

The Life Insurance Buyer's Guide, prepared by the National Association of Insurance Commissioners and reprinted by Prudential, serves as a resource for consumers to make informed decisions when purchasing life insurance. It emphasizes the importance of determining the appropriate amount of life insurance needed, the type of policy that best fits individual circumstances, and comparing costs among similar policies. The guide outlines three primary types of life insurance: term insurance, which provides coverage for a specified period; whole life insurance, which offers lifelong coverage and builds cash value; and endowment insurance, which pays a benefit if the policyholder survives to a certain age.

To find a suitable policy, consumers are encouraged to utilize cost indexes, specifically the Surrender Cost Index and the Net Payment Cost Index, which help compare the relative costs of similar policies. The guide explains that "cost" refers to the difference between premiums paid and benefits received, and highlights the distinction between participating policies, which may pay dividends, and non-participating policies, which have fixed costs.

When using cost indexes, it is crucial to compare similar plans and consider factors such as age and coverage amount. The guide advises that small differences in index numbers may be outweighed by other policy features or service quality. It also stresses the importance of understanding the terms of the policy, including cash values and death benefits, and suggests that consumers should not rush to replace existing policies without thorough consideration. Lastly, it encourages regular reviews of life insurance needs to adapt to changes in personal circumstances.