

Life insurance provides financial protection for your family, helping them cover immediate and ongoing expenses after your death. It is crucial to assess the financial needs of your dependents before selecting a policy. The American Council of Life Insurers (ACLI) offers guidance on understanding the types of life insurance available, which primarily include permanent and term insurance. Permanent insurance provides lifelong protection and may accumulate cash value over time, which can be borrowed against or used to pay premiums. In contrast, term insurance offers coverage for a specified period, paying benefits only if the insured dies during that time, typically at lower premiums than permanent policies.

When determining the amount of life insurance needed, consider ongoing expenses, immediate costs, and long-term financial goals, with a general guideline suggesting a benefit equal to seven to ten times your annual income. To purchase life insurance, you can approach insurance agencies, brokers, or contact companies directly, ensuring to check the financial strength of the insurer through ratings from agencies like A.M. Best or Moody's. When meeting with an agent, be prepared to discuss your financial situation and answer questions about your health and lifestyle, as these factors influence your premium. It is essential to review the policy carefully to ensure it aligns with your goals and to seek clarification on any unclear terms. If considering a cash value policy, assess your ability to maintain long-term premium payments, as early cancellation can be costly. For term policies, inquire about renewal terms and potential premium increases. A policy illustration can provide insights into costs and benefits over time, but it is not a legal document; the actual policy contract outlines the legal obligations. After purchasing a policy, keep it with your financial records for future reference.

The policy document emphasizes the importance of keeping your life insurance policy accessible to your survivors, advising against storing it in a safe deposit box due to potential delays in the claims process. It is recommended to maintain your agent's contact information readily available, as they can assist beneficiaries with necessary forms and communication with the insurance company.

Regular reviews of the policy are encouraged to ensure it aligns with changing life circumstances, such as marriage, divorce, or the birth of a child, and to confirm that beneficiaries are correctly named.

Regarding premium payments, if a payment is missed, there is typically a 30- or 31-day grace period to make the payment without penalty. If the insured dies during this period, the death benefit will be paid minus any overdue premium. Failure to pay by the end of the grace period results in policy termination. For cash value policies, the insurer may use the cash value to cover overdue premiums with the policyholder's consent. If a policy lapses, some contracts allow for reinstatement within a specified timeframe, requiring proof of insurability and payment of overdue premiums plus interest.

The document also outlines additional features of life insurance policies, such as riders that allow for increased coverage without a medical exam, premium waivers in case of disability, and accidental death benefits. An accelerated benefits rider may permit access to death benefits under certain conditions, such as terminal illness or long-term care needs. Tax implications are addressed, noting that beneficiaries do not pay income tax on death benefits, while cash value withdrawals may incur taxes if they exceed the total premiums paid.

Before purchasing a policy, it is advised to verify the licensing of the insurance company and agent, assess the financial strength of the insurer, and ensure accurate completion of the application. After purchase, a "free-look" period typically allows for cancellation and refund if the policy is not retained. It is crucial to keep the policy in a location accessible to survivors and to consult with the original insurer before replacing an existing policy. Complaints regarding agents or companies should be directed to customer service or the state insurance department. Regular policy reviews are recommended to ensure adequate coverage and correct beneficiary designations. The American Council of Life Insurers (ACLI) provides resources and advocacy for the life insurance industry, representing a significant portion of the market.