

Royal Neighbors of America®

Application for Simplified Issue Individual Whole Life Insurance



INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIESSM

230 16th St., Rock Island, IL 61201
(800) 627-4762 • www.royalneighbors.org





Royal Neighbors of America
230 16th Street
Rock Island, IL 61201
Toll-free (800) 627-4762
A Fraternal Benefit Society

Application for Simplified Issue Individual Whole Life Insurance

Mail certificate to agent

PART 1

SECTION 1 – Proposed Insured

Name, Street, City, ST, ZIP, SSN/Tax ID, Sex, Phone, DOB, State/Country of birth, U.S. driver's license, Green Card, Passport, Other, ID number, ID issuer, ID expiration date, Are you a U.S. citizen?, Do you wish to designate another person...

SECTION 2 – Other Insurance

1. EXISTING or APPLIED FOR INSURANCE

Does the Proposed Insured have any existing or applied for life insurance or annuity contracts with this or any other company?

Yes No IF YES, complete state replacement forms, if required, with this application. Provide details:

Company Life Insurance Annuity Amount

2. REPLACEMENT

In connection with this application, has there been, or will there be, with this or any other company any: replacement as a result of this transaction; surrender transaction; loan; withdrawal; lapse; reduction or redirection of premium/consideration; or change transaction (except conversions) involving an annuity or other life insurance?

SECTION 3 – Proposed Owner

OWNER other than PROPOSED INSURED

Name, Street, City, ST, ZIP, SSN/Tax ID, Phone, DOB, Relationship to Proposed Insured, U.S. driver's license, Green Card, Passport, Other, ID number, ID issuer, ID expiration date, Are you a U.S. citizen?, If No, Permanent Resident ID #, Check if you wish ownership to revert to Insured upon Owner's death.*

SECTION 4 – Beneficiary(ies)

Multiple Beneficiaries will receive an equal percentage of proceeds unless otherwise instructed.

Primary and Contingent beneficiary forms with fields for Name, Street, City, ST, ZIP, DOB, SSN/Tax ID, and Relationship to Proposed Insured.



SECTION 5 – Information Regarding Specific Insurance Plan

1. **LIFE INSURANCE PLAN** Simplified Issue Whole Life Graded Death Benefit
2. **RIDER** Accelerated Living Benefit Rider (no additional premium; not available on face amounts below \$7,000)
3. **FACE AMOUNT** \$ _____
4. **AUTOMATIC PREMIUM LOAN will be provided.** No Check if APL is **NOT** desired.

SECTION 6 – Payment Information

If **Electronic Payment** is chosen, complete EFT form on page 4.

1. PAYMENT MODE (Check one)

- Direct bill: Annual Semi-Annual Quarterly
- Electronic payment: Annual Semi-Annual
- Quarterly Monthly Payment with app \$ _____
- Draft first payment Payment quoted \$ _____

2. BILLING ADDRESS INFORMATION

- Proposed Insured's address Primary Owner's address
- Other Premium Payor's/Alternate billing address (details below)
- Name _____
- Street _____
- City _____ ST _____ ZIP _____

PART 2

SECTION 1 – Physician Information

Please provide name of doctor, practitioner, or health care facility who can provide the most complete and up-to-date information concerning the present health of the Proposed Insured.

Physician name/Clinic _____ City _____ ST _____ ZIP _____

List all currently prescribed medications: _____

SECTION 2 – Medical Questions

1. Has the proposed Insured used tobacco in any form in the last 12 months? Yes No

If any answer to questions 2 through 7 is YES, the Proposed Insured is not eligible for ANY coverage.

2. Is the Proposed Insured currently:
- a. Hospitalized, in a nursing facility, or receiving Hospice Care? Yes No
 - b. Confined to a wheelchair, bed, or using oxygen equipment to assist in breathing? Yes No
3. Have you tested positive for exposure to the HIV infection or been diagnosed by a licensed member of the medical profession as having ARC or AIDS caused by the HIV infection or other sickness or condition derived from such infection? Yes No
4. Has the Proposed Insured ever been diagnosed as having or been treated by a licensed member of the medical profession for:
- a. Congestive heart failure or recommended to have an organ transplant by a licensed member of the medical profession? Yes No
 - b. Insulin shock, diabetic coma, amputation caused by disease, or taken insulin shots prior to age 30? Yes No
 - c. Dementia, Alzheimer's Disease, or mental incapacity? Yes No
5. During the past 18 months has the Proposed Insured been diagnosed by a licensed member of the medical profession as having:
- a. Stroke, aneurysm, cardiomyopathy, or circulatory surgery? Yes No
 - b. Angina (chest pain), heart attack or failure, or heart surgery? Yes No
6. During the past 24 months, has the Proposed Insured been diagnosed as having, or been treated by a licensed member of the medical profession for:
- a. Internal Cancer, Melanoma, or Leukemia? Yes No
 - b. Cirrhosis, liver disease, kidney failure (including dialysis), chronic kidney disease, or systemic lupus? Yes No
7. During the past 18 months, has the Proposed Insured been diagnosed by a licensed member of the medical profession as having:
- a. A condition expected to result in death within 12 months? Yes No
 - b. Been advised by a medical professional to have any diagnostic testing which has not been completed or for which the results have not been received? Yes No
 - c. Been recommended to have treatment or counseling for alcohol or drug abuse? Yes No

If question 8 or 9 is YES, only Graded Death Benefit is available.

8. During the past 24 months, has the Proposed Insured been diagnosed as having, or been treated by a licensed member of the medical profession for:
- a. Stroke, angina (chest pain), heart attack, or cardiomyopathy? Yes No
 - b. Heart or circulatory surgery (including pacemaker, heart valve replacement, bypass, angioplasty, stent implant, or any procedure to improve circulation to the heart or brain)? Yes No
9. During the past 24 months, has the Proposed Insured been diagnosed as having, or been treated by a licensed member of the medical profession for:
- a. Emphysema, chronic obstructive pulmonary disease (COPD), or tuberculosis (TB)? Yes No
 - b. Neuromuscular disease (including Multiple Sclerosis, Lou Gehrig's Disease, Epilepsy, or Parkinson's Disease)? Yes No



Agreement/Acknowledgement

Agreement/Disclosure: To the best of my knowledge and belief, all statements in my application for life insurance including any amendments and supplements are true and complete. I also agree that:

- My statements in the application and any amendment(s), paramedical/medical exam, and supplement(s) are the basis of any certificate issued and will be attached to and, along with the articles of incorporation and bylaws of Royal Neighbors, become part of the new certificate.
- No information will be deemed to have been given to Royal Neighbors unless it is stated in the application and amendment(s), paramedical/medical exam, and any supplement(s).
- Only authorized officers of Royal Neighbors may: a) make or change any contract of insurance; b) make a binding promise about insurance; or c) change or waive any term of an application, receipt, or certificate.
- If not a current member, I, the Proposed Insured, hereby apply to become a member of Royal Neighbors as indicated by my signature on the application. As a member, I agree to uphold the principles of Faith, Unselfishness, Courage, Endurance, and Humility upon which Royal Neighbors was founded more than 100 years ago.

Authorization

I, the Proposed Insured, hereby authorize any licensed physician, medical practitioner, hospital, clinic, laboratory, pharmacy, pharmacy benefit manager, or other medical facility, insurance or reinsurance company, MIB, Inc., consumer reporting agency, division of motor vehicles, the veterans administration, or other government agency or department having information as to the diagnosis, treatment, or prognosis with respect to any physical or mental condition, or having any non-medical information, concerning me to release and disclose the entire medical record and any other protected health or other information concerning me within the past 10 years, without restriction, to Royal Neighbors, its agents, employees, or representatives. I further authorize Royal Neighbors, or its reinsurers, to make a brief report of my personal health information to MIB. This includes information on the treatment of alcohol, drug, and tobacco abuse, and psychiatric diagnosis and treatment. **In order to facilitate the rapid transmission of such information, I authorize all the sources named above, except MIB, to give such information to any legal representative or agent employed by Royal Neighbors.**

I understand that the protected information is to be disclosed under this authorization so that Royal Neighbors may underwrite my application for life insurance, determine my eligibility for insurance, risk rating, or certificate issuance determinations, administer claims and determine or fulfill responsibility for coverage and provision of benefits, administer coverage, and conduct other legally permissible activities that relate to any coverage I have applied for with Royal Neighbors. Any protected information obtained will not be released by Royal Neighbors to any person or organization EXCEPT to other divisions and/or departments of Royal Neighbors, MIB, other life/health insurance organizations or fraternal benefit societies with which I have insurance contracts or to whom I may apply for insurance or to whom a claim for benefits may be submitted, or other persons or organizations performing business or legal services in connection with my application, insurance certificate(s), or claim for benefits or as may be otherwise lawfully required or as I may further authorize.

I understand that this authorization shall remain in force for 24 months from the date signed if used in connection with an application for life insurance certificate, an application for reinstatement of a life insurance certificate, or a request for change in certificate benefits; or for the duration of a claim if used for the purpose of collecting information in connection with a claim for benefits under a certificate.

I understand and agree that a copy of this authorization is as valid as the original and that I or my authorized representative is entitled to receive a copy. I understand that this authorization may be revoked by me at any time in writing, and if I refuse to sign or if I subsequently revoke this authorization, Royal Neighbors may not be able to process this application, and if coverage has been issued, may not be able to process any benefit payments. I agree that Royal Neighbors shall be fully protected if it acts in reliance on this authorization prior to receiving notice of revocation at its Home Office or to the extent that Royal Neighbors has a legal right to contest a claim under an insurance contract. Any information that is disclosed pursuant to this authorization may be re-disclosed as provided herein or as required or authorized by law and may then no longer be covered by federal rules governing privacy and confidentiality of health information.

NO IMMEDIATE LIFE INSURANCE COVERAGE: Royal Neighbors will have no liability under this application unless and until: a) it has been received and approved by Royal Neighbors at its Home Office; b) the certificate has been issued and delivered to the owner; c) the first premium has been paid to and accepted by Royal Neighbors (If the first premium is to be electronically drafted, then the premium has not been "paid" until honored by the financial institution.); and d) at the time of delivery and payment, the facts concerning the insurability of the Insured are as stated in this application.

SIGNATURES:



Signed at city, state _____ Date _____

Proposed Insured _____



Signed at city, state _____ Date _____

Proposed Owner _____

(If other than Proposed Insured)



Agent's Report

Does the Proposed Insured applied for or have any existing life insurance or annuity contracts with this or any other company?

Yes No **IF YES**, complete state replacement forms, if required, with this application. Provide details:

Company _____ Life Insurance Annuity Amount _____

In connection with this application, has there been, or will there be, with this or any other company any: replacement of coverage; surrender transaction; loan; withdrawal; lapse; reduction or redirection of premium/consideration; or change transaction (except conversions) involving an annuity or other life insurance? Yes No

IF YES, complete state replacement forms, if required, with this application.

Did you use only written sales material approved for use by Royal Neighbors? Yes No

Did you complete any required state disclosure statements? Yes **IF YES**, state(s): _____ No

Did you personally review the Owner's ID? Yes No Was the Proposed Insured with you at the time of the application? Yes No

Agent no. _____ Agent license no. _____

Certification: I certify that the information provided is true and complete.



Signature of Writing Agent _____ Date _____

Printed name of Writing Agent _____

If applicable, complete and sign the following statement(s):

Agent Signature _____ Date _____

Agent Name _____ ID Number _____ Percent _____
Please print

Agent Signature _____ Date _____

Agent Name _____ ID Number _____ Percent _____
Please print

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Authorization for Electronic Funds Transfer (EFT)

I authorize Royal Neighbors of America (Royal Neighbors) and my financial institution to initiate automatic withdrawals from my checking/savings account. This authority will remain in effect until I notify Royal Neighbors or the bank to cancel it in such time as to afford a reasonable opportunity to act on the request. I can stop payment of any withdrawal by notifying Royal Neighbors three days before my scheduled withdrawal day. Royal Neighbors reserves the option to change the method of payment to another qualifying mode after the occurrence of a transaction not honored.

Check box to use bank information from attached voided check. Form must still be signed and payment selected.

Name of financial institution _____

City _____ ST _____

Name (please print) _____ Phone number () _____

Street address/PO Box _____

City _____ ST _____ ZIP _____

I would like the payment withdrawn on the _____ day of the month

OR the _____2nd _____3rd _____4th Wednesday of the month. (If nothing is selected it defaults to the 5th day of the month.)

Routing No. _____ Checking account no. _____

OR Savings account no. _____

Debit card numbers are not acceptable.



Signature _____ Date _____

PLEASE RETURN THIS AUTHORIZATION WITH A VOIDED CHECK.



This page is to be detached, read, and retained by the Proposed Insured.

FRAUD NOTICE/WARNING: Any person who knowingly and with intent to injure, defraud or deceive any insurer, files a statement of claim or an application containing any false, incomplete or misleading information is guilty of a felony of the third degree.

MIB, Inc., Notice

Information regarding your insurability will be treated as confidential. Royal Neighbors of America (Royal Neighbors) or its reinsurers may make a brief report thereon to the MIB, Inc., formerly known as Medical Information Bureau, a not-for-profit membership organization of insurance companies which operates an information exchange on behalf of its members. If you apply to another MIB member company for life or health insurance coverage, or if a claim for benefits is submitted to such company, MIB, upon request, will supply such company with the information in its file.

Upon receipt of a request from you, MIB will arrange disclosure of any information it may have in your file. Please contact MIB at (866) 692-6901, TTY (866) 346-3642. If you question the accuracy of information in MIB's file, you may contact MIB and seek a correction in accordance with the procedures set forth in the federal Fair Credit Report Act. The address of MIB's information office is: MIB, 50 Braintree Hill Park, Suite 400, Braintree, MA 02184.

Royal Neighbors or its reinsurers may also release information in its file to other insurance companies to whom you apply for life or health insurance, or to whom a claim for benefits may be submitted. Information for consumers about MIB may be obtained on its website at www.mib.com.

Fair Credit Report Act Notice

This is to inform you that as part of our underwriting procedures in connection with this application, an investigative consumer report may be obtained on the Proposed Insured. This report will provide applicable information concerning character, general reputation, personal characteristics, and mode of living.* This information will be obtained through personal interviews with neighbors, friends, and associates. You may request to be interviewed in connection with the preparation of the investigative consumer report. You have the right to make a written request within a reasonable period of time to receive additional detailed information about the nature and scope of this investigation. No information collected concerning the sexual orientation of the Proposed Insured will be used to determine her or his eligibility for life insurance.

**Information obtained will not be used to determine sexual orientation.*

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Notice to Applicant Regarding Replacement of Life Insurance

A decision to buy a new policy and discontinue or change an existing policy may be a wise choice or a mistake.

Get all the facts. Make sure you fully understand both the proposed policy and your existing policy or policies. New policies may contain clauses which limit or exclude coverage of certain events in the initial period of the contract, such as the suicide and incontestable clauses which may have already been satisfied in your existing policy or policies.

Your best source for facts on the proposed policy is the proposed company and its agent. The best source on your existing policy is the existing company and its agent.

Hear from both before you make your decision. This way you can be sure your decision is in your best interest.

If you indicate that you intend to replace or change an existing policy, Florida regulations require notification of the company that issued the policy.

Florida regulations give you the right to receive a written Comparative Information Form which summarizes your policy values. Indicate whether or not you wish to receive a Comparative Information Form from the proposed company and your existing insurer or insurers by placing your initials in the appropriate box below.

Yes No

DO NOT TAKE ACTION TO TERMINATE YOUR EXISTING POLICY UNTIL YOUR NEW POLICY HAS BEEN ISSUED AND YOU HAVE EXAMINED IT AND FOUND IT ACCEPTABLE.

I have read this notice and received a copy of it.

Applicant's Signature

Date

Agent's Signature

Date

Agent's Name (Printed or Typed)

Agent's Address (Printed or Typed)

Agent's Company (Printed or Typed)

Information on Policies which may be replaced:

Company Name	Policy Number	Name of Insured
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____





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I have read this notice and received a copy of it.

Applicant's Signature

Date

Agent's Signature

Date

Agent's Name (Printed or Typed)

Agent's Address (Printed or Typed)

Agent's Company (Printed or Typed)

Information on Policies which may be replaced:

Company Name	Policy Number	Name of Insured
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____





Replacement Questionnaire

Existing Life Insurance or Annuity

Name of existing insurer: _____
 Date issued: _____
 Type of plan: _____
 Face amount (if life insurance): \$ _____
 Premium amt: \$ _____ mode: A/S/Q/PAC/OTHER
 Identify if premiums are increasing/decreasing/level/paid-up
 Riders (type and premium paid) _____
 Is the contract receiving dividends (participating)? yes/no
 Has the contestable period expired? yes / no
 Has the suicide period expired? yes / no
 If universal life or annuity, list
 the guaranteed interest rate of the contract _____ %
 If universal life, will the planned premium carry the contract to
 maturity at the guaranteed interest rate? yes / no
**State the total amount(s) of applicable surrender/withdrawal charges
 that the contract will be charged if replaced: \$ _____**

Proposed Royal Neighbors of America Life Insurance or Annuity

Name of proposed insurer: Royal Neighbors of America
 Date issued: not applicable
 Type of plan: _____
 Proposed face amount (if life insurance): \$ _____
 Proposed premium amt: \$ _____ mode: A/S/Q/PAC
 Identify if premiums will be increasing/decreasing/level/paid-up
 Proposed riders (type and premium) _____
 Will the proposed contract be participating in dividends? yes / no
 Will the proposed contract have a contestable period? yes / no
 Will the proposed contract have a suicide period? yes / no
 If proposed contract is a universal life or annuity list
 the guaranteed interest rate _____ %
 If proposed contract is a universal life, will the planned premium
 carry the contract to maturity at the non-guaranteed midpoint
 rate? yes / no
**Will the proposed contract have new surrender or withdrawal
 charges on it? yes / no**

The reason(s) the existing life insurance or annuity is not suitable for the insured/annuitant's present needs is because: _____

If the proposed insurance is universal life, or term life that is or may be annual renewable, has the proposed insured been advised that the cost of insurance or premiums will increase with each attained age? yes / no / na

If the present life insurance is universal adjustable life, has the insured been advised that she/he should contact their present insurer to inquire whether the present coverage can be changed contractually to meet the insured's current needs? yes / no / na

Will the proposed replacement involve an Internal Revenue Section 1035 Exchange or Direct Rollover? yes / no / na

Has the proposed applicant/petitioner been advised that if a policy loan is extinguished by a cash surrender or in connection with a Section 1035 Exchange, any gain will be recognized to the extent of the cash or other non-like kind property received and may be subject to income tax liability at the time of the transaction? yes / no / na

I have read and understand the information stated above regarding some of the advantages and disadvantages of replacing my existing life insurance coverage or annuity contract with a new life insurance or annuity certificate issued by Royal Neighbors of America. I also understand that the new certificate may have suicide and contestable provisions, which may affect the payment of a claim made under the new certificate.

Signature of the applicant or petitioner

Signature of Agent

Date

Date

Date of application for Royal Neighbors of America life insurance or annuity

Agent ID#

white copy-Home Office yellow copy-agent. file pink copy-applicant or petitioner



Life Insurance Buyer's Guide

This guide is prepared by the National Association of Insurance Commissioners

The National Association of Insurance Commissioners is an association of state insurance regulatory officials. This association helps the various insurance departments to coordinate insurance laws for the benefit of all consumers.

This guide does not endorse any insurer or policy.

Reprinted by Royal Neighbors of America

This guide can help you when you shop for life insurance. It discusses how to:

- Find a policy that meets your needs and fits your budget
- Decide how much insurance you need
- Make informed decisions when you buy a policy.

Important things to consider

1. Review your own insurance needs and circumstances. Choose the kind of policy that has benefits that most closely fit your needs. Ask a representative (agent) or company to help you.
2. Be sure that you can handle premium payments. Can you afford the initial premium? If the premium increases later and you still need insurance, can you still afford it?
3. Don't sign an insurance application until you review it carefully to be sure all the answers are complete and accurate.
4. Don't buy life insurance unless you intend to stick with your plan. It may be very costly if you quit during the early years of the policy.
5. Don't drop one policy and buy another without a thorough study of the new policy and the one you have now. Replacing your insurance may be costly.
6. Read your policy carefully. Ask your representative (agent) or company about anything that is not clear to you.
7. Review your life insurance program with your representative or company every few years to keep up with changes in your income and your needs.

Buying life insurance

When you buy life insurance, you want coverage that fits your needs.

First, decide how much you need—and for how long—and what you can afford to pay. Keep in mind the major reason you buy life insurance is to cover the financial effects of unexpected or untimely death. Life insurance can also be one of many ways you plan for the future.

Next, learn what kinds of policies will meet your needs and pick the one that best suits you.

Then, choose the combination of policy premium and benefits that emphasizes protection in case of early death, or benefits in case of long life, or a combination of both.

It makes good sense to ask a life insurance agent or company to help you. A representative can help you review your insurance needs and give you information about the available policies. If one kind of policy doesn't seem to fit your needs, ask about others.

This guide provides only basic information. You can get more facts from a life insurance representative or company or from your public library.

What about the policy you have now?

If you are thinking about dropping a life insurance policy, here are some things you should consider:

- If you decide to replace your policy, don't cancel your old policy 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 wanted.
- It may be costly to replace a policy. Much of what you paid in the early years of the policy you have now paid for the company's cost of selling and issuing the policy. You may pay this type of cost again if you buy a new policy.
- Ask your tax advisor if dropping your policy could affect your income taxes.
- If you are older or your health has changed, premiums for the new policy will often be higher. You will not be able to buy a new policy if you are not insurable.
- You may have valuable rights and benefits in the policy you now have that are not in the new one.
- If the policy you have now no longer meets your needs, you may not have to replace it. You might be able to change your policy or add to it to get the coverage or benefits you now want.
- At least in the beginning, a policy may pay no benefits for some causes of death covered in the policy you have now.

In all cases, if you are thinking of buying a new policy, check with the representative or company that issued you the one you have now. When you bought your old policy, you may have seen an illustration of the benefits of your policy. Before replacing your policy, ask your representative or company for an updated illustration. Check to see how the policy has performed and what you might expect in the future, based on the amounts the company is paying now.

How much do you need?

Here are some questions to ask yourself:

- How much of the family income do I provide? If I were to die early, how would my survivors, especially my children, get by? Does anyone else depend on me financially, such as a parent, grandparent, brother, and sister?
- Do I have children for whom I'd like to set aside money to finish their education in the event of my death?
- How will my family pay final expenses and repay debts after my death?
- Do I have family members or organizations to whom I would like to leave money?
- Will there be estate taxes to pay after my death?
- How will inflation affect future needs?

As you figure out what you have to meet these needs, count the life insurance you have now, including any group insurance where you work or veteran's insurance. Don't forget Social Security and pension plan survivor's benefits. Add other assets you have: savings, investments, real estate and personal property. Which assets would your family sell or cash in to pay expenses after your death?

What is the right kind of life insurance?

All policies are not the same. Some give coverage for your lifetime and others cover you for a specific number of years. Some build up cash values and others do not. Some policies combine different kinds of insurance, and others let you change from one kind of insurance to another. Some policies may offer other benefits while you are still living. Your choice should be based on your needs and what you can afford.

There are two basic types of life insurance: **term insurance and cash value insurance**. Term insurance generally has lower premiums in the early years, but does not build up cash values that you can use in the future. You may combine cash value life insurance with term insurance for the period of your greatest need for life insurance to replace income.

Term Insurance covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value.

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 some age. For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period at the same price each year. At the end of that time you may need to pass a physical examination to continue coverage, and premiums may increase.

You may be able to trade many term insurance policies for a cash value policy during a conversion period—even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Cash Value Life Insurance is a type of insurance where the premiums charged are higher at the beginning than they would be for the same amount of term insurance. The part of the

premium that is not used for the cost of insurance is invested by the company and builds up a cash value that may be used in a variety of ways. You may borrow against a policy's cash value by taking a policy loan. If you don't pay back the loan and the interest on it, the amount you owe will be subtracted from the benefits when you die, or from the cash value if you stop paying premiums and take out the remaining cash value. You can also use your cash value to keep insurance protection for a limited time or to buy a reduced amount without having to pay more premiums. You also can use the cash value to increase your income in retirement or to help pay for needs, such as a child's tuition, without canceling the policy. However, to build up this cash value, you must pay higher premiums in the earlier years of the policy. Cash value life insurance may be one of several types; whole life, universal life, and variable life are all types of cash value insurance.

Whole Life Insurance covers you for as long as you live if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first take out the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term policy until your later years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher since the premium payments are made during a shorter period.

Universal Life Insurance is a kind of flexible policy that lets you vary your premium payments. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. The premiums you pay (less expense charges) go into a policy account that earns interest. Charges are deducted from the account. If your yearly premium payments plus the interest your account earns is less than the charges, your account value will become lower. If it keeps dropping, eventually your coverage will end. To prevent that, you may need to start making premium payments, or increase your premium payments, or lower your death benefits. Even if there is enough in your account to pay the premiums, continuing to pay premiums yourself means that you build up more cash value.

Variable Life Insurance is a kind of insurance where the death benefits and cash values depend on the investment performance of one or more separate accounts, which may be invested in mutual funds or other investments allowed under the policy. Be sure to get the prospectus from the company when buying this kind of policy and STUDY IT CAREFULLY. You will have higher death benefits and cash value if the underlying investments do well. Your benefits and cash value will be lower or may disappear if the investments you chose didn't do as well as you expected. You may pay an extra premium for a guaranteed death benefit.

Life insurance illustrations

You may be thinking of buying a policy where cash values, death benefits, dividends, or premiums may vary based on events or situations the company does not guarantee (such as interest rates). If so, you may get an illustration from the

representative or company that helps explain how the policy works. The illustration will show how the benefits that are not guaranteed will change as interest rates and other factors change. The illustration will show you what the company guarantees. It will also show you what could happen in the future. Remember that nobody knows what will happen in the future. You should be ready to adjust your financial plans if the cash value doesn't increase as quickly as shown in the illustration. You will be asked to sign a statement that says you understand that some of the numbers in the illustration are not guaranteed.

Finding a good value in life insurance

After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider. For example:

- 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?

Remember that no one company offers the lowest cost at **all** ages for **all** kinds and amounts of insurance. You should also consider other factors:

- How quickly does the cash value grow? Some policies have low cash values in the early years that build quickly later on. Other policies have a more level cash value buildup. A year-by-year display of values and benefits can be very helpful. (The representative or company will give you a policy summary or an illustration that will show benefits and premiums for selected years.)
- Are there special policy features that particularly suit your needs?
- How are nonguaranteed values calculated? For example, interest rates are important in determining policy returns. In some companies increases reflect the average interest earnings on all of that company's policies regardless of when issued. In others, the return for policies issued in a recent year, or a group of years, reflects the interest earnings on that group of policies; in this case, amounts paid are likely to change more rapidly when interest rates change.