Types of Life Insurance

There are two main types of life insurance. Your choice should be based on your needs and what you can afford:

**Term Insurance**

Term insurance covers you during a specific period of time (Term) and awards a death benefit if you die during that term. Term insurance may offer the largest dollar amount of insurance protection for your premium; however, it does not increase in cash value that you can utilize in the future. Some of the common types of Term Life Insurance are:

- **Renewable**: You can renew the policy for one or more terms even if your health has changed although the premium you will pay could increase. You may lose the right to renew the policy at some age.
- **Guaranteed renewable**: For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period. At the end of that period you may need to pass a physical examination to continue coverage, and premiums may increase.
- **Convertible**: Some term policies have an option to covert to a permanent life insurance policy during the conversion period - even if you are not in good health.

**Permanent Life Insurance**

Permanent life insurance is a type of policy where the premiums charged are higher at the beginning than they would be for the same amount of term insurance; however, these policies do increase in cash surrender value. You may borrow against the policy’s cash value to keep insurance in force, to purchase additional insurance, or to increase your income in retirement. Below are examples of permanent life insurance:

- **Whole Life Insurance**: Covers you for as long as you live (whole life) if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first purchase the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. Some whole life policies let you pay premiums for a shorter period such as 20 years or until age 65.
- **Universal Life Insurance**: A flexible (universal) policy that lets you vary your payments subject to a premium minimum. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. Part of the premiums you pay go into a policy account that earns interest.
- **Variable Life Insurance**: Is where the selected death benefits and cash values depend (variable) on the investment performance of one or more separate accounts, that are invested as allowed under the policy. Be sure to get the prospectus from the company when buying this kind of policy, study it carefully, and ask an agent to provide examples of possible results. You may pay an extra premium for a guaranteed death benefit.
- **Variable Universal Life**: Is a blending of both universal and variable life insurance which offers tax free long-term investment opportunities as well as the flexibility of a universal plan. Be sure to get the prospectus from the company before buying this kind of policy and study it carefully. You pay an extra premium for a guaranteed death benefit.
Shopping for Life Insurance
• Assess your current financial situation
• Determine the amount of coverage you need
• Premium payment you can afford
• Understand the difference between term life and permanent life insurance
• Decide which type of policy best meets your current situation
• Be truthful on the application

A life insurance illustration provided by an insurance company or insurance agent will explain how the policy works. The illustration will provide the amount of life insurance, the premium, earnings on the cash value (both guaranteed and projected).

What Factors May Impact the Premium?
In order to give you an accurate quote, an agent or company may request the following information:
• Your age and gender
• Questions about your health status
• Whether or not you smoke or use tobacco
• Detailed information regarding your lifestyle and occupation
• You may be asked to undergo a medical examination
• Amount of coverage

What About the Policy You Have Now?
If you are thinking about discontinuing your current life insurance policy, here are some issues to consider first:
• It may be costly to replace a policy. If the current policy was purchased at a younger age, you may consider keeping it and buying additional insurance.
• You may have valuable rights and benefits in your current policy that you would be giving up when purchasing a new policy.
• If your current policy no longer meets your needs, you may be able to change the coverage and benefits of the policy.
• Before purchasing your policy, ask your agent or insurance company for an updated illustration.
• If you decide to replace your policy, do not cancel your current policy until you have received and reviewed the new one. West Virginia law allows you a 10 day “free look” period to decide whether to keep the life insurance policy or replace it.

How Much Do You Need?
Here are some questions to ask yourself:
• How much income do I provide to others?
• Can I set aside money for my children to finish their education, etc. in the event of my death?
• How will my family pay final expenses and repay my debts?
• Will there be estate taxes to pay after my death?
• How will inflation affect future needs?
• How much coverage do I need now and in future years?

As you figure out what you must have to meet those needs, count the life insurance you have now and will keep. You may have group life insurance coverage through your employer, however, if you change jobs, retire or your employer changes their benefit offerings this amount can change. Although employer life insurance is a good benefit, it is not a guarantee for future years. You may wish to include other assets you have such as: savings, investments, real estate, and personal property.