

appropriate for people who have medical problems, healthy consumers will generally receive lower rates by taking medical exams required by traditional life insurance policies.

**Avoid Costly Add-Ons.** Some options or riders to a life insurance policy may provide little benefit while significantly adding to the cost of the policy. For example, a “waiver of premium” option would only pay for your insurance if you become disabled. It may be more cost effective to purchase standard disability insurance coverage instead of this option.

### **AFTER YOU HAVE PURCHASED LIFE INSURANCE**

**Use Your “Free Look” time wisely.** After a policy is issued, you have a “free look” time period to review it and make sure that the policy is right for you. If there are mistakes or if the policy is not what you wanted, call the company immediately. If you are not satisfied with your policy, return it during the free look period for a premium refund.

**Improve Your Health Status.** Insurance rates for non-smokers and those in good health at the time of purchase are generally lower than for other customers. If you have a pre-existing medical condition that could lead to higher rates, you may be able to save money

by establishing a record of being a “responsible patient” by showing a history of improving your health.

**Keep Multiple Separate Records.** Keep copies of your policy and any correspondence you have with the insurance company in a safe place and keep a record of the name of the insurance company, policy number, type of policy and the names of the insured and beneficiary in a separate safe location.

**To make a claim** contact your insurance company or agent. You should not need an attorney to make a claim on a life insurance policy nor should you need to pay any fees.

**Review your life insurance policy** and your beneficiary designations periodically as your personal circumstances change.

### **GET HELP**

The Department of Financial Services has no authority over insurance companies that are not licensed in New York.

To see if an insurance company is licensed in New York, visit [www.dfs.ny.gov](http://www.dfs.ny.gov) or call us at **800-342-3736**.

You can also contact us for help understanding the terms of a policy or to file a complaint against a company or agent.



*What You Need to Know About...*

# **PURCHASING LIFE INSURANCE**

This guide is provided for informational purposes only and does not constitute legal advice.

[www.dfs.ny.gov](http://www.dfs.ny.gov)  
**(800) 342-3736**

Important information to consider before, during and after shopping for or purchasing life insurance.

## SHOULD I PURCHASE LIFE INSURANCE?

The main purpose of life insurance is to maintain the living standards of your dependents by replacing your income if you die prematurely. Not everyone needs life insurance, and some may need life insurance only at certain times in their lives.

Your decision to purchase life insurance should consider the number and ages of dependents, income, family needs and other sources of income your dependents would have if you passed away. You should also consider your future need for insurance as you may not be eligible for insurance later if your health deteriorates. You should review your life insurance needs every few years or as your income and family responsibilities change.

## TYPES OF LIFE INSURANCE

There are two main types of life insurance:

**Term Life Insurance** is designed to provide protection for a specific and limited period of time, such as 1, 5, 10, 15, 20, 25 or 30 years, or to a specified age. If you die during the term period, the insurance company will pay the death benefit. If you live beyond the term period, no death benefit is paid. Term insurance may be a good choice for people seeking protection for specific needs that will end at some time in the future.

**Permanent Life Insurance** is designed to provide protection for your lifetime. This type of policy stretches the otherwise increasing cost of insurance over your lifetime. Your excess premiums are invested by the company and generate a savings element that varies among

companies and policies. That cash value can be obtained while the policyholder is alive. There are many types of permanent life insurance, such as whole life, universal life and variable life. These options provide flexibility to the insured regarding the death benefit, premium amounts and cash value.

## HOW MUCH LIFE INSURANCE TO PURCHASE?

To determine how much life insurance to purchase, you should consider:

- Your family's needs, including living expenses, taxes, mortgage and other loan payments, and college expenses;
- Cash required to cover expenses incurred upon your death;
- The age and health status of you and your dependents; and
- Other sources of income available to your family if you should die, such as savings and Social Security benefits.

To assist in estimating how much life insurance you should purchase, you may want to use an interactive worksheet provided by a life insurance company online. The DFS does not endorse any particular website or worksheet.

## SHOPPING FOR LIFE INSURANCE

### **Buy Only from Companies Licensed in New York.**

The Department of Financial Services regularly reviews each licensed company's finances and claim practices. The Department's standards are some of the toughest in the Country. In addition, policies issued by licensed insurers are covered by a guaranty fund up to certain limits to protect you if a company becomes insolvent.

**Comparison Shop.** Prices for the same coverage can vary significantly among companies. Make use of all shopping guides and resources that are available to you, including on the Internet. You may be eligible to purchase group life insurance. Group life insurance is often available through your employer or through an organizations you belong to.

**Consider Whether Replacing Existing Policies is Appropriate.** When considering replacing life insurance policies, the replacing carrier is required to provide you with information to assist you in making an informed decision. This information should be reviewed carefully, since it may indicate that the new replacement policy requires payment of new up-front fees, has higher charges, a longer surrender charge period or lower benefits.

**Consider No-Commission Policies.** Traditional life insurance policies include expenses for agent commissions and fees for marketing. "No-load" or "low-load" policies have fewer such expenses built into their premiums. These policies can be purchased from financial advisors (who may charge a flat fee) or directly from several companies.

**Ask Questions.** After choosing an insurance company and/or agent, ask for a point-by-point explanation of the policy that meets your needs.

**Identify a Beneficiary.** The policy's death benefit will be paid to the person you choose, called a beneficiary (you should inform the beneficiary about the policy). If you choose no one, the policy will be paid to your estate.

**Don't Buy a Guaranteed Issue Policy if You are Healthy.** "Guaranteed Issue" life insurance policies require no medical exam. While