

Understanding the Importance and Basics of Life Insurance

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Typically, life insurance provides money to beneficiaries after an insured loved-one dies. Coverage is often provided by employers, but can also be purchased separately through an insurance agent. The Ohio Department of Insurance urges consumers to regularly review their need to secure life insurance as part of their financial and estate planning.

Life Insurance Can Help:

- Replace your income with non-taxable death benefits
- Reduce the financial burden on your family of having to continue without you
- Help pay for your child(ren)'s college tuition
- Pay the mortgage, car note, and other debts you leave behind
- Pay your funeral expenses and estate taxes

Types of Life Insurance:

- **Term Life:** Generally less expensive than other life insurance products; covers a certain time period or to a certain age. Term is named for the contract's limited length or "term" and is pure life insurance. Term policies generally last for 1, 5, 10, 15 or 20 years, or to a specified age such as age 65 or age 100.
- **Whole Life:** Lifetime coverage at a premium that does not increase with your age after you buy.
- **Universal Life:** Premium amount and death benefit are flexible. You can change the amount of your premium payments and/or death benefit after buying. Increasing your premium payments as you age is important to maintaining your universal life policy.

Who Can Take Out a Policy on Me?

Only someone who has an "insurable interest", such as someone in your immediate family. A stranger cannot buy a policy to insure your life.

How Much Life Insurance Should I Get?

- Your life insurance plan should be structured to meet your life circumstances. How much life insurance a person should get depends on their life situation.
- Employers that offer life insurance to employees often use 1x salary or 2x salary as a coverage limit and may allow employees to purchase additional coverage.

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Life Insurance Shopping Tips:

- Your life insurance plan should be structured to meet your life circumstances. For example, a single person may need less life insurance than a couple or a couple with children.
- Life insurance is complicated. Utilize the services of trained insurance professionals. Check with the Ohio Department of Insurance to ensure your agent and company are licensed to do business in the state.
- An agent is not allowed to be the beneficiary of a life insurance policy the agent has sold you, unless the agent is a family member or a funeral director. An agent is not allowed to misrepresent any aspect of either the policy being sold or a policy you already own. An agent is not allowed to encourage you to put incorrect information on your application.
- Decide what type of policy you want: term life, whole life, universal life or a combination of these policy types. Be sure to calculate your total premiums for the life of the policy. It is possible to pay more in premiums than the face amount of the policy.
- Some policies have an accelerated benefits feature. This provision lets the policyholder, under certain conditions, to receive part of the death benefit before he/she dies.
- Be alert to any promise that you will, at some future point, never have to pay premiums again. Also make sure you're aware of any surrender fee you would owe in the event you cancel the contract.
- Don't sign any life insurance application that has not been completely and accurately filled in and dated. Make a copy of the completed application for your files.
- Make your premium payment check to the insurance company, not the agent.
- Immediately study the policy once you receive it and make sure it's exactly what you ordered. Take advantage of the "free-look" (or "right to review") period most life companies offer. During this period you can return the policy for a full refund.
- The policy owner is the only person who can cancel the policy. If premium payments are not being made the insurer will generally send a payment notice before cancellation.
- A failure to pay your premium will cause your policy to lapse or be terminated.
- Review your policy periodically. Your insurance needs change during different periods of your life.

Contact Information:

Ohioans with questions about life insurance can call the Department's toll-free consumer hotline at 1-800-686-1526. A life insurance informational toolkit is also available on the Department's website at www.insurance.ohio.gov. The toolkit provides tip sheets, publications and links to other helpful websites.