

An Important Checklist for your Term Insurance Considerations

You need insurance right? Right. You know about "Term vs. Perm" and you've decided that Term insurance is right for you. Now all you need to do is find the lowest price, right? Wrong!

Term life insurance policies have elements that can vary from policy to policy and company to company and have consequences you may not have considered. As we define these elements, you'll see that price is not the bottom line in your purchase decision.

All Insurance Companies Are Not Equal

Hundreds of companies sell term life insurance products. Some of these companies have been around for over a hundred years. Some insurance companies may only be a few years old. Some insurance companies have billions of dollars in assets; others have considerably less. Financial strength compares assets to liabilities, plus reserves. There may be some terrific small companies, and some troubled big companies... or vice versa. Some insurance companies have numerous complaints filed against them with state regulators; some have clean records. Some insurance companies are easy to contact when you have questions or concerns, others are less easy to deal with. All of these factors should affect your decision as to whether you will buy their product or not.

Although state governments regulate the insurance industry; some companies are financially more sound than others. Companies are given a grade (rated) by several different firms. Just like grades at school, A's usually represent the highest rating, while B's, C's and D's are lower, pluses are better than minuses.

Find out what the company's "grade" is and also what scale that is on.

Not All Policies Are Renewable

A renewable term policy means that you can renew your policy at the end of the term without further proof of insurability. However, premiums will probably go up, because you will be paying the rate for your new age. A policy that is not renewable will likely have lower premiums than a renewable policy, but if you want to continue coverage at the end of the term, you will have to go through the underwriting process again. Something to consider—you may not qualify if your health has changed, and your coverage will cease or cost more than your current underwriting class.

Not All Policies Are Convertible

This type of term policy gives you the option to convert your term policy to a policy that has cash value, usually within a certain time period or before a certain age is attained. Convertible policies generally have higher premiums than regular term policies, however, like the renewable term policy, you don't have to show further proof of insurability at the time of conversion. Some policies offer a conversion credit or incentive since the insurance company does not have to pay for new medical underwriting.

Not All Policies Offer Riders You May Want

Riders are additions to a policy that are not included in the original policy itself. Some of the most common riders are the ability to add coverage for your spouse or children to the policy. Each rider you add will generally result in a higher premium, but may provide benefits that are important to you in your unique situation. Sometimes it costs more to buy two policies to cover you and your spouse than to buy one policy that covers both of you.

Not All Policies Have Guaranteed Rates

This is an area to watch. Some companies will guarantee that your premiums will stay at the same level throughout the term of the policy; other companies merely project the premium without guaranteeing it. A true guaranteed level premium term insurance policy will generally have higher initial premiums than a non-guaranteed policy. This is an instance where company strength may make a real difference, since a strong company may be able to keep the premium level, even though its not guaranteed.

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Not All Policies are Available To You

You may get a quote that is low, but that is no guarantee that you will get to purchase the product quoted to you. Insurance companies can refuse to sell you a particular product based on your health or the type of activities you engage in (sky-diving, scuba diving, mountain climbing and aircraft piloting may be a few of these).

Help With Problems

One client applied for coverage without the help of an agent. Unfortunately, adverse medical information caused the company to issue the policy at substandard rates. The client called his former agent and asked for help. With just a few phone calls, the agent arranged for new medical information, which lowered the rating to better than standard. Make sure you know how to get personalized help when applying for coverage.

The bottom line is this:

The price of the policy should not be your sole consideration when purchasing term life insurance.

Consider the following statement from USLaw.com:

"Although term insurance is the most basic type of insurance, it has become quite complex. Many '800' number insurance quote services, as well as online insurance sites have come on the scene recently offering 'no hassle' quotes on term insurance. Although it's certainly helpful to do your own homework and get all the information you can, it is usually advisable to deal with an insurance professional whom you can trust."

Make sure you know whom you are buying from. Buy insurance from someone who is licensed and whom you know and trust. Make sure that whomever you buy a policy from can explain all of the options available on different types of term policies. For all the technology and all the progress, isn't it interesting that it comes down to trust.

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