

# LIFE INSURANCE

Consumer Education and Advocacy Unit  
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# Agenda: Life Insurance

- Introduction to the Maryland Insurance Administration
- Types of Life Insurance
- Frequently Asked Questions
- Shopping Tips
- Viatical Settlements
- Finding a Missing Policy
- Additional Resources
- Contact Us



# What is the Maryland Insurance Administration

The Maryland Insurance Administration (MIA) is the state agency that regulates insurance in Maryland. The MIA:

Licenses insurers and insurance producers (agents or brokers).

Examines the business practices of licensees to ensure compliance.

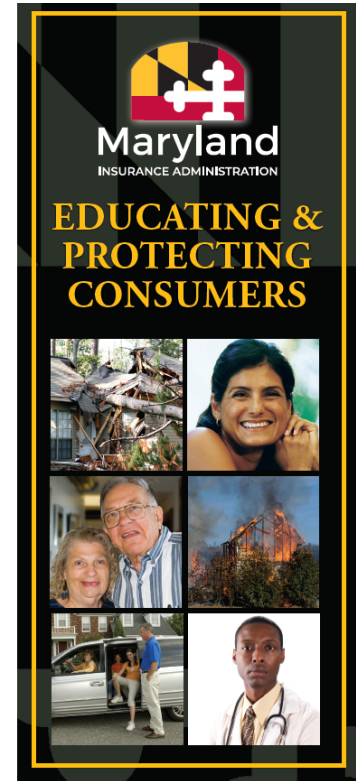
Monitors solvency of insurers.

Reviews/approves insurance policy forms. Reviews insurance rates to ensure rates are not inadequate, excessive or unfairly discriminatory.

Investigates consumer and provider complaints and allegations of fraud.



[MIA YouTube playlist](#)



# What is the Maryland Insurance Administration?

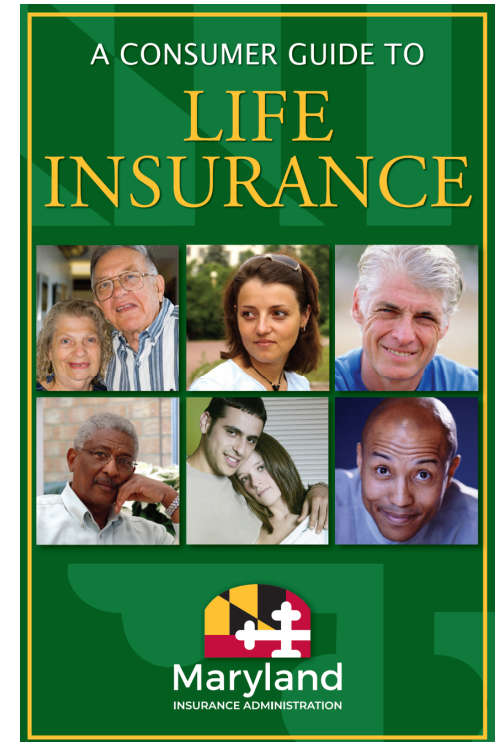
If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. Examples of improper actions include:

- Improperly denying or delaying payment of all or portions of a claim;
- Improperly terminating your insurance policy;
- Raising your insurance premiums without proper notice;
- Making false statements to you in connection with the sale of insurance or processing of insurance claims; and,
- Overcharging you for services, including premium finance charges.



# Types of Life Insurance

Many people purchase life insurance (and annuities) to provide security for themselves and their loved ones. Your need for life insurance varies with your age and your financial responsibilities. All policies are not the same. Some provide coverage for your lifetime and others cover you for a specific number of years. Some build up cash values and others do not. Let's look at the different types of life insurance.



# Types of Life Insurance

## Term Insurance

- Term insurance covers you for a term of one or more years.
- It pays a death benefit only if you die during that term.
- Term insurance generally offers the largest insurance protection for your premium dollar, but generally does not build up cash value to use in the future.
- Generally, term insurance offers lower premiums in early years but premiums may increase as you get older.



# Types of Life Insurance

## Permanent Insurance

- **Permanent insurance** – (which includes types such as universal life, variable universal life and whole life) provides long-term financial protection. These policies include a death benefit and, in some cases, cash savings. Because of the saving element, premiums tend to be higher.
- **Whole Life** – Fixed premium payments, guaranteed death benefit and cash value growth.
- **Universal Life** – Premium payments may be flexible or fixed. Provides guaranteed death benefit as long as your policy is in effect. A minimum guaranteed interest rate is credited to the cash value.



# Types of Life Insurance

## Permanent Insurance

- **Indexed Universal Life** – Like Universal Life, premium payments may be flexible or fixed and the death benefit is guaranteed as long as your policy is in effect. Interest credited to the cash value is linked to an external index, such as the S&P 500.
- **Variable Universal Life** – A category of Universal Life, that offers flexible or fixed premiums, but the cash value is tied to the performance of one or more investment accounts, similar to mutual funds. The policy owner chooses the investment accounts. As with any investment products, the value of your investments may vary over time, and may in turn cause your death benefit and/or cash value to increase or decrease.





# Types of Life Insurance

## Consumer Advisory - Universal Life Insurance

- A Universal Life insurance policy is a type of permanent insurance with a flexible or fixed premium. You choose the premium you pay. There is a minimum required premium at issue.
- Part of your premium pays for the expense charges and any remaining funds are put in the cash value of your policy. Your cash value will earn interest at the interest rate in effect for that year (as declared by the company annually). This interest rate will equal or be more than the guaranteed interest rate stated in the policy.



# Types of Life Insurance

## Consumer Advisory - Universal Life Insurance

- All expense charges, such as cost of insurance charges and surrender charges, are stated in your contract.
- As you get older, your cost of insurance charges increase. If your planned premium isn't enough to cover monthly deductions, additional premiums will be required to keep your policy in force.



# Types of Life Insurance

## Consumer Advisory - Universal Life Insurance

If you bought your policy a while ago, you may have selected the amount of premium you intended to pay based on the interest rate in effect at the time. Since interest rates have changed through the years, you may not be getting the same rate of return illustrated at the time of sale, especially if the interest rate was higher than it is now. Based on the current declared interest rate, you may be required to pay additional premiums. Sometimes people reduce the death benefit to avoid paying higher premiums, or to make the payments more affordable. If you are considering lowering the death benefit, it is a good idea to consider your current and long term financial needs. You may also want to consult with a financial advisor.



# Frequently Asked Questions

## Can someone else take out a policy on my life?

- Yes, but a **stranger** cannot buy a policy to insure your life in Maryland. To buy a policy insuring someone else's life, certain conditions must be met.



# Frequently Asked Questions

## What conditions must be met before someone can take a policy out on my life?

- Although there are some exceptions, if it is not a group policy, generally the person whose life is to be insured must:
  - be legally competent to enter a contract; and
  - apply for or consent in writing to the policy unless an exception applies.



# Frequently Asked Questions

## **What conditions must be met before someone can take a policy out on my life (con't)?**

- Additionally, the benefits must be payable to you, your personal representative, or someone who has an insurable interest in your life unless the policy is to be purchased by a charitable, benevolent, educational, governmental or qualified religious institution, or a qualified trust for the benefit of such an institution. If the policy is to be purchased by one of the listed types of entities, you or your legal representative must designate the entity as the irrevocable beneficiary of the insurance policy.
- An insurable interest is required to obtain a life insurance policy on another.

# Frequently Asked Questions

**When can someone buy a policy on my life without my consent or me signing the application?**

- If the purchaser is your spouse.
- You lack the legal capacity to consent to life insurance and the person purchasing the policy has an insurable interest in your life.
- A parent, stepparent, or spouse is purchasing a family policy that insures two or more family members; or
- The person to be insured is a minor, and the purchaser either has an insurable interest in the life of the minor, or the minor is dependent upon the person for support and maintenance.



# Frequently Asked Questions

## Who has an insurable interest in my life?

- People with an “insurable interest” in your life generally includes you and individuals closely related by blood or law to you, such as a spouse or children. But others, such as your employer or business partner might also have an insurable interest.

## Must my beneficiary have an insurable interest?

- No. If you buy a policy on your own life, you become the owner of the policy. As the owner, you can name anyone as beneficiary, including your estate, a family member, a charity, friend, or a stranger.



# Frequently Asked Questions

## What about companies that advertise “no physical exam?”

- The insurance may be more expensive than if the company required a physical. Although there is no physical, you will probably have to answer a few, broad health questions on your application.



# Frequently Asked Questions

**Some life insurance ads claim “you can not be turned down.”**

**What’s the catch?**

- Such ads are referring to “guaranteed issue” policies, where the company asks no health history questions. The company knows it is taking a risk because people with bad health could buy their policies. The company may balance the risk by charging higher premiums or by limiting the amount of insurance you can buy. Sometimes the premiums can be almost as much as the insurance benefit to be paid to the beneficiary. Be sure you clearly understand the policy you are purchasing, and remember to speak with an advisor if you do not.



# Frequently Asked Questions

## Term Life Insurance

Why is term life insurance often called “temporary” insurance?

- Insurance producers sometimes refer to term insurance as “temporary” because the policy only lasts for a specific period.



# Frequently Asked Questions

## Term Life Insurance

What do I get when I buy term life insurance?

- You have bought and received the company's guarantee that if you die during the term of the policy, it will pay a death benefit to your beneficiary.



# Frequently Asked Questions

## Term Life Insurance

Do I get any benefit if I don't die during the term of my policy?

- The policy **will not pay any benefits**



# Frequently Asked Questions

## Permanent Life Insurance

I understand my permanent policy would be “fully paid up” at age 65. What does that mean?

- This means that you have made enough premium payments to cover the cost of insurance for the rest of your life. The company plans to use the cash value to pay premiums until you die. If you take out the cash value, there may not be enough to pay premiums.

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# Frequently Asked Questions

## Permanent Life Insurance

What happens to the cash value in my policy when I die?

- It depends upon the terms of your policy, always read the terms of any life insurance policy carefully. Under the terms of some policies, when you die, the insurer will pay only the death benefit no matter how much cash value you may have had in the policy the moment before you died. But some whole life policies pay both the death benefit and the cash value when you die. It is important to remember though that whether your policy pays only a death benefit, or also the cash value, any loans (including interest) taken out against the policy that you have not repaid will be subtracted from the death benefit. The result is that your beneficiary could wind up with less than the face amount of the policy.

# Frequently Asked Questions

## Permanent Life Insurance

An insurance producer has suggested that I buy term instead of whole life. Does it make sense to buy term and invest the difference?

- It depends upon your circumstances. Factors to consider can include:
  - as you get older, term premiums increase;
  - by investing the difference, you could use your investment to pay the higher cost of insurance in the future; and
  - if your health deteriorates, you may not be able to buy a new policy.

You may wish to consult a financial advisor when making this decision.

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# Shopping Tips

Factors you may want to consider when **shopping for a policy**:

- Determine what you want the life insurance to do:
  - Is it to pay burial expenses?
  - Will the death benefit be used to offset the income you previously provided?
  - How much coverage will you need?
- How much can you afford?



# Shopping Tips

Factors you may want to consider when **shopping for a policy:**

- Is it possible the premium will increase, and if so, will you be able to afford it in the future?
- Does this policy require medical underwriting? This may include answering a series of health-related questions and may include a medical exam.
- Does the policy include a waiting period?



# Shopping Tips

Factors you may want to consider when **shopping for a policy**:

- Are you considering canceling an existing policy? Make sure you understand the consequences of canceling your current policy.
- Understand the policy you are purchasing. Talk to a trusted family member or professional if you are unsure if the policy makes sense for you.



## Shopping Tips

Once you have purchased your policy, place a current copy of your policy with your will or estate paperwork in a safe place where your family or beneficiaries will look for it and have access. And most importantly, make sure your loved ones know where they can find the policy.



# Insurance Fraud

Older Adults are often targets of insurance fraud, particularly in regard to life and health insurance.

**Be wary** of a salesperson or telephone caller who:

- Contacts you unsolicited. The salesperson probably has obtained your information through a mailing list.
- Uses high-pressure tactics. Common tactics include offering a “last-chance deal,” or “limited offer” or attempting to pressure you to sign forms without reviewing them.



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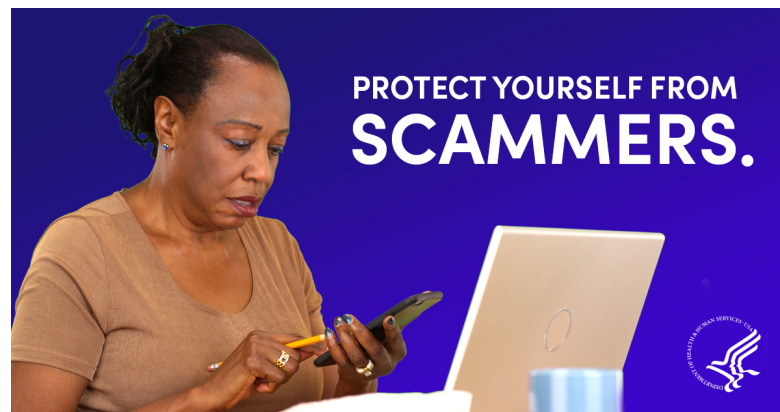
- Urges you to cash in an existing annuity or life insurance policy to buy a new annuity, life insurance policy, or other investment. Generally, annuities and life insurance are worth more the longer you keep them. Changing to a new annuity or policy may cause you to lose money over the first three to five years. You also may be charged a penalty if you withdraw money from your annuity early. Discuss the tax consequences of early withdrawal with your tax advisor.

# Insurance Fraud

Older Adults are often **targets of insurance fraud**, particularly in regard to life and health insurance.

Be wary of a salesperson or telephone caller who:

- Claims to be from Medicare, Social Security, or another government agency. An insurance producer or broker who claims to be associated with the government is breaking the law.
- Wants to sell you a package policy that includes several different benefits, some of which duplicate a policy you already have or include coverage you do not need.



# Insurance Fraud

You are encouraged to report insurance fraud activities to the Maryland Insurance Administration's Insurance Fraud Division. You need not give your name. Simply call **1-800-846-4069**. Consumers may also email fraud referrals by sending completed forms to [fraud\\_referrals.mia@maryland.gov](mailto:fraud_referrals.mia@maryland.gov).





# Viatical Settlements

A viatical settlement is a written agreement for the sale of a life insurance policy to a third party. The owner or certificate holder of the life insurance policy (the viator) sells the policy for an immediate cash benefit.

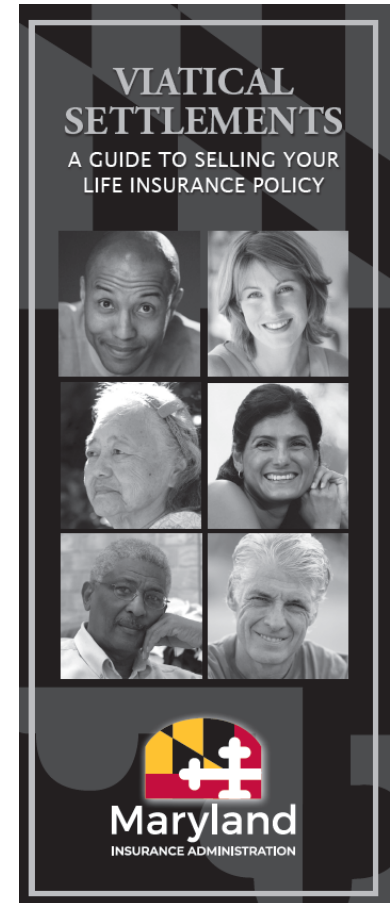


# Viatical Settlements

At one time, most viatical settlements were for people with a life-threatening illness. Now, individuals who are not facing a health crisis may sell their life insurance policies to obtain cash.

For more information, including consumer tips and questions to ask, read our brochure at:

<https://insurance.maryland.gov/Consumer/Documents/publications/viatical.pdf>.



# Finding a Missing Policy

[Video: Locating a Missing Life Insurance Policy or Annuity Contract](#)

1. Check bank accounts and bills for evidence of an existing policy.
2. Check safety deposit boxes and online accounts. If you located a policy with contact information, you may contact the insurer directly. If you are missing contact information for the insurer, or the company is no longer in business, please contact the Maryland Insurance Administration for assistance at 800-492-6116.



# Finding a Missing Policy

If your search has not uncovered any leads, the **National Association of Insurance Commissioners** can help you. This service is free of charge.

[Link: NAIC Policy Locator](#)

<https://eapps.naic.org/life-policy-locator>

Make sure you have as much information as possible. The insured's legal name, birthdate, death date, and Social Security number are required. Submitting previous legal names and addresses will allow the companies to conduct a more accurate search of their records. Anyone who believes they are a beneficiary, next of kin, or representative can request this information.



# Final Note – Life Insurance

It is important that you understand the life insurance policy you own, or are considering purchasing.

Contact your insurer or insurance producer for advice if you don't understand the policy

It is a good idea to:

- Read your policy, and to review any updates or changes made to your policy carefully; and
- Review all statements carefully. If you find your statement confusing, please don't toss it out or file it away until you've spoken to your insurer or insurance producer and thoroughly understand your statement.



# Additional Resources

Consumer Guide to Life Insurance

<https://insurance.maryland.gov/Consumer/Documents/publications/lifeinsurance.pdf>

Consumer Guide to Life Insurance - Spanish

<https://insurance.maryland.gov/Consumer/Documents/publications/lifeinsurancespanish.pdf>

Life Insurance for Military Personnel

<https://insurance.maryland.gov/Consumer/Documents/publications/militaryinsurance.pdf>


Information about pre-burial needs from DLLR

<http://www.dllr.state.md.us/license/cem/cemtips.shtml>



# Contact Information

Maryland Insurance Administration

 800-492-6116 or 410-468-2000

 [insurance.maryland.gov](https://insurance.maryland.gov)



# Questions

