



How to Evaluate a Life Insurance Quote

Description

Life insurance is an important topic not only for you but also for your loved ones – as well as anybody else who depends on your financial support to live or survive.



But if you do your homework in advance and get answers to the most common life insurance questions, your journey to life coverage would be easier and you could get the best term life insurance policy you want – that is, a policy you can afford, that suits your needs perfectly, and that is issued by a company that is economically sound.

What Types of Life Insurance Are Available Out There?

There are two basic types of life insurance: cash value and term.

Term life insurance provides coverage for a limited period – say, 60 months or 10 years. The premiums start out low, and the insurance company typically would guarantee that the premiums would not go up during the term. Note, however, that rates can increase after the specified period.

Cash value life insurance, as the term implies, enables you to build up a cash component to your policy over time. If possible, I recommend you choose this type of insurance policy because if you are faced

with financial tumult, you can tap into the cash on a temporary basis and repay it back later. More specifically, there are three ways you can benefit from the cash value of your insurance policy:

- Borrow against the policy,
- Buy more insurance with the cash value, and
- Use the extra cash to increase your retirement income.

How Should I Evaluate Life Insurance Premium Quotes?

To evaluate life insurance premium quotes, you can do it the hard way or the easy way. The hard way is that you canvass the offices, or call the customer service departments, of different insurance companies and talk to a “live” staff member. Alternatively, you can compare the quotes online – a procedure that not only is the easiest way but also saves you time, money and energy.

Portals such as AccuQuote, Insure, and Insurance Hot Line give you helpful resources and information to make a relevant life insurance decision. Before visiting the site, make sure you have handy things like medical history, pre-existing conditions, type of policy preferred, and policy term.

Key questions you should keep in mind as you shop around for quotes include:

- Does the insurance company increase premiums each year? If not, how often?
- Will my benefit level decrease?
- Will I derive dividends from the cash value portion of the policy?
- Will I be able to convert a term policy into a whole life policy if I so want?
- Does the insurance company charge policy fees separately from premiums?
- What is the maximum amount of cash value I can accumulate with the policy?
- Does the insurance company guarantee all benefits and premiums? If not, what part is not guaranteed?

What Are Effective Ways to Reduce My Life Insurance Premium?

You can decrease the premium amount you fork over by following a few measures:

- **Stay fit** – Consider joining a health and fitness club in your neighborhood or, if you can afford it, enlist the help of a professional fitness coach. Alternatively, you can give into daily walks, say, 30 minutes, in the local park or around your neighborhood.
- **Reduce risk events** – Lessen the risk level that insurance companies would assign to you. Insurers typically would ask that you undergo a medical exam before giving you a premium quote, and the healthier you are, the lower the premium rate they will offer you – everything else being equal. Besides a medical exam, a life insurance company uses a longevity chart as part of the evaluation process. A longevity chart comprises statistical tables showing mortality rates of people.
- **Lessen cholesterol risk** by adopting a well-balanced diet.
- **Avoid tobacco and other substances** that could pose a health hazard to you now or in the future.

- **Don't go solo** – You can decrease your life insurance premium if you purchase the policy from the same company that covers you on other risk events. Simply put, buy all your coverage from the same insurer, but make sure the company is financially strong and has a good credit rating. The last thing you want is to entrust your money to an organization that would not be around when you are no longer here. Talk to your insurance agent to have more information about cash you can save by bundling life, property, health and car insurance with a single company.

What Key Things Should I Consider When Buying Life Insurance?

Buying life insurance helps you address various needs, but don't choose a policy you cannot afford. Before buying life insurance, ask yourself the following:

- Who depends on you and what would be their earnings, excluding life insurance proceeds, after your death? Dependents can be your "direct family," such as spouse and children, and "extended family," say, an aunt, uncle, nephew, or niece.
- Do you have other investments, such as property and retirements accounts?
- Would you need life insurance for your entire lifetime or just a specific period, say, 25 years?
- Do you want a disability provision in the policy, so that you get coverage before your death?
- Does the insurance company have enough financial strength to be around when I'm no longer here?

Is My Life Insurance Policy Annulled if I Don't Pay the Required Premiums?

Your policy may be annulled if you don't pay your premium by the due date, but there are ways to avoid that. The insurance company will give you a 30-day grace period within which you can pay your premium and bring your policy back into the "Status: Current" category. If you don't remit the premium money after the grace period, your policy typically would lapse.

Have a conversation with your insurance agent or read the fine prints as well as the terms and conditions of your policy to better understand policy lapsing.

If you have a permanent policy, your insurance company would cover the late premium payments with whatever cash value there is in the policy. Remember to opt for a "waiver of premium" provision when filling your application; that way, if you become disabled, you would not have to pay premiums for the length of time you remain disabled.

Can I Have Multiple Life Insurance Policies?

You can have multiple life insurance policies from one or multiple insurers; the choice is yours. For example, you could buy a term life policy from one insurance company to address short-term needs, and purchase a permanent life insurance policy from another insurer to achieve other goals. Be mindful, though, that the insurance company might ask why you need more than one or two coverage plans if it figures out that you apply for more insurance than you need.

Who Can I Name as Beneficiary in My Life Insurance Policy?

Many people choose their spouse as the sole beneficiary of their life insurance policy, but you can

choose who you want. Remember, you also can name multiple beneficiaries on the policy, depending on your family dynamics and the need to ensure the welfare of specific loved ones, among other reasons. For example, say you have a \$250,000 individual life insurance policy. You could name your spouse and child to divvy up the policy equally at \$125,000 each.

What Types of Information Life Insurance Companies Scrutinize in Medical Exams?

Talk to your insurance agent before you take the medical exam required as part of your life insurance application. That way, you know upfront the medical restrictions on the policy, what is out of the coverage scope, and how any personal health condition would affect your premium quote.

A medical exam helps collect information on things like a blood sample, height, urine sample, and blood pressure, along with your health history, family, gender, age, and fitness level. The insurance company uses this collection of data to figure out the rate class in which you fit. Note that you can always reduce your rate by improving your health and fitness level, and this is something your insurance company can explain to you more.

Recap

Don't take the selection of a life insurance company lightly. The choice you make could affect payout amounts along with a miscellany of elements ranging from premium quotes and medical exclusions to cash accumulation and coverage term. To reduce your premiums, do an online quote comparison, reduce or eliminate your personal health hazards, and purchase multiple policies from the same insurance company.

Category

1. Insurance

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