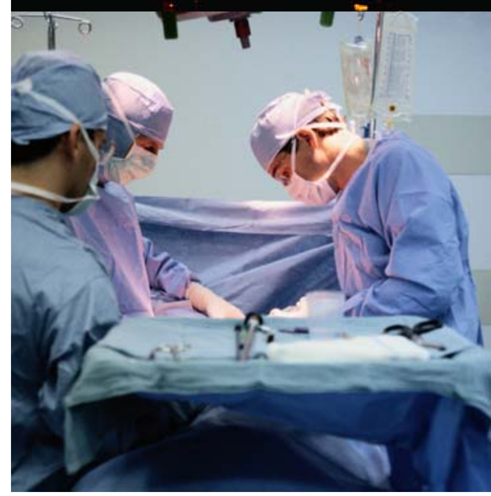
INSURANCE



INSUSRANCE

Renter's Insurance:
Most homeowners have insurance on their home and property — it is usually required to get a mortgage. However, many young service members have no renter's insurance to replace their personal property if it is destroyed or stolen. Those who fail to purchase renter's insurance can face a double problem. Not only do they lose their possessions, but also the creditor will expect the payments to keep coming in. Renter's insurance is relatively inexpensive, approximately $10 to $15 per month.

- **Government Quarters**
  For those living in government quarters, you may need renter's insurance. The government insures the building but may not always cover your losses fully. Check with the Housing Office to find out what is covered.

- **Replacement Cost Coverage**
  Replacement cost coverage will pay fully to replace lost items. Actual cash value will only pay the depreciated value of the items.

Homeowner's Insurance:

Make sure your property is covered at all times, at replacement cost levels!

- **Standard Policy**
  Most homeowners purchase a standard HO-5 (homeowners) "all risks" policy. This covers property damage to the home, damage to contents, liability against damages to others while on your property, and expenses if you are displaced for some time. Standard policies provide the same coverage regardless of which company issues them; the only real difference is the cost. Like renters, homeowners should buy replacement cost coverage.

- **Other Coverage**
  Homeowner's insurance does not cover certain types of damage (including earth movement, water damage, power failure, neglect, war, nuclear accident, or intentional damage.) Most of these perils can be covered by a separate policy specific to that issue, such as earthquake insurance. Water damage—flooding—is the most common of these other damages. Insurance against damage due to flooding is required (and expensive) in high-risk areas. However, it is generally inexpensive elsewhere, and often a wise purchase. Flood insurance is offered under the Federal Flood Insurance Program. Even though it is sold through commercial companies, the cost will be the same regardless of which company you buy from; it is the one type of insurance for which comparison-shopping does no good.

- **Personal Property**
  Some personal property, particularly high cost items like jewelry, guns, collectibles, sporting gear, or computer equipment, is usually not fully covered

under a standard policy; you may need a special rider or even a separate policy. If your personal property is not adequately covered, purchase a rider to an existing policy or a separate personal property policy. [A *rider* is like a mini policy added to a bigger policy to cover specific items.] Make sure you know what is and is not covered and what the policy limits are. This is the case with both homeowners and renters policies.

- **Record Keeping**
  Once you have your property insured, take an inventory and keep a copy of the list somewhere safe (not at home). Photographs of your property may help in getting a full value settlement, or use a video camera to take a videotape of your property to show the insurance adjuster in the event of a loss. For those who do own a home and consider renting it out, be certain to check with your insurer to see what effect it would have on your coverage and be certain that you are adequately covered for your house and personal property. If you move overseas, you face particular issues, and want to check with your insurance company.

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Auto Insurance

Most states require drivers to purchase automobile liability insurance. There are four basic areas of auto insurance coverage.

1. **Liability** - refers to your responsibility for other people's losses both property damage and bodily injury.

2. **Uninsured** / underinsured motorist coverage - is required by many states to protect you and your auto in an accident with an uninsured /underinsured driver who is at fault.

3. **Physical damage** - is the collision and comprehensive portion of your policy, which covers only your vehicle and its contents.

4. **Medical payments** - covers you and your passengers for injuries no matter who is at fault.

Most young military drivers purchase only the minimum coverage required by their state. However, those with assets to protect should seriously consider increasing their level of protection. $50,000 is insufficient to cover medical and other bills in the event of a serious accident.

Recommended minimums for mid-career personnel are $100,000 per person, $300,000 per accident and $50,000 property damage. Active duty military can leave medical coverage at the minimum required, since Tricare covers them and their families. The higher liability limits may be important; even if a driver has few assets, there is always the possibility that his or her future wages could be attached to settle a lawsuit. Uninsured motorist coverage is also a good idea. It is required in most states.

Often, junior personnel purchasing their first car will buy their insurance from the dealer; frequently this is collision coverage only, and protects only the lender's interest in the car. The service member will still need liability coverage to register the car on base. Purchasing auto insurance from a dealer is generally not recommended; investigating insurance coverage from several companies before going to purchase the vehicle is usually the best solution. The same level of coverage can vary by as much as 300% in cost.

Other ways to save on auto insurance costs include:

- Consider selecting a higher deductible. This is your out-of- pocket expense, which you will pay for repairs. Many consumers find a deductible of $250 or $500 to be the most cost-effective. Call and find out what savings will be at varying levels.

- If you have a second car and could afford to replace or to do without it for awhile, you may wish to drop collision coverage on that car entirely, particularly if the car is over 5 years old. Verify that you can afford to cover the loss first. Prepare a financial plan to check you status.

- A safe driving record helps to minimize insurance costs. For very small claims (or only slightly higher than your deductible) that involving no injuries to anyone, consider not filing for reimbursement; the increase in premium for having the accident may cost more than the amount you receive to cover the repairs!

- Keep your limits for "medical payments" at the state minimums; they only cover you and your family, and you already have your medical care paid for by the government.

- Drivers should be very selective when lending their cars. Also be certain to maintain coverage while on deployment. Most companies will allow continued coverage at a reduced rate while deployed. Contact them and let them know your car will be "off the road." If you drop coverage, your rates will likely go up when you reinstate it. If you still owe money on the vehicle, the creditor will require you to maintain coverage.

- Coordinate coverage. Many companies give discounts to customers who buy multiple policies. Call the company you have your auto insurance with, and the one you have your homeowner's insurance with, and see what kind of discount each will give you, if you buy all your insurance through them.

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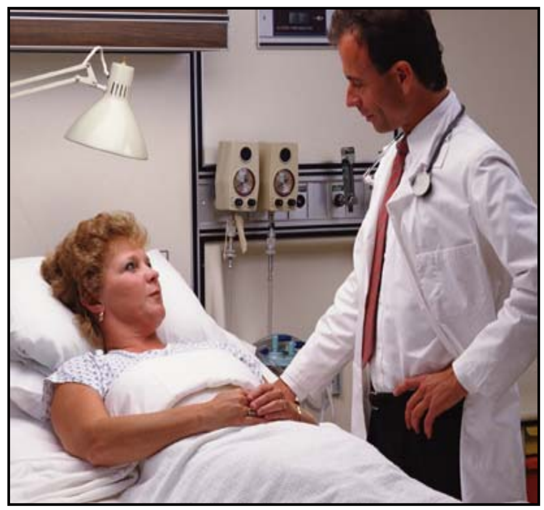
Umbrella Insurance

An umbrella policy protects against loss in the event of a large damage award in a lawsuit, over and above the limits of an auto or homeowner's liability policy. Those with substantial assets to protect should consider an umbrella policy, as should anyone who may face particular risks. This could include owning an in-ground swimming pool, having a potentially dangerous dog for a pet, or regularly transporting other neighborhood children in your van. You usually are required to have $300,000 to $500,000 of insurance coverage on your regular policies before qualifying for an umbrella policy. In addition, insurers require that you have both your homeowners and auto policies with them. A $1M umbrella policy can often be purchased at a relatively low cost (under $150 per year), and could prevent someone from taking years of your future income in a judgment. Members with few assets to protect probably do not need an umbrella policy.

Health Insurance



While on active duty, all of your health care and most of your family member's care is covered at no cost to you by CHAMPUS/ TRICARE. In order to be covered, your dependant family members must be enrolled in the Defense Eligibility Enrollment Reporting System (DEERS) by you and then be enrolled in the CHAMPUS/ TRICARE program. Tricare has three options, Prime, Extra, and Standard.

It is a good idea to consider a TRICARE Supplemental policy, particularly when approaching retirement. This is especially true if they will be retiring to an area that is not near a military treatment facility or plans to use TRICARE Standard, or expect particularly high medical out-of-pocket expenses. The Navy Times has a special TRICARE issue each year, which includes information on the many supplemental policies available. When shopping for a supplemental policy one question that must be asked is whether or not the policy is automatically convertible to a Medicare Supplemental policy in later years. Most are, but a few, including some that appear inexpensive at first, are not.

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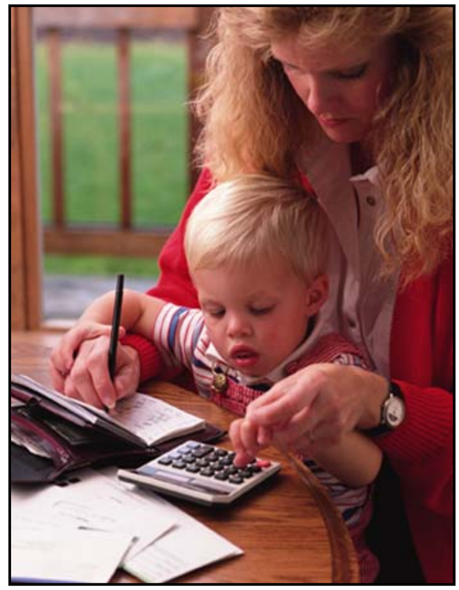
Long-Term Care Insurance (LTC)

Long-term care insurance is available to service members, retirees, spouses, and certain other family members. The federal government sponsors the Long Term Care Partners Program, but it does not pay for the program. Participants choose the time period for which they will receive benefits as well as the daily benefit amount. There are a variety of options available in this program and premiums will vary based on the options chosen. For most people Medicare and medical insurance does not pay for long-term care. This program needs to be thoroughly researched and understood in order to make a decision on participation. Industry experts recommend considering this coverage as you near 60 years of age.



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Life Insurance

The primary purpose of life insurance: To protect those who are dependent on you from the financial consequences of your death. You cannot insure against an emotional loss. If no one is financially dependent on you, there is no real need for life insurance.

1. **Determining Life Insurance Needs:**

   Who needs life insurance?

- **Single, no dependents:** Nobody suffers any real financial consequences; therefore the need is not present (beyond covering one time expenses such as burial costs).

- **Children:** Unless your child provides significant income to the home, the financial consequence of their death would be medical and burial expenses. The need for insurance is minimal.

- **Married, One Income, No Children:** One spouse is financially dependent on the other. Insurance would be needed to provide for the non-working spouse during his or her adjustment period following the death of the breadwinner.

- **Married, Dual Income,** No Children: Since both spouses are working, the major consideration will be providing money to pay off debts that they share and final expenses such as medical and funeral costs. Dual income couples often have more debts as well as more money.

- **Married With Children:** This is the highest need time for life insurance. Regardless of employment status, the surviving spouse is generally going to have a significant need for additional income to offset the loss of the other spouse's income while the children are living at home or are in college. Serious insurance planning is needed for both spouses, even if one is not currently employed. Consider costs of childcare if an active duty military member is the surviving spouse. When government benefits are taken into account, there is often a greater need for a commercial life insurance policy for the non-military spouse than for the active duty service member.

- **Single Parents:** Single parents will want to consider who will take care of the children, if they (the parent) die. A significant consideration when designating a guardian should be the guardian's financial ability to provide for the children's needs. Adequate insurance should be in place to compensate the guardian for the additional expenses of raising the children.

2. How Much Is Needed?

Life-Cycle Approach

The amount of life insurance you will need varies during your life. Some needs will be short term and some long, such as covering a 30 year mortgage. Usually there is little or no requirement in your 20's and 30's when you are single, unless you have dependants. When you marry, and particularly when you start raising a family, the need for life insurance greatly increases. Later in life, after your children have grown up and leave home and you presumably have acquired other assets, the need for life insurance declines. This is also the time that the cost of life insurance becomes more expensive.

Determining Your Needs

Determining your exact life insurance needs will require some planning. You can reach an accurate determination of your needs on your own by comparing the anticipated immediate and long range financial needs of your survivors with the assets available to satisfy those needs. You need to cover the cost of a funeral, the readjustment phase for your family as well as their on going living expenses and any major debts. You may also want to cover the cost of college and retirement.

What do you have to do this with? You have your assets, savings and investment accounts, and government benefits. You may also have income from a spouse or other family member. Whatever shortage exists should be covered with insurance. Thus, the first step in insurance planning is to prepare a detailed spending plan to determine your required monthly living expenses and credit payments. This will help you to determine what amount of income insurance must cover on a monthly basis. The next step is to determine what benefits you already have, such as government provided survivor benefits.

Survivor benefits:
Include existing government benefits in any consideration of insurance needs. Other benefits include:

- **Death Gratuity:** $6,000 paid within 36 hours.

- **SGLI:** Standard $250,000. This coverage can be decreased or even declined entirely by the service member. Realize that it may be difficult to find a better deal elsewhere. Many military occupations are considered "high risk" which means that a traditional policy may not cover you for work related accidents. Remember that the beneficiary of the policy, the one who will get the money, is determined by you. Many people forget to change this when their lives change. This is separate from your will.

- **SGLI Family Coverage (FSGLI):** SGLI Family coverage is available for the spouses and children of active duty servicemembers. Any dependent child under the age 18 is automatically covered under family insurance. In addition, children between the ages of 18 and 23 who are full-time students are covered. And any child who before the age of 18 has been declared legally incompetent will be eligible for family coverage. To insure your spouse, proof of his or her good health will be required in the future, however, your dependent children are covered for free, regardless of their health.

Amount of coverage available: You may purchase up to $100,000 of SGLI coverage for your spouse, in increments of $10,000. However, you may not purchase more SGLI coverage for your spouse than you have for yourself. Each dependent child of every active duty servicemember or reservist who is insured under SGLI is automatically insured for $10,000.

Cost: The monthly premium for coverage for your spouse is based on his or her age and amount of coverage. Check with your command to get the current rates. This is not the least expensive term insurance available but it is the easiest for you. SGLI coverage for children is free. The premium for your spouse will automatically be deducted from your pay until you separate from service. Coverage will continue, at no extra cost to you, for 120 days following your separation from service.

Coverage reflects 2003 numbers and may change

Coverage	Age of Spouse						
	<35	**35-39**	**40-44**	**45-49**	**50-54**	**55-59**	**60+**
$100,000	$6.00	$7.50	$10.00	$19.00	$28.00	$42.00	$55.40
$90.000	$5.40	$6.75	$9.00	$17.10	$25.20	$37.80	$49.50
$80,000	$4.80	$6.00	$8.00	$15.20	$22.40	$33.60	$44.00
$70,000	$4.20	$5.25	$7.00	$13.30	$19.60	$29.40	$38.50
$60,000	$3.60	$4.50	$6.00	$11.40	$16.80	$25.20	$33.00
$50,000	$3.00	$3.75	$5.00	$9.50	$14.00	$21.00	$27.50
$40,000	$2.40	$3.00	$4.00	$7.60	$11.20	$16.80	$22.00
$30,000	$1.80	$2.25	$3.00	$5.70	$8.40	$12.60	$16.50
$20,000	$1.20	$1.50	$2.00	$3.80	$5.60	$8.40	$11.00
$10,000	$.60	$.75	$1.00	$1.90	$2.80	$4.20	$5.50

You will pay no premiums for your children, since coverage for them is free

Termination: Coverage for your spouse will end 120 days after any of the following events:

- The date you elect in writing to terminate your spouse's coverage
- The date you elect in writing to terminate your own coverage
- The date of your death
- The date your coverage terminates
- The date of your divorce

However, your spouse can convert his or her coverage to a policy with a commercial company. Coverage for your children ends 120 days after any of the following events:

- The date you elect in writing to terminate your coverage
- The date you separate from service
- The date of your death
- The date your child is no longer your dependent

Beneficiary: The beneficiary of the spouse and the child coverage will be the member. If the member were to die before payment could be made, the proceeds of a spouse or child claim would be paid to the member's beneficiary.

- **DIC** (Dependency and Indemnity Compensation, provided by the VA): This is $948 per month to a surviving spouse until remarriage, plus $237 per month for each child (2003 figures). Provided by the VA, DIC is tax-free and is adjusted annually.

Social Security: $225 and if the surviving spouse has children 18 or under, the family will be eligible for one or more monthly checks from social security. The benefit amount depends on the worker's earnings history. Individuals receive an estimate of social security benefits yearly. Though exact social security survivor benefits vary, one example is: a married E-5, with 2 children, could expect his or her survivors to receive about $1,600 per month from Social Security, indexed each year for inflation.

- **Supplemental VA education benefits:** Available to a surviving spouse and children. At present this is $680 (2003) per month for 45 academic months of full-time study.

- **Other Benefits:** The military will pay the cost of a basic funeral and provide transportation for family members to it. The family will be provided a no cost final move and receive BAH or permission to live in housing for six months, and be paid for any accumulated leave or arrears in pay.

- All of the above taken together provide the foundation of a sizable estate for the average service member. In fact, the U.S. Government is often said to be the best benefit-paying corporation in the world, if a member dies on active duty!

How is your situation? You need insurance for income, final expenses, and funds for lifestyle adjustments. Completing a Life Insurance Needs Worksheet will help you determine your family's financial needs, your assets to provide for them and how much more you need, if any. If all existing benefits are taken into account, you may decide that you have little or no need for additional life insurance protection.

Factors Affecting Life Insurance Costs:

- **Age.** The possibility of death increases each year, as you grow older, therefore the "risk" being assumed by the insurance company is greater. The cost of the "insurance" portion of any policy will increase with age.

- **Gender**. For any age, women have a longer life expectancy than men; therefore their insurance costs are less.

- **Occupation.** The cost of life insurance can increase dramatically for those in "high risk" jobs such as aircraft crewmembers, demolition specialists, race drivers, or scuba divers. People with dangerous hobbies can also be affected the same way.

- **Health.** Your state of health determines not only your costs, but in some instances will determine if you are even insurable! Those with chronic health problems will face higher insurance premiums.

- **Lifestyle.** Certain lifestyle choices can affect insurance premiums. For example, smokers will pay almost twice as much for life insurance as a non-smoker of the same age. Most insurance companies consider you to be a smoker if you have used tobacco in any form at any time in the previous twelve months. Once a smoker quits, the rate for insurance will normally be reduced to the non-smoker rates after twelve months.

Types of Life Insurance Policies

All life insurance policies fall into one of two categories:

Term Insurance. Provides protection for a specific period of time (the term of the policy), after which it expires. Thus, it is referred to as "term" insurance. Depending on the conditions stated in the policy, it may or may not be renewable for an additional term. Term insurance is "pure" insurance; you pay only for the protection you need. SGLI and FSGLI are both term insurance. If you die during the term, your benefits are paid to a beneficiary chosen by you.

Cash Value Insurance. Combines insurance protection with some form of tax deferred savings program with the insurance company. Once in place, cash value policies are normally in effect for the life of the insured. Your premiums combine the insurance cost with an amount to be deposited to your savings (the portion that builds "cash value"). This type of insurance has many names, Cash-Value, Whole-Life, Universal-Life, Straight-Life, etc. These policies insure you for an indefinite amount of time and remain in effect as long as you pay the premiums. They accumulate cash value over time and can be cashed in before your death.

Advantages and Disadvantages of Term Insurance

Advantages:

- Term policies are usually far less costly, particularly in the early years, when the purchaser is young. This is the time when the need for the insurance is normally greatest.

- Term insurance is generally simple and straightforward. Since, as long as the issuing company is reputable and financially strong, the only real difference is price, policies are relatively easy to compare.

Disadvantages:

- The cost increases steadily with age, very steeply after a certain point.

- There is no cash value buildup.

- Because of the substantial cost advantage of term over cash value life insurance, many consumers elect to "buy term and invest the difference." However, you must actually invest the difference, not spend it on other items. Spending it elsewhere makes this a disadvantage.

Advantages and Disadvantages of Cash Value Insurance:

Advantages:

- Premiums remain level.
- Insurance coverage is guaranteed for life.
- The policy does build cash value, which may be used later (though, only by cashing in the policy).
- A loan can be taken against the cash value at a low interest rate (though, this reduces the death benefit).
- Often, additional insurance may be purchased without evidence of insurability.

Disadvantages:

- Cost. Cash Value is far more expensive, particularly when an individual is young.
- Since insurance and savings are "bundled" together, it is often difficult to accurately compare policies.
- The actual return on money invested can be very low; it is difficult to accurately estimate future cash values; other than a low guaranteed minimum (normally based on a 3.5% or 4% rate of return) there are no assurances of any dollar amount available in the future. Computer projections may or may not be realistic.
- Initial expenses generally mean there is no cash buildup in the early years of the policy. Some surrender charges are in effect for the first 10-20 years.

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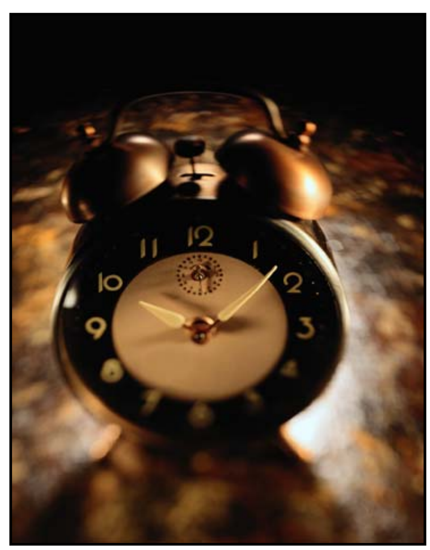
Comparing Life Insurance Policies



Insurance Needs and Type

Various needs for coverage will arise during your lifetime. The type of insurance you choose will be based on the amount of time for which coverage is needed. With this in mind, you may discover that you need a combination of insurance plans, not just one. Throughout your lifetime, you will need to cover funeral expenses and whatever personal debts you have incurred as well as replacing your income stream to the family. At certain times, you will need more insurance to cover things like a mortgage, provide for college, and pay for children's expenses. The expenses you will need to cover throughout your life may be best covered by permanent insurance while those of limited duration may be best covered by temporary insurance.

Features to consider:

When shopping for new insurance, or when considering replacing an existing policy, you must compare the various features and costs involved to determine which policy best meets your needs at the cost you can afford.

- The first feature to consider is face amount—the amount of coverage you need. If, for example, your needs are for $250,000 of coverage, you cannot compromise on that amount. To do so would be to put your family's financial future at risk. Once you have determined the face amount, you can then determine which policy is the best value, both now and in the future.

- Any insurance policy worthy of consideration must have a **guarantee of renewability** through the entire period when the protection will be needed. If, for example, you reasonably foresee a need for insurance until you are sixty-five years old, you should consider only those policies that guarantee protection through that age.

- As an active duty military member, you should ensure any policy you purchase contains no war clause (excluding coverage due to combat or any combat related activity). Check for other possible limitations on coverage that may apply to you.

- Check the financial strength of the company. Past failures of some large insurers make it essential to check the financial stability of the company from which you plan to purchase a policy. Rating agencies such as A.M. Best, Standard and Poor's, Moody's, and Weiss rate insurance company strength. A++, AAA, and Aaa are the highest ratings for safety. While these ratings vary and are somewhat complicated, a good general guideline might be to use extreme caution when dealing with a company that has a letter less than "A" in its ratings.

- Finally, cost. Cost comparisons between cash value policies are often difficult. If you are considering a cash value policy, use caution when you analyze illustrations. Be sure to compare the return on the policy with a similar investment type you could purchase outside of the policy. The projected rate of return should be reasonable considering current market conditions. Check carefully both guaranteed and projected dollar figures on any illustration. **The predicted cash value build-up within an insurance policy may not be based on any historical or factual data**. In addition, commissions take a larger bite out of the cash value in the early years (as much as 100% of premiums in year one), thus reducing the amount of money working for you.

- An excellent way to compare policies and research costs, particularly for term insurance, is to use the internet price comparison resources. **Double-check** your findings. Consumer or financial publications can often provide valuable insurance information. **Consumer Reports Magazine**, for example, periodically publishes an extensive series of articles dealing with life insurance. This includes comparative ratings for sample policies from many companies. Several quote services are available that provide low cost insurance, particularly term insurance. The internet offers numerous opportunities for comparing life insurance quotes. Active duty service members should also check with Navy Mutual Aid Association for an additional comparison.

Term vs. Cash-Value

- **Cost:** You can buy a 30- year term policy very inexpensively. Term policies allow the option of purchasing a 20 or 30-year level-term policy and locking in the premiums until you retire, or your mortgage is paid, or college is over. There is a lot of competition in the market for low price level-term policies.

- **Savings:** There are many tax-deferred savings options available and some are even tax deductible. You don't have to save within an insurance plan to get tax-deferred growth.

- **Fees:** The main problem with cash-value life insurance is that the up-front commissions and fees reduce your returns in the early years of the policy. The Consumer Federation of America has found that after fees and costs, most policies don't have a positive rate of return until the fifth year.

- **Loans to yourself:** You have lots of options for borrowing money. Insurance loans and withdrawals from cash-value policies are not free. They lower your death benefit if you die with a loan outstanding, and you pay interest on the loan. The penalty fee amount you can take will also be limited during the surrender period (usually the first 10-15 years).

- **Returns:** The investment returns and interest rates depicted on cash-value policies don't apply to your entire premium, only what's left after the insurance cost and other fees. The future cash-value illustrations you are shown are based on assumptions that may not resemble reality.

- A key reason to buy cash-value insurance is to guarantee coverage as long as you pay the premium at a predictable cost. Most people don't need insurance forever, just until certain life events have passed, but in some instances you may want longer protection:

  - If you have a large estate, the death benefit can be used to pay taxes.

  - If you have dependents you will be supporting for a long time.

  - If you want to leave a legacy for others.

- If you need another tax shelter after maxing IRA, TSP and 401K.

Should You Replace Your Old Policy?

In general, you may consider replacing an old policy if:

- You are healthy (insurable).
- You can significantly lower your cost per $1,000 of coverage.
- You currently hold several policies. (Each policy typically has an annual administrative fee of $25-$50. For someone with five different policies, that could be as much as $250 a year that could better be applied toward the premiums of just one policy.)
- Your current policies are based on old mortality tables. Life expectancy is increasing; therefore the cost per $1,000 of insurance protection for any age group is going down. Depending on how old your policies are, the difference between the older rates and the current rates can be significant.

Do not replace an existing policy if:

- Your health has declined to the point where it would adversely affect the cost of the premiums.
- Your costs per $1,000 of coverage will not decrease.
- You don't plan on saving the difference between the old and new premiums.
- You don't think you can handle the pressure that your old agent might put on you to keep the existing policy. (Since most insurance commissions are paid in the first year, there will seldom be pressure not to replace a policy over one year old. Even if there is, that should not influence your decision.)
- Also remember that canceling any existing cash value policy in the early years will usually result in the loss of the cash value. Even an attractive cash value policy must generally be held 20 years or more in order to receive a good rate of return.

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Choosing an Agent

Questions to ask an agent:

You may wish to check with your local Better Business Bureau, and with the agency that regulates the life insurance industry in your state. Always check with at least two or three agents from different companies (or independent agencies). Ask the following questions:

- Is the agent licensed in the state?

- How long have they been in business, and what if any professional designations do they have?

- Will they use term insurance as a comparison? Common mistakes consumers make when buying life insurance:

  1. Not understanding the true purpose of insurance. Buy life insurance to protect your loved ones from a catastrophe (the loss of your income).

  2. Using life insurance as a savings vehicle. These policies offer protection with cash-value, which adds to the cost and reduces returns. IRA's, TSP and 401K's are better options for servicemembers.

  3. Not understanding what you're buying. All insurance is term; everything else is some version of it.

  4. Putting too much trust in an agent. Do your homework and don't rely on your agent exclusively to tell you what's best. Remember, they usually work on commission.

  5. Holding onto a policy forever. Your needs change, when your life changes, stay up to date and change your insurance too.

  6. Buying unnecessary insurance.

Summary on shopping for insurance:

- Know what you need. Don't automatically rely on what an agent says you need.

- Comparison shop. Look at the costs and benefits of several different policies and types of policies.

- Understand your policy. Ask the agent lots of questions. Read the fine print!

- Don't be talked into anything. Take your time; give yourself at least a 24-hour "cooling off " period just as you should before making any other big-dollar purchase decision.

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Conclusion

Having no insurance plan in place can be a costly mistake if others are dependent on you for their financial well-being. By using the information provided you should be able to determine your insurance needs and be better equipped to analyze a policy and select what's best for you.

What Do You Know About Life Insurance?

1. What are the two basic types of life insurance?

   Answer: Term and Cash Value

2. Are insurance policy features and cost are standard across the industry?

   Answer: No

3. Should you buy a policy with a face value to match your current annual salary?

   Answer: No, unless you have lots of assets you will need enough coverage to maintain your family's lifestyle and may want to pay for college. Planners say five to seven times your annual salary is normal.

4. When is the best time to get life insurance?

   Answer: When you have dependents, since its purpose is to allow them to maintain their lifestyle after your death.

5. What are some of the factors affecting the cost of life insurance?

   Answer: Age, gender, occupation, health, life-style

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