



DEPARTMENT OF

Professional &  
Financial Regulation

STATE OF MAINE

• OFFICE OF SECURITIES  
• BUREAU OF INSURANCE  
• CONSUMER CREDIT PROTECTION  
• BUREAU OF FINANCIAL INSTITUTIONS  
• OFFICE OF PROF. AND OCC. REGULATION

## 10 Things You Should Know Before Purchasing Life Insurance

### 1. Review Your Insurance Needs

Talk to an insurance agent; he or she can help you evaluate your insurance needs and give you information about available policies.

### 2. Decide How Much Coverage You Need

How much of the family income do you provide? Does anyone else depend on you financially? How will your family pay final expenses and repay debts – such as mortgages – after your death? Based on the answers to these questions, decide how much coverage you need, for how long and what you can afford to pay. You want to make sure that you buy enough life insurance to cover the financial impacts of your death on those who depend on you.

### 3. Assess Your Current Life Insurance Policy

If you already have a life insurance policy, do not cancel it until you have received the new one. You then have a minimum period to review your new policy and decide if it is what you want. The length of the review period will be stated in the contract you receive from the insurance company, but Maine law requires you be given at least 10 days from the policy delivery date. Keep in mind that you may not have to purchase a new policy to get the coverage you want; consider making changes to your current policy, instead.

### 4. Compare The Different Kinds of Insurance Policies

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

- **Term life insurance** generally has lower premiums in the early years, but does not build up cash values that you can use in the future.
- **Cash Value life insurance** may be issued as one of several types: whole life, universal life and variable life. Your choice should be based on your current and future needs and on what you can afford.

### 5. Be Sure You Can Afford the Premium Payments

Before purchasing a life insurance policy, be sure that you can handle the premium payments. Can you afford the initial premium? If the premium increases later, will you still be able to afford it?

## **6. Have an Insurance Agent Help You Evaluate the Future of Your Policy**

How quickly does the cash value of the policy grow? Some policies have low cash values in the early years that build quickly later on. Other policies have a more level cash value build-up. Ask your agent for a year-to-year display of values and benefits.

## **7. Keep Your Current Policy**

It is important that you do not drop one policy and buy another without a thorough study of the new policy and the one you have now. Replacing your insurance policy may be costly.

## **8. Understand Renewal Policies**

You can renew most term insurance policies for one or more terms even if your health has changed. Each time you renew the policy for a new term, premiums may be higher. Ask what the premiums will be if you continue to renew the policy. Also ask if you will lose the right to renew the policy at a certain age.

## **9. Read Your Policy Carefully**

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? These are all questions that you should be able to answer by reading your policy thoroughly. Your agent can help you understand things that are unclear.

## **10. Review Your Life Insurance Program Every Few Years**

How will inflation affect your future needs? Do you need more insurance when your family size increases? Review your policy with your agent every few years to keep up with changes in your income and needs.



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