

The National Association of Insurance Commissioners (NAIC) provides a guide for purchasing life insurance, emphasizing the importance of assessing personal insurance needs and financial circumstances before selecting a policy. Buyers should ensure they can afford premium payments, both initially and in the future, and should carefully review applications for accuracy before signing. It is advised not to switch policies without thorough comparison, as replacing insurance can incur significant costs. The guide encourages regular reviews of life insurance programs to adapt to changing financial situations.

When determining how much life insurance is needed, individuals should consider their financial contributions to their family, potential final expenses, debts, and any dependents. The guide outlines two primary types of life insurance: term insurance, which offers lower premiums but no cash value, and cash value insurance, which has higher premiums but builds cash value over time. Term insurance provides coverage for a specified period and can be renewed, often at increased rates. Cash value policies, such as whole life, universal life, and variable life insurance, allow for cash accumulation and borrowing against the policy.

The guide also highlights the importance of understanding policy illustrations, which detail how benefits may change based on non-guaranteed factors like interest rates. Buyers are encouraged to compare policies from different companies, considering not just premiums but also the growth of cash value, special features, and how non-guaranteed values are calculated. Ultimately, the NAIC stresses the need for informed decision-making when purchasing life insurance to ensure it meets individual needs and provides good value.