



UNDERSTANDING YOUR INSURANCE

What Every Consumer Should Know About Life Insurance

(NAPS)—Many people—particularly those with children—recognize that life insurance can help protect their family financially in the event of their death. Still, some delay any action due to their confusion regarding the amount of insurance needed or the types of coverage available.

Help is available from the National Association of Insurance Commissioners (NAIC), a voluntary organization of state insurance regulatory officials, which has assembled useful information about insurance on a consumer education Web site called Insure U (www.InsureUonline.org).

Understand The Basics

According to the NAIC, there are three key basics of life insurance:

1. Start by determining how many people are financially dependent on you, what their major expenses could be and whether you're likely to leave them with substantial debts or estate taxes.

2. Evaluate the two main types of life insurance: term, which pays a death benefit if you die within a specified time period; and permanent life, which provides coverage for your entire life and typically includes both a death benefit and the ability to build up cash value. In general, term insurance is much less expensive than permanent life insurance.

3. Understand the major factors that affect life premiums. Some are uncontrollable, such as the age at which you purchase a policy or whether you have a serious pre-existing medical problem. Others are directly dependent on behavior, like poor health habits (e.g., smoking or excessive drinking), your driving record or engaging in dangerous hobbies.



Life Insurance Tips By Life Stage

The NAIC's Insure U Web site provides consumers with focused tips based on their needs for different life stages. For example:

- Young singles who want to be sure they can get life insurance later in their lives when they may develop health problems should consider inexpensive term life insurance that is guaranteed to be renewable.

- Young families should consider purchasing life insurance for both parents, even for a nonworking spouse, to help pay for child care and other domestic services.

- Established families should factor in the probable costs of their children's college education when determining how much life insurance they may need.

- Empty nesters/seniors should evaluate the pros and cons of reducing their life insurance coverage based on whether their spouse is alive, their home is paid off or their children and/or grandchildren are financially independent.

All consumers should review their life insurance policy annually and update it to reflect major changes in their lives—such as marriage, the birth of a child, divorce or death of a spouse.

For more information, visit Insure U at www.InsureUonline.org.

Did You Know?

To learn about life insurance and what factors to consider before you purchase a policy, check out Insure U (www.InsureUonline.org), a consumer education site that offers tips and suggestions based on your likely needs in different life stages. The site, created by the National Association of Insurance Commissioners, also provides information on auto, health, homeowners/renters and other types of insurance.

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