insurance covers a specified period and pays benefits only if death occurs during that term; it is generally less expensive but does not build cash value and may have increasing premiums upon renewal.

When purchasing life insurance, you can do so through insurance agencies, banks, or directly from companies. It is advisable to research the financial strength of companies through ratings from agencies like A.M. Best or Moody's and to select a licensed agent who can explain policy options and assist in finding suitable coverage. Be prepared to discuss your financial situation and answer questions about your health and lifestyle, as these factors influence premium rates. A policy illustration can help you understand potential costs and benefits over time, but it is not a legal document. Review it carefully, noting guaranteed amounts and conditions. A medical exam may be required during the application process, typically conducted by a healthcare professional hired by the insurer.

Ensure that the policy aligns with your financial goals and that you understand its terms. If considering a cash value policy, evaluate your long-term commitment to premium payments, as early cancellation can be costly. For term policies, inquire about renewal terms and potential premium increases. Policyholders may ask about converting to a cash value policy and whether a medical exam is necessary for such a conversion. If the policy includes a return of premium benefit, inquire about the cost without this benefit and whether all premiums will be refunded. After purchasing a policy, store it with other financial records in an accessible location for survivors, avoiding safe deposit boxes to prevent delays in claims processing. Keep the agent's contact information readily available for assistance with claims and periodically review the policy to ensure it meets current needs and that beneficiaries are correctly named.

In the event of a missed premium payment, a grace period of 30 or 31 days is typically provided to make the payment without penalty; if the policyholder dies during this period, the death benefit will be paid minus any overdue premium. Failure to pay within the grace period results in policy lapse, although cash value policies may allow the company to use the cash value to cover premiums. Some policies offer reinstatement options for lapsed policies, requiring proof of insurability and payment of overdue premiums plus interest. Additional features may include riders for purchasing more insurance without a medical exam, waiving premiums in case of disability, accidental death benefits, and accelerated benefits for terminal illnesses or long-term care needs.

The policy's effective date may differ from the issuance date, and beneficiaries will not incur income taxes on death benefits, although taxes may apply to cash value withdrawals exceeding total premiums paid. A "free-look" period, usually lasting 10 days post-purchase, allows policyholders to review the policy and cancel for a refund if desired. It is advisable to consult with the original company or agent before replacing a policy, as health changes may affect insurability. Complaints regarding agents or companies should be directed to customer service or the state insurance

department. The document emphasizes the importance of understanding the policy, ensuring accurate application information, and being cautious of offers for "free" life insurance, which may involve risks. Lastly, it encourages checking the policy's effective date and contacting the company if the policy is not received within 60 days.