A Guide to Life Insurance Pricing
How much a life insurance policy costs and why

Quotacy.com
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What is Life Insurance?

Quotacy sells life insurance. Other companies are limited. They offer just furniture, iPhones, appliances, cars or shoes. We offer these things too. And we offer many things more. We offer meat, bread and milk for the table of a family deprived of a father or mother. We offer cancelled mortgages so that mother or father and children can live comfortably. We offer college educations to give children better opportunities in life. We offer the little extras too; ice cream cones, XBoxes, movie tickets and a dress for the prom.

We make life worth living. We offer time with grandchildren, golf clubs, fishing tackle, exciting trips, retirement income and self respect for later years. We offer all the necessities and good things for life, because

life insurance is for the living.
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Credits

This book is written for the modern consumer by Quotacy.

Quotacy is a resource for busy people to easily compare, research, and purchase the gift of life insurance on their terms. Whether by phone, computer, or mobile device, Quotacy provides you with all of the information and pricing on life insurance that you’re looking for, in a friendly and understandable way. Find your price now at www.quotacy.com

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Term and Perm: A Cost Comparison

Term life insurance is the most affordable type of life insurance. Permanent types of life insurance have higher premiums since they are structured to last the insured’s entire life, versus term which lasts a specific period of time – usually 10, 15, 20, 25, or 30 years.

Term Life Insurance

Term life insurance is life insurance that provides coverage with a fixed price for a temporary period of years. After that period expires, coverage at the previous price is no longer guaranteed and you must either forgo coverage, convert to a permanent policy if available, or potentially obtain a new policy with a different price by going through the underwriting process again.

Term insurance is typically the most affordable option due to its temporary nature, and by far the most commonly owned life insurance product.

There is no cash value inside a term insurance policy but the insurance company guarantees they will not increase the price you pay during this level term period (10, 15, 20, 25, or 30 years) to protect your loved ones.

Example:

*John Doe can buy a $500,000 20-year level term insurance policy at $40 per month. If he dies unexpectedly any time within those 20 years, his beneficiaries will receive $500,000. If he died in the 10th year, he would have paid $4800 in premiums with his loved ones receiving $500,000.*

With term insurance you can choose to pay the premiums monthly, quarterly, semi-annually (twice a year) or annually. Similar to most payment plans, you can skim a couple dollars off the top if you opt to pay annually.
Whole Life Insurance

Whole life is a permanent type of insurance designed to provide coverage for your entire lifetime. Over time, a cash value balance is created within the policy that you can use when you find yourself in need of extra money. It is because of this cash value and the lifetime coverage that whole life insurance has higher premiums.

You have the option to borrow or withdraw your cash surrender value at any time.

- **Borrowing** – If you borrow from it, the insurance carrier treats it as a policy loan and you pay interest on the loan until it is repaid. If you die before it is repaid, the carrier will reduce the death benefit your beneficiaries receive by that unpaid amount.

- **Withdrawing** – If you withdraw cash (from paid-up additions) you will owe income taxes if the amount you withdraw is more than what you have paid in premium payments, otherwise it’s tax-free.

It is important to note that when you die your beneficiaries only receive the face amount plus any paid-up additions. If there is a cash value balance it is not added to the death benefit.

*Example*: Jane Doe buys a $100,000 whole-life policy and dies with the cash value at $40,000 and no paid-up additions. The insurance carrier pays the beneficiary $100,000 not $140,000.

If you want to purchase a whole life policy, you have three different payment options: single premium payment, premiums payable to 100 years, or premiums payable for a limited number of years.

**Single Premium Payment** – you make a one-time payment.

*Example*: You’re 30 years old and pay $17,239 upfront for $100,000 of coverage, in addition to the cash value that can be accessed during your lifetime.

**Premiums Payable to 100 Years** – you pay a fixed monthly or annual payment to age 100.

*Example*: You’re 30 years old and pay $80 a month or $900 annually for $100,000 of coverage until you die. Cash-value accumulates as well and can be accessed during your lifetime.

**Limited Pay** – premiums made for 10, 15, or 20 years to pay off the policy.

*Example*: You’re 30 years old and want to pay off the policy in 15 years. You pay $113 monthly or $1300 annually for 15 years for $100,000 in coverage and never pay a premium again. Cash value still accumulates and can be accessed during your lifetime.
Universal Life Insurance

Universal life (UL) insurance is one of the most versatile types of permanent life insurance. It has a high degree of flexibility and an “unbundled” nature by its separate expense, protection, and cash value elements.

Flexible features:

- **Premiums** – Instead of being locked into a fixed premium schedule for life, you can potentially pay any amount between the required plan “minimum” to the IRS-imposed “maximum”, depending on your cash flow needs and accumulation goals. Premiums may be increased, decreased, or even skipped depending on policy conditions.

- **Death Benefit** – You can adjust the amount your beneficiaries receive upon your death within plan limits without having to buy a new, separate policy. This can reduce costs and simply the process.

The premiums you pay each month go into a metaphorical bucket. Each month the insurance carrier takes out the administrative fees and the cost of insurance. The funds that are leftover earn interest. The amount of interest earned depends on the rate declared by the insurance carrier and how much money is currently in the bucket. The rate will never fall below a contractually guaranteed minimum. The cash value you accumulate can be accessed at any time through policy loans or surrenders.

- **Policy loan** – This enables you to “borrow” money from your policy using the value as a form of collateral. These loans do accrue interest and if not paid off while you’re alive, the unpaid amount is deducted from the death claim benefits.

- **Full surrender** – If you decide to fully surrender your policy, you are terminating all coverage and typically you receive any accumulated policy value, less a surrender charge and (if applicable) any accrued loan interest.

- **Withdrawal** – This occurs if you decide to permanently withdraw a portion of your policy’s cash value, but keep some or all coverage in force. There is no interest charged for a partial withdrawal.
With UL policies, you typically have two coverage options.

- Option A – Your amount of life insurance coverage (the death benefit your beneficiaries receive) stays level and as the cash value accumulates, the amount of life insurance you pay for decreases.

- Option B – The cash value is added to the initial amount of life insurance, extending your coverage as the cash balance grows.

You choose the amount of protection best for your situation. As a policyowner, you have more flexibility with a UL permanent product than whole life, but you also assume additional risk. UL policies typically have fewer guarantees than whole life coverage, so you must be careful to manage your premium payments and any distributions taken to ensure your policy stays in force.
The Factors that Affect Your Life Insurance Costs

Everyone’s situation is unique so a policy that works for some may not be the best choice for another. Two people with the same type of policy may also pay different rates depending upon many individual factors.

- Age
- Height & Weight
- Health
- Gender
- Smoking Status
- Family History
- Occupation
- Hobbies
- Driving Record
- Location

All of these factors in some way, shape, or form may have an effect on what you pay for your life insurance coverage, and how much coverage the life insurance company will approve you for.

Age

One of the main factors in determining the cost of life insurance is an applicant’s age. What is life insurance? It’s a financial tool to replace one’s income if that person dies, and the older you are the closer you are to dying. It’s just a fact. The life insurance companies make up for this risk by increasing premium costs as ages go up.
Height & Weight

Body mass index (the calculation of your height and weight) can be a good indicator of how healthy you are now and your likelihood to stay healthy in the future. A healthy height to weight ratio will help keep life insurance costs low.

Health

Separate from height and weight, another main factor in determining the cost of life insurance is how healthy an applicant is. If you’re a healthy individual, your chances of dying soon are pretty low. Again, life insurance companies will raise the premiums if they are taking a risk in insuring an applicant. Health conditions (diabetes, heart disease, sleep apnea, etc.) an applicant may have could be deemed risky to insure, depending on the situation and require a higher premium.

Gender

Women statistically live longer which means they would be paying premiums longer, so life insurance costs tend to be cheaper to even it out. In the eyes of the life insurance company, men are going to die sooner, which means they will be paying out a death benefit sooner, so they raise premiums slightly for males to even out the risk they take on insuring them. Sorry, fellas.

Interesting side note on gender: the exception to the above is the state of Montana which has determined that term life insurance purchased in that state be the same price whether you are a male or a female. In this state alone all prices for women are the same price as for males and in all cases it means the cost of insurance is higher for females living in Montana.
Smoking Status

Whether or not you use, or have ever used, cigarettes play a big role in your life insurance costs. Again statistically speaking, if you smoke you are more likely to die. The health risks of smoking are well documented and insurance companies protect themselves from this higher risk by raising rates for tobacco users. Some companies consider people who use cigars, chewing tobacco, nicotine gum and e-cigarettes as non-smokers. If this is you, find a company friendly to your habit.

Family History

If anyone in your immediate family (mother, father, siblings) has been diagnosed with any serious conditions such as coronary heart disease, cancer, or diabetes the insurance underwriters would take a closer look at it. These inherited conditions may cause the life insurer to increase your premiums because there is a risk that you could also be diagnosed.

Occupation

Some occupations are riskier than others and more risk translates into higher life insurance premiums. A few examples of some riskier jobs that could bring higher premiums are:

- Fisherman of the high seas
- Forest firefighter
- Pilot
- Military personnel
- Police officer on the bomb squad
- Professional mountain climber
- Nascar driver

If you are unemployed, this can affect your life insurance application as well. If you are in a bout of short-term unemployment, you most likely will still be able to get life insurance, but if you have been unemployed for quite some time, the life insurance company will have concerns about your ability to pay your policy premiums.
Hobbies

While hobbies like crocheting and hiking are nothing to worry about, risky extracurricular activities can affect your life insurance rates. When you participate in activities the insurance company could consider dangerous, the carrier considers you to be a higher risk to insure. A few examples of hobbies that may be deemed dangerous by the life insurance industry include:

- Aviation
- Skydiving
- Scuba diving
- Racing (auto, boats, motorcycles)
- Rock climbing
- Hang gliding

Driving Record

The types of driving violations you may have had, how many you have had, and the severity of the violations will all be taken into account when reviewing your life insurance application.

Location

When we say "location can affect your life insurance" we do not mean the characteristics of the place you live. Being close to a volcano or being near high-traffic areas have no effect on what your life insurance costs will be. What we mean here is simple legalities. Two examples of this are:

- Insurance carriers frequently change their prices and not all states approve the price changes as quickly as others. This is regardless of whether the price increased or decreased but is an example of the same policy from the same company being offered in one state at a price that is different from another state.

- The state of Montana has determined that term life insurance purchased by residents of their state will be offered at the same price whether it is for a male or a female. In this state alone all prices for women are the same price as for males and in all cases it means the cost of insurance is higher for females living in Montana.
How are Costs and Coverages Determined?

Life insurance companies decide who pays how much for life insurance based on risk classifications. Simply put, actuarial scientists get together and determine what factors play into a person’s life span calculations and give this information to life insurance companies. The life insurance companies use the actuarial findings to create underwriting guidelines. Each of the individual life insurance companies follows their own underwriting guide. This is why when you run term life insurance quotes on Quotacy you’ll see different prices alongside the different carrier options.

The underwriters review your application, medical records, family history, driving records, etc. on a case-by-case basis and while taking their guidelines into consideration, they fit you into a risk class, and then determine what they can offer you in regards to policy coverage and price.

If life insurance companies didn’t assign risk classes, then healthy individuals would pay the same price as their less healthy counterparts. This doesn’t make sense for you or for the life insurance industry. If an overweight, cigarette smoking, single-engine plane pilot pays a much higher premium than a marathon running schoolteacher. That is an extreme example of how insurance companies do their pricing analysis.
About Quotacy

The world we live in is changing and the way people buy things has evolved. Quotacy was born from the passion of a team of insurance professionals who recognized an opportunity to enhance the way life insurance is being purchased online. We are committed to creating the best customer experience possible, putting the user in control, and breaking down the barriers so more individuals and families could learn about and purchase the gift of life insurance. We believe in the idea of putting the user first; making quoting faster, terminology easier, and the application process smoother for those who like to shop online.

Our purpose is saving families and our mission is for every person who has loved ones who depend upon them financially to own life insurance.

Quotacy is owned and powered by Hallett Financial Group, a life insurance Brokerage General Agency that has been helping licensed insurance advisors protect individuals and families since 1990 by providing customized life insurance quotes, case design, and case management services. Between Quotacy and our parent company, Hallett Financial Group, we have helped people protect their loved ones from financial tragedy to the tune of $14 billion dollars.

We ask that you run a term quote on our website. Here are three reasons why:

**One:** 80% of consumers overestimate the cost of life insurance. Find out for yourself how affordable life insurance really is.

**Two:** We are not going to ask you for your phone number or email address.

**Three:** It’s fun to play with our interactive sliders to educate yourself about how life insurance pricing works.

Get your term life insurance quote in under 30 seconds.

www.Quotacy.com