

What Every Consumer Should Know About Life Insurance

Courtesy of Department of Insurance, Securities and Banking (DISB)

Many people—particularly those with children—recognize that life insurance can help protect their family financially in the event of their death. Still, some delay any action because of confusion regarding the amount of insurance needed or the types of coverage available. That's why the National Association of Insurance Commissioners (NAIC,) of which the D.C. Department of Insurance, Securities and Banking (DISB) is a member, created Insure U, a comprehensive public education program to help consumers with practical information about insurance.

Understand The Basics

According to the NAIC, there are three key basics of life insurance:

1. Start by determining how many people are financially dependent on you, what their major expenses could be and whether you're likely to leave them with substantial debts or estate taxes.

2. Evaluate the two main types of life insurance: term, which pays a death benefit if you die within a specified time; and permanent life, which provides coverage for your entire life and typically includes both a death benefit and the ability to build up cash value. In general, term insurance is much less expensive than permanent life.

3. Understand the major factors affecting life premiums. Some are uncontrollable, like the age at which you purchase a policy or whether you have a serious pre-existing medical problem. Others are directly related to behavior, like poor health habits (e.g., smoking or excessive drinking,) your driving record or whether you engage in dangerous hobbies such as skydiving or bungee jumping.

Life Insurance Tips by Life Stage

- Young singles who want to be sure they can get life insurance later in their lives when they may develop health problems, should consider inexpensive term life insurance that is guaranteed to be renewable.

- Young families should consider purchasing life insurance for both parents, even for a non-working spouse, to help pay for childcare and other domestic services.

- Established families should factor in the probable costs of their children's college education when determining how much life insurance they may need.

- Empty nesters/seniors should evaluate the pros and cons of reducing their life insurance coverage based on whether their spouse is alive, their home is paid for or their children or grandchildren are financially independent.

All consumers should review their life insurance policy annually and update it to reflect major changes, such as marriage, the birth of a child, divorce or death of a spouse.

You may access the Insure U curriculum on DISB's Web site at www.disb.dc.gov (under "Consumers".) The information is organized by life stages and includes a basic introduction to the four major types of insurance—auto, home, life and health. Additionally, there's a quiz for each stage, so you may test your knowledge about insurance topics.

One of the ways consumers can be hurt financially is by purchasing insurance from a fake insurance company. You can protect yourself by taking the simple steps of "Stop, Call and Confirm"—stop before purchasing any insurance policy, call DISB at 202-727-8000, and confirm you are dealing with a legitimate insurance company authorized to do business in the District of Columbia.

For more information, please call DISB at (202) 727-8000 or visit the Web at www.disb.dc.gov. **WI**



Your Life Changes, So Do Your Insurance Needs

How do you know what insurance is right for you?

Insure U: Life-stage-based Insurance

Young Singles

Young Families

Established Families

Empty Nesters/Seniors

Visit the Department of Insurance, Securities and Banking Web site at www.disb.dc.gov or www.InsureUonline.org.

