



Consumer Alert from the NAIC: Tips for Buying Life Insurance

Life insurance is an important purchase for most Americans, because it can provide income replacement to beneficiaries in the event of a death. Life insurance policies are available from more than 2,000 life insurance companies in the United States. Here are some tips from the National Association of Insurance Commissioners (NAIC) to help you get the best value for your life insurance dollar.

1. Review Your Insurance Needs

Choose the kind of policy that has benefits that most closely fit your needs. Consider the number of people who are dependent upon you financially and whether or not you need life insurance. Will you have substantial debts and taxes owed after your death? Do you have alternatives to life insurance, such as savings accounts or other investments that could take care of expenses after your death?

2. Know Your Options

There are two basic types of life insurance: term insurance and cash-value insurance. You may wish to combine cash-value life insurance with term insurance for the period of your greatest need for life insurance to replace income. Make sure the price is right. If the premium increases later and you still need insurance, will you be able to afford it?

3. Comparison Shop

Life insurance is a competitive marketplace, and much of the competition focuses on price. After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money.

4. Know Your Company

You can check the financial stability of any life insurance company through several reputable national rating companies. Some of these ratings are available at public libraries. Check with your state insurance department to verify that the company is authorized to do business in your state.

5. Read Your Policy Carefully Before Signing

Never buy a policy you don't understand. If you are given illustrations or booklets, save these materials with your policy. Make sure you understand the guarantees in your policy and the surrender penalties if you choose to drop the policy at any time. Ask your agent or company about anything that is not clear to you.

6. Regularly Review Your Policy; Update Accordingly

Review your life insurance program with your agent or company every few years to keep up with changes in your income and your needs. This includes a review of your net worth to reconsider the prospects your survivors may face when you die.

7. Consider Replacement Cost

It may be costly to replace your insurance if you change your mind during the early years of the policy. Don't drop one policy and buy another without a thorough study of the new policy and the one you currently have.

8. Get More Information

For further information, order a copy of the "Life Insurance Buyer's Guide" from the NAIC at www.naic.org. If you believe you have been treated unfairly in shopping for life insurance, please contact your state insurance department. You can link to your insurance department's Web site by visiting www.naic.org. After clicking on "State Insurance Regulators Web Sites," click on your state.

The National Association of Insurance Commissioners is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and four U.S. territories. The overriding objectives of state regulators are to protect consumers and help maintain the financial stability of the insurance industry.

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