

## **Life Insurance Frequently Asked Questions**

### **What is life insurance?**

Life insurance is a contract between an insurance company and the insurance policy owner(s). The insurance company pays a cash amount or death benefit to the beneficiary(s) named in the policy upon the death of the insured named in the policy.

Purposes of life insurance include providing financial security, funding business continuation and satisfying estate tax requirements among others.

The two main types of life insurance policies are term life insurance and permanent life insurance.

### **What is term life insurance?**

Term life insurance is the most basic form of life insurance. It provides coverage for a specified period of time (e.g. 1, 5, 10, 15, 20, 25, or 30 years) in exchange for a specified premium. If the death of the insured individual occurs within this period of time or term period, the insurance company will pay the death benefit. If the term period expires while the insured individual is still living, the policy terminates and no death benefit will be paid.

The two main types of term life insurance policies are level premium term life insurance and yearly renewable term life insurance.

### **What is the Return of Premium Life Insurance?**

Return of Premium term life insurance is a product that allows you to recover up to 100% of all premiums paid on the policy. If the policy reaches the end of the policy term and there has been no death benefit claim, the insurance company will return all premiums paid on the policy to the policy owner. If the policy is cancelled (lapsed or surrendered) at a point prior to the end of the term, a designated percentage of the premiums paid will be returned to the policy owner. You can learn more about [Return of Premium term life insurance](#).

### **What is the Instant Issue Term Life Insurance?**

Instant Issue term life insurance is a product that utilizes a simplified underwriting process and streamlined application process. The process can be completed online through our Web site in as little as 15 minutes. No medical exam is required with Instant Issue term life insurance. Coverage amounts are limited to \$150,000 or less, depending on the insured's age. You can learn more about [Instant Issue term life insurance](#).

### **What is permanent life insurance?**

Permanent life insurance provides coverage for the life of the insured individual(s). These policies are more complex and expensive than term life insurance. They often accumulate tax deferred cash values from which future premiums can be paid or policy loans can be made. These policies typically stay in force as long as the premiums continue to be paid.

Some of the main types of permanent life insurance policies are whole life insurance, universal life insurance and variable life insurance.

### **How do I determine the amount of coverage I need?**

Your coverage need will depend on your individual circumstances. Factors you should consider include anticipated final expenses (e.g. medical bills and burial costs), living expenses for your surviving family members, any outstanding loans (e.g. auto and credit cards), the outstanding balance on your mortgage, anticipated education costs for your children, estate taxes, and business continuation expenses.

A simple way to achieve a "starting point" is to take a multiple of your annual income and adjust for the factors listed above. QuickQuote recommends 10 times your annual income to start. Keep in mind that your needs will most likely change over time and what seems like enough today may not be adequate in ten years. It is usually best to purchase an amount you can afford while at the same time considering future needs.

Most insurance companies will allow a certain multiple of your annual income based on your age and are usually flexible if you can demonstrate other needs. The amount you choose is up to you for the most part; however, you will need to justify amounts over and above a company's income multiple guidelines.

For assistance choosing your coverage amount, please visit our [Life Insurance Needs Estimator](#)

### **How do I choose the length of coverage?**

Your coverage length will depend on your individual circumstances. Factors you should consider include your age, your spouse's age, your children's ages, the length of your financial obligations (e.g. mortgage and student loans) and the number of years until retirement.

You will want to choose a term period that covers all of the above factors. For example, if you have a five-year old child and you wish to support that child through college and perhaps graduate school, you may need a policy term period of 20 years or more.

### **Is my life insurance policy convertible?**

Most term life insurance policies are convertible to permanent life insurance policies. Convertible policies can generally be converted to permanent policies within a specified period of time from policy issue, without providing new evidence of insurability (unless

you increase your benefits). You can check to see the specific requirements of the policy you are interested in by clicking on the "Details" button next to your quote on our Web site. QuickQuote can assist you with conversion to a permanent policy.

### **Will my premium rates change each year?**

No, your premium rates are guaranteed to remain the same during the entire term period. These are called fully guaranteed or level term policies and they are the only type of term life insurance policies QuickQuote offers.

### **Will my final premium rates be the same as the rates your quoted on the Web site?**

It is certainly possible, but not guaranteed. Your final rates will be determined by the insurance company through a process called underwriting. Underwriting includes a review of your current health status, medical history, family history and driving record among other things.

Underwriting will determine your final rating class, which will establish your final premium rates. Your rating class may or may not be the same as that quoted on our Web site. With your assistance, we provide the most accurate quote possible up front.

### **What happens at the end of the life insurance term period?**

The life insurance policy will terminate at the end of the term period. However, you may have the option to renew the policy on an annual basis without providing evidence of insurability. The cost to renew annually will most likely be much higher than the previous guaranteed premium rates were, but it may be a valid option for individuals who find themselves uninsurable due to injury or illness.

### **What are the different rating classes and what do they mean?**

The policy rating class is the risk category which an applicant qualifies for according to an insurance company's underwriting guidelines. Common rating classes are Preferred Plus (also called Super Preferred), Preferred, Standard Plus, Standard and Substandard. The policy rating class will determine the premium rate for the policy.

### **Why do my quotes show different rating classes than the rating class I selected?**

Our quoting system is designed to return the most appropriate rating class for each company based on the information you provided on the Quote Questionnaire. Since underwriting guidelines vary by company, your quoted rating class may vary as well. For example, a build of 5'10" and 190 pounds may qualify for a Preferred rating class with one company and a Standard Plus rating class with another.

Companies also vary with regard to the names of their rating classes. For example, the best rating class available is commonly called Preferred Plus. However, this same class

may also be called Preferred Best, Super Preferred and Premier depending on the company.

### **What is the payment mode?**

The payment mode is the term of premium payments for a life insurance policy. Available modes are annual, semi-annual, quarterly and monthly.

### **Why is the annual mode less expensive than the others?**

This is because insurance companies build in a charge or 'factor' for all modal premiums to cover their cost of billing administration. For example, the quarterly mode requires four billing cycles in a year whereas the annual mode requires only one. The additional charge in the quarterly payment mode helps to cover the extra costs associated with extra billing cycles.

### **Can I change my coverage amount or length of coverage at any time?**

You can change these terms at any time during the application process by sending us your request via [email](#). Once your policy is in force, you can change these terms at specific intervals (usually every two years) by contacting the insurance company's customer service department directly or by contacting us. The insurance company will require new evidence of insurability for any changes resulting in increased benefits (e.g. a higher coverage amount or longer term period).

### **What is the Accidental Death Benefit rider?**

The accidental death benefit rider is an optional policy provision that pays an additional amount over and above your policy coverage amount in the event the insured's death is caused by an accident. Even without this rider, your term life insurance policy will pay the stated death benefit in the policy if the insured's death is the result of an accident.

### **What is the Children's Term Life Insurance rider?**

The children's term life insurance rider is an optional policy provision that pays a death benefit for each covered child in the event of that child's death. Life insurance companies will typically provide between \$10,000 and \$20,000 coverage on the life of each dependent child of the insured, subject to age limitations and other requirements. One rider may cover multiple children.

### **What is the Waiver of Premium rider?**

The waiver of premium rider is an optional policy provision that provides for the payment of a life insurance policy's premium in the event of the total disability of the insured. Age limitations and coverage maximums usually apply.

**What is the Accelerated Death Benefit rider?**

The accelerated death benefit is a policy provision that allows for the advance payment of a portion of a life insurance policy's death benefit in the event the insured is diagnosed as terminally ill. Requirements vary by insurance company. This rider is commonly an included feature of many term life insurance policies requiring no additional cost.