

## LIFE INSURANCE:

### ***Reviewing Your Policy Important to Securing Your Family's Future***

*September is Life Insurance Awareness Month. The National Association of Insurance Commissioners (NAIC) suggests that you review your life insurance policy to determine if your coverage is still appropriate for your situation. The NAIC offers the following tips and considerations:*

#### **The Basics**

Life insurance helps secure your family's financial future after the death of you and/or your spouse. It also helps ensure that the estate that you've worked your life to build will be allocated to the beneficiaries you have chosen.

When purchasing life insurance, consider the financial responsibilities that your family will immediately inherit such as a mortgage or car loan. In addition, you'll want to consider long-term goals such as your spouse's retirement or your children's education. If you decide that you need more coverage, determine whether you need term life insurance or a cash value policy.

Term insurance generally has lower premiums in the early years, but does not build up a cash value you can access. Cash value policies come in the form of whole life, universal life or variable life insurance. It's important to know which type of policy you own, and how the benefits are paid if something happens to you and/or your spouse.

If you have questions about your current coverage, or about the type of policy to best fit your situation, contact your life insurance agent or your state insurance department. You can find a link to your state insurance department's Web site at [www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm).

#### **Stop. Call. Confirm.**

Before consulting an agent or purchasing a life insurance policy, make sure the agent and company are licensed to sell insurance in your state. To check, call your state insurance department at 1-866-470-NAIC (6242).

#### **What to Review**

As your life situation changes through the years, so do your insurance needs. A regular review of your life insurance coverage is important.

To begin your review, read your policy carefully. Look for answers to these questions:

- Do premiums or benefits vary from year to year?
- How much do the benefits build up in the policy?
- What part of the premiums or benefits is not guaranteed?

- What is the effect of interest on money paid and received at different times on the policy?
- In what situations and through what procedures can cash values be accessed?
- Can the policy be converted into another form of insurance or annuity?

When reviewing your policy, make sure the benefit covers your current needs. Changes — such as a birth, divorce, remarriage or even a new mortgage or job — are indicators that you might need to make changes to your life insurance policy.

In the case of the birth of a child or a new marriage, you might want to increase your death benefit. Check with your agent to see if your insurance company requires a physical exam before increasing your coverage levels.

Alternatively, your life changes might allow you to lower your life insurance coverage and premiums. The mortgage might be paid, you might have retired or your children might have completed college. At this stage of life, your life insurance company might be able to offer “conversion privileges” from your current term life insurance policy to a new whole life insurance policy. You might also be able to expand your death benefits so they can be used while you are still living. Ask your insurance agent or company about these options.

## Beneficiaries

One of the most important decisions to make regarding life insurance is to whom to leave your benefits. That’s why it’s important to review your beneficiaries every few years.

There are two types of beneficiaries for your life insurance policy. Primary beneficiaries receive a portion or the whole policy benefit if they outlive you. Contingent beneficiaries (also referred to as secondary beneficiaries) receive proceeds if a primary beneficiary dies before you. If you name more than one beneficiary in either category, you should include the percentages of the death benefit proceeds that you would like each individual to receive, or stipulate “equal shares” to each.

You can name your spouse, domestic partner, children, grandchildren, relatives, friends, charities, businesses, trusts or your estate as your beneficiary. Naming individuals rather than an estate allows those individuals to receive the proceeds immediately and, generally, without taxation. As part of your estate, however, proceeds typically will go through probate with the rest of your assets and might be subject to estate taxes. Your will does not affect the distribution of your life insurance proceeds unless the sum goes to your estate to be divided according to the will. Check with your insurance agent, tax advisor or family lawyer if you have questions about how the life insurance benefit will be paid following your death.

Tips for naming beneficiaries:

- **Spouse:** You should use the individual’s legal name, as in “John Wayne Johnson,” rather than “husband.” In case of a second marriage, “husband” could be interpreted either as the husband when you bought the policy or the current husband. When reviewing your policy, think about who will be in the best position to make financial and other important family decisions upon your death.
- **Children:** You should qualify a specific class of individuals, such as “my children,” by the use of either “*per stirpes*” (according to the family tree or branch) or “*per capita*” (per head). A designation of “my children per stirpes” means that if your two sons have two children each, and your oldest son dies before you do, his children will each receive his share of your benefits. A designation of “my children per capita” means that the living son, in the case above, would receive the full amount and your oldest son’s family would receive none of the benefit.

- **Minor Children:** Most insurance companies will not pay life insurance proceeds to minors. If any of your children are minors, one of your options is to designate a trust as the beneficiary, with an individual or institution to use the funds for the welfare of your children. You will need to set up your trust(s) carefully, with your family attorney or tax advisor's assistance. Another option is to designate two individuals whom you trust as beneficiaries, who will make joint decisions about the care and welfare of your children. As your children mature, you should update your beneficiaries accordingly.

If you are the owner of your life insurance policy, in most cases you can change beneficiaries at any time by completing a formal, written notification to your insurance company. During a regular review of your life insurance policy, take into consideration changes in your life, relationships and family — such as births, adoptions, marriages, remarriages, divorces and deaths — when updating your beneficiaries. Your family attorney, tax advisor or insurance agent can help you use specific wording to avoid unintended consequences.

### **Locating the Company that Services Your Life Insurance Policy**

It's possible the company that issued your life insurance policy has changed its name, merged with another company or sold your policy to another insurance company. You should have been notified of this change at the time it happened. For this reason, it's important to make sure your mailing address is always current on your policy. However, if you did not receive an updated policy, you will need to locate the life insurer that services and pays claims on your policy.

You will need this information to search for the new company information:

- Make sure you have the entire legal name of the insurance company. This should be listed on the policy or binder.
- Check to see if there is a mailing address and phone number on the policy or binder.
- Determine in what state the policy was purchased and when the policy was purchased.

Once you have this information, contact the state insurance department in which the insurance company was located at the time the policy was issued. Many times, the state insurance department will be able to track name changes and/or mergers that impacted the insurance company.

To find contact information for your state insurance department, visit [www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm).

You can also use the Life Insurance Company Location System, <https://external-apps.naic.org/orphanedpolicy/>. Using the information you have gathered, answer five questions and the system will provide a list of suggested state insurance department contacts that might be able to assist with your search.

### **More Information**

To learn more about your insurance needs throughout your life, go to [www.InsureUonline.org](http://www.InsureUonline.org).

Get more information about life insurance by downloading the NAIC's free "Life Insurance Buyer's Guide" at [www.naic.org/consumer\\_home.htm](http://www.naic.org/consumer_home.htm).