

The Life Insurance Buyer's Guide, prepared by the National Association of Insurance Commissioners, provides essential information for individuals considering life insurance. It emphasizes the importance of determining how much coverage is needed based on the financial needs of dependents in the event of the policyholder's death. This includes assessing existing insurance, assets, and future expenses such as living costs and debts. The guide outlines different types of life insurance policies, primarily distinguishing between term and whole life insurance. Term insurance offers coverage for a specified period and pays a death benefit only if the insured dies during that term, typically providing the most immediate protection for the premium cost. Whole life insurance, on the other hand, provides lifelong coverage with fixed premiums and builds cash value over time, allowing for policy loans against this cash value. The guide also discusses combinations of policies, such as adding term insurance to whole life for additional coverage during critical periods.

To find a low-cost policy, the guide suggests comparing similar policies from different companies using cost comparison indexes, which help evaluate the value of policies based on cash value growth and net payment costs. It highlights the importance of understanding the implications of premiums, benefits, and potential changes over time, as well as the significance of service quality from the insurance provider. The guide advises potential buyers to carefully review their insurance needs, ensure premiums are affordable, and commit to the policy long-term to avoid costly penalties for early termination. Regular reviews of the insurance program with an agent are recommended to adapt to changing financial situations and needs.