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The Cost of Life Insurance, A Guide to Life Insurance Quotes

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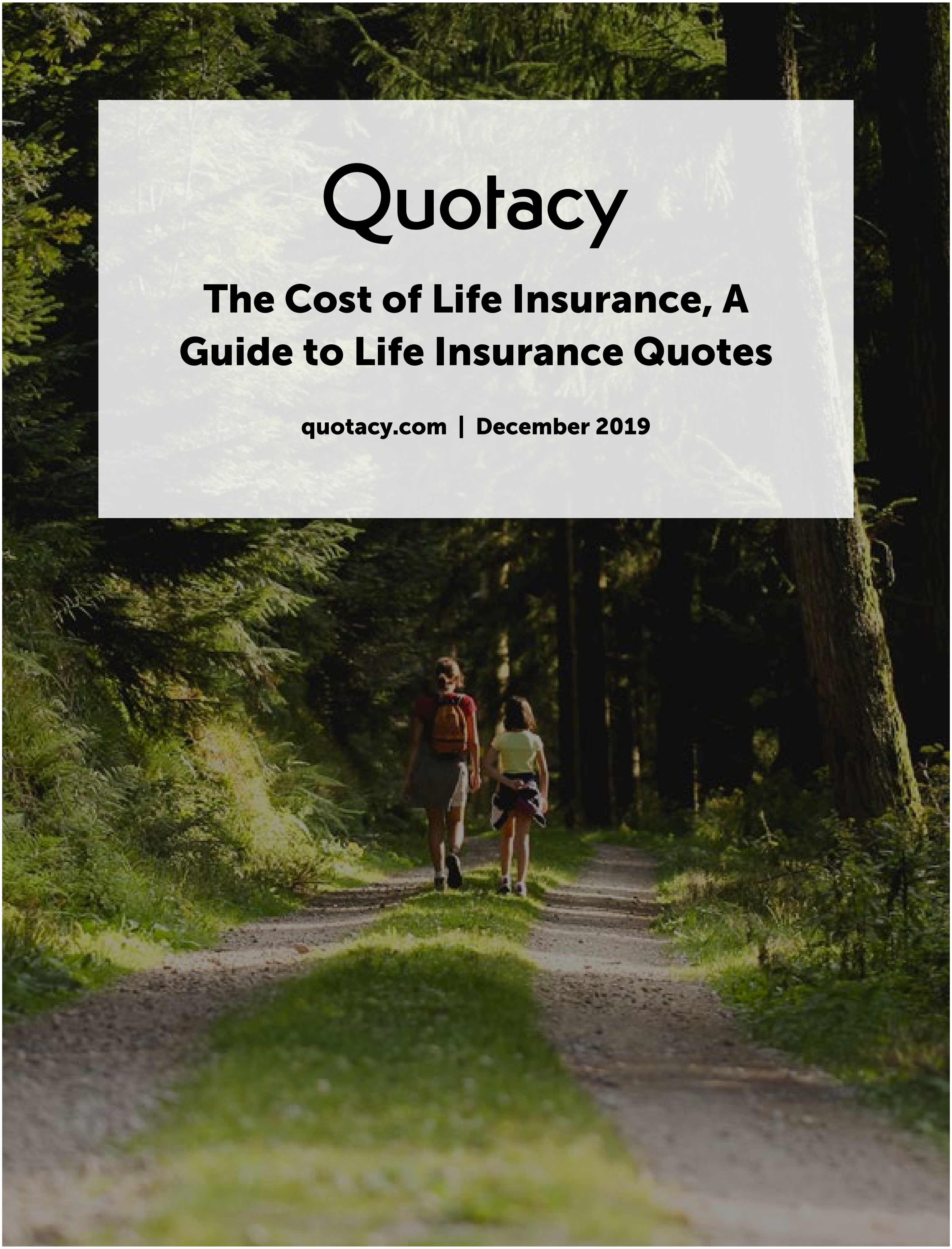

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The Cost of Life Insurance, A Guide to Life Insurance Quotes

What Is Life Insurance?

Life insurance is a financial product designed to replace lost income due to death. In exchange for premiums paid by the policyowner, the life insurance company promises to pay out a sum of cash, called a death benefit, to the policy's beneficiaries if the insured person dies while the life insurance policy is active.

Most people need life insurance. If you have anyone that relies on you or debts that loved ones would become responsible for if you died, life insurance can protect them. Life insurance helps to ensure your loved ones can keep paying bills even if you die unexpectedly. Life insurance is for the living.

How the Cost of Life Insurance Is Determined

The cost of life insurance is dependent on many factors. The main factors that heavily affect the pricing include the type of life insurance you buy, your age, and your health.

Life insurance pricing is determined by your level of risk. The life insurance underwriters give you a risk class when evaluating your application. Basically, the lower your risk of death, the better your risk class will be. The better your risk class, the lower your premium payments.

If 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 and it doesn't make sense for the life insurance industry.

Risk classes are typically organized as follows, though some companies may use different names.

People in excellent health without any big risk factors for coverage will most likely be given Preferred Plus—also giving them the lowest possible premium payment. Those with health problems will often be approved at a higher risk class, meaning a higher cost of coverage.

If you are a cigarette smoker, you will receive a tobacco risk class. Smokers and tobacco users have their own set of prices due to the effect smoking has on a person's health. For people who have quit smoking, the amount of time that has passed since you quit will determine which non-tobacco risk classes will be available to you.

Being substandard means that there are certain factors that place you outside the normal range of risk the insurance company typically insures. If you're substandard, the insurance company will table rate you or add a flat extra to your premium.

Risk Classes	
For Non-Tobacco Users	For Tobacco Users
Preferred Plus	Preferred Tobacco
Preferred	
Standard Plus	Standard Tobacco
Standard	
Table Ratings (Substandard)	

Life Insurance Table Ratings

A table rating means you will pay an extra percentage on top of the standard premium. The percentage amount you pay is determined by what table rating you receive from the life insurance company.

Table ratings run alphabetically or numerically, depending on the insurance company. Typical table ratings start at Table A, or Table 1, and can run all the way to Table P, or Table 16. Most table rating systems take a normal risk class, like Standard, and increase the regular premium payments by 25% for every step you go down the table.

Example:

If the life insurance policy you're applying for would cost someone with a Standard risk class $500 per year and you're classified as Table D, this means your annual premiums would cost the Standard price plus an extra 100% making your annual premium $1000 ($500+100%).

Flat Extras

Flat extras are usually given instead of a table rating if the risk factor is constant, such as private aviation, or if the risk factor is decreasing, such as recent cancer remission.

A flat extra is a specific added dollar amount per $1000 of insurance coverage.

Flat extras are usually given instead of a table rating if the risk factor is constant, such as deafness, or if the risk factor is decreasing, such as the aftermath of surgery.

Example:

You're 35 years old and applying for a 30-year $500,000 term life insurance policy. You're in great health and work as a scuba diving instructor. The insurance company approves you at Preferred Plus but requires you to pay a permanent $3 flat extra.

If you had a low-risk job, your 30-year $500,000 term policy would only cost about $450 annually. But because the insurance company doesn't appreciate the depths at which you dive, the $3 flat extra means you pay an extra $1500 on top of the $450. Meaning the annual life insurance cost is $1950, or roughly $163 per month.

Term Life Insurance and Permanent Life Insurance Cost Comparison

Term Life Insurance

Term life insurance is temporary coverage and it is the most affordable type of life insurance. Most families only need term life insurance versus permanent life insurance. There are different types of term life insurance, level term life insurance being the most common and best option for most families.

Level Term Life Insurance

Level term life insurance is the most common type of term insurance. When someone is referencing term life insurance, this is the type they usually mean.

With a level term life insurance policy, your premiums and face amount are fixed and won't change during the term. 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.

Example:

John Doe can buy a $500,000 20-year level term insurance policy at $40 per month. His $40 premium will never increase during the entire 20 year term. 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.

Term length options range from five to 40 years, depending on your age. After the term is done, your premium price is no longer guaranteed and you must either let the policy terminate, convert to a permanent policy, or renew the policy.

Converting or renewing are options typically only make sense for those who become uninsurable, like if you were to develop a serious medical condition. It's guaranteed coverage but your premiums increase drastically.

If you're still in need of life insurance coverage and you're healthy or of average health, you also have the option to obtain a new policy by going through underwriting again. This is the most cost efficient way to continue owning life insurance.

Return of Premium Term Life Insurance

Like level term insurance, return of premium term life insurance (ROP) also has fixed coverage and rates. The biggest difference from a standard term policy is that with an ROP policy if you don't die during the term you are refunded the premiums you paid. However, ROP premiums are more expensive than level term life insurance premiums.

Estimated Monthly Cost of a 20-Year $500,000 Policy for a Healthy Male		
Age	Term Policy	ROP Term Policy
30	$33.25	$100.99
35	$34.13	$107.76
40	$41.56	$143.61
45	$52.50	$192.77
50	$83.56	$291.98
55	$135.63	$443.27
60	$250.25	$850.36

Decreasing Term Life Insurance

Decreasing term life insurance has fixed premiums as well, but the coverage amount decreases over time. These policies are often used to match a home mortgage. Quotacy doesn't offer these types of policies. The premiums for these policies are lower than other term policies, but we don't think decreasing coverage plans are the best option for most families. Instead we recommend laddering term life insurance policies if you think your needs will decrease over time.

Laddering life insurance policies can mean buying more than one policy at a time with varying term lengths and coverage amounts, or it can mean owning more than one policy and purchasing them at different intervals. The laddering strategy is ideal if you have different financial obligations you want to cover.

Annual Renewable Term Life Insurance

Annual renewable term life insurance is a type of life insurance policy that allows you to purchase one year of life insurance coverage at a time. At the beginning of setting up this policy, you lock in a period of insurability. This period of time can be anywhere between five and 30 years.

During this timeframe, you can renew your term policy without needing to take a medical exam or answer medical questions; however, your premiums will be assessed each year and increase significantly based on your age. Quotacy does not offer annual renewable term life insurance and recommends a level term policy instead.

Permanent Life Insurance

Permanent life insurance is coverage that's designed to last your entire life. Over time, a cash value balance is created within the policy. This cash value can be accessed in different ways depending on the type of permanent life insurance policy you own.

Cash values can be used to pay your premiums, you can borrow against it in the form of policy loans, or you can withdraw directly from the cash value account. Because of this cash value feature and the fact that it's permanent coverage, the premiums for permanent life insurance policies are much higher than those for term life insurance.

Whole Life Insurance

Whole life insurance is, in general, the most comprehensive and fully featured type of permanent coverage. This means that it typically has the highest premiums as well.

Whole Life Insurance Monthly Rates			
	$250,000	$500,000	$1,000,000
Male age 30	$258.63	$510.66	$1,014.72
Female age 30	$227.07	$447.54	$888.47
Male age 40	$374.10	$741.60	$1,476.59
Female age 40	$324.60	$642.60	$1,278.60
Male age 50	$567.39	$1,128.19	$2,249.77
Female age 50	$483.52	$960.43	$1,914.27

A whole life insurance policy typically has the following features:

Dividend Paying

Guaranteed for Life

Policy Loan Options

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

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

Example:
You're 30 years old and for $100,000 of whole life coverage you pay $80 monthly or $900 annually until you die. The cash value still accumulates 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 of whole life coverage and never pay a premium again. The cash value still accumulates and can be accessed during your lifetime.

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. The cash value still accumulates and can be accessed during your lifetime.

Universal Life Insurance

Universal life insurance is one of the most versatile types of permanent life insurance. It has a high degree of flexibility and has 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 and accumulation goals. Premiums may be increased, decreased, or even skipped depending on policy conditions.

The premiums you pay each month go into a metaphorical bucket. Each month the insurance company 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 company and how much money is currently in the bucket. The cash value you accumulate can be accessed at any time through policy loans or surrenders.

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 simplify the process.

Policy loan
This enables you to borrow against your policy using your cash value as a form of collateral. These loans do accrue interest and if the loan balance plus interest is not paid off while you're alive, the unpaid amount is deducted from your beneficiary's death benefit.

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.

Partial withdrawal
You have the option to permanently withdraw a portion of your policy's cash value and still keep the policy active. There is no interest charged on this withdrawn amount.

With universal life insurance 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 that's best for your situation. As a policyowner, you have more flexibility with universal life insurance than whole life insurance, but you also assume more risk. Universal life insurance typically has fewer guarantees than whole life insurance, so you need to manage your premium payments and any distributions taken carefully to ensure your policy stays inforce.

Variable Life Insurance

Variable life insurance is a permanent life insurance policy that has a cash value account, which is invested in a number of sub-accounts available in the policy. Policyowners are able to choose their investment options (between stocks, bonds, treasury or money market funds) so they bear the brunt of this risk. The cash value in variable life insurance has the potential to grow faster than whole life insurance but there's higher risk involved.

Variable life insurance has no guarantees of either interest rate or minimum cash value. Those who purchase a variable life insurance policy need to be comfortable with daily portfolio fluctuations.

Variable Universal Life Insurance

Variable universal life (VUL) insurance is a permanent policy that offers flexible premiums, like universal life insurance, but also gives policyowners investment options, similar to variable life insurance. There are no interest rate or cash value guarantees with variable universal life insurance.

Indexed Universal Life Insurance

Indexed universal life (IUL) insurance functions similarly to a standard universal life policy. However, it accumulates value through investments in a stock market index rather than the typical low-risk investments that most dividend-paying policies use to grow. Indexed universal life insurance guarantees a 0% floor so even if the stock market does not perform well, the policy won't lose value. It just simply won't grow.

Guaranteed Universal Life Insurance

While guaranteed universal life insurance is a permanent life insurance product, it can be described, essentially, as a term life insurance policy that can last your entire lifetime. The main function of guaranteed universal life insurance is to provide a death benefit when you die.

The premiums for guaranteed universal life insurance are less expensive than typical permanent life insurance products because it doesn't have extra benefits like cash value accumulation or dividend payouts.

Guaranteed Universal Life Insurance Monthly Rates			
	$250,000	$500,000	$1,000,000
Male age 30	$108.90	$205.99	$352.94
Female age 30	$90.81	$171.66	$305.96
Male age 40	$144.26	$270.96	$505.58
Female age 40	$117.80	$223.08	$424.09
Male age 50	$219.56	$418.03	$775.92
Female age 50	$183.52	$355.62	$676.61

Guaranteed Issue Life Insurance

Guaranteed issue life insurance is a type of permanent life insurance offered to older individuals (typically age 50+) that you cannot be denied coverage on, hence guaranteed. To obtain guaranteed whole life insurance you do not need to take a medical exam nor are your medical records taken into consideration.

Coverage is put inforce as soon as you make your first payment. Because this type of life insurance coverage is guaranteed and does not take your health into consideration, the premiums are much more expensive when compared to fully underwritten life insurance. The death benefit is also typically smaller (usually capped at $50,000) than traditional life insurance products.

Factors that Affect Life Insurance Costs

Life insurance companies weigh your risk factors and assign you to a risk class. These risk classes are what determine your life insurance pricing. The more risky you are to insure, the more you'll pay for life insurance. Someone of average risk will receive Standard pricing. If you have less risk than the average Joe you can receive Preferred Pricing. Someone who is risky to insure will receive Substandard pricing.

There are many factors that the life insurance company will consider. These are the most common:

Age

18 - 90 +

One of the main factors in determining the cost of life insurance is an applicant's age. The older you are, the closer you are to dying. So, all other factors equal, an older person will pay more than a younger person for the same life insurance policy.

Height and Weight

Body mass index (a measure of body fat based on height and weight) can be a good indicator of how healthy you are now and your likelihood to stay healthy in the future.

Life insurance companies look at your weight to calculate your life insurance cost because a person's build is a major risk factor for mortality. Weight and obesity are often high-risk statistics that can predict many issues ranging from heart disease to diabetes.

A person with a normal body mass index (BMI) will often have a lower overall term life insurance cost than a similar person with a higher BMI. However, this isn't always the case.

BMI doesn't always provide an accurate measurement. While life insurance companies do consider your BMI, they don't use it to set your final price. Each company has their own guidelines for height and weight that they use to assign life insurance rates based on underwriting statistics.

Male, Age 30, $500,000, 20-Year Term

Risk Class	Monthly Premium
Preferred Plus	$20.01
Preferred	$25.99
Standard Plus	$31.55
Standard	$37.96
Preferred Tobacco	$72.16
Standard Tobacco	$92.25

Health

Separate from height and weight, another main factor in determining the cost of life insurance is by how healthy you are. If you're a healthy individual, statistically, your chances of dying earlier are low. This equates to low life insurance pricing.

Health conditions (diabetes, heart disease, sleep apnea, etc.) that an applicant may have could be deemed risky to ensure. Therefore, this individual will be required to pay a higher premium.

Gender

Women statistically live longer, so they pay less for life insurance. Men tend to lead riskier lives and avoid the doctor a bit more often, so insurance companies require males to pay more to even out the risk to insure them.

The exception to this is if you live in the state of Montana. Montana is a unisex insurance state which means that men and women do not pay different insurance rates simply based on their gender.

Smoking Status

Whether or not you use cigarettes or recently quit plays a big role in your life insurance costs. 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. The use of e-cigarettes also typically receives smoker rates.

Some insurance companies consider people who use cigars, chewing tobacco, nicotine gum, or marijuana as non-tobacco users. If this is you, Quotacy can help you find the best insurance company to apply to.

Family History

If anyone in your immediate family (mother, father, siblings) has been diagnosed with any serious medical conditions such as heart disease, cancer, or diabetes, your life insurance premiums may be affected. Inherited conditions may cause the life insurance company to increase your premiums because there is a risk that you could also be diagnosed with these medical conditions.

The insurance company takes into consideration how many family members were affected with the condition and their age when it was diagnosed. If any of these conditions were diagnosed late in life (after age 60 or 65), most life insurance underwriters might completely disregard them and it would have no impact on your premiums.

Occupation

Some jobs 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:

- Forest firefighter
- Ocean fisherman
- 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

Hobbies like crocheting and hiking are nothing to worry about, but risky extracurricular activities can affect your life insurance costs. When you participate in activities the insurance company considers to be dangerous, they also consider 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

These hobbies only affect the purchase of new life insurance. If you already have an active life insurance policy and start participating in any of these sports afterwards, your rates will not and cannot be changed.

Similarly, if you're assigned a flat extra on top of your premiums because of your participation in one of these hobbies, if you stop participating in the future, you can ask the life insurance company for a reconsideration. The insurance company will remove the flat extra if they deem your risk has decreased.

Driving Record

Driving violations can affect the cost of life insurance. The types of violations, how many, and their severity will all be taken into consideration when the life insurance underwriter evaluates your application.

Location

Your location can affect your life insurance, but not in the way you may think. Being close to a volcano or driving on high-traffic roads have no effect on your life insurance costs.

What matters are state legalities. Two examples of this are:

1. Insurance companies 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. So, if the same policy from the same company is being offered in one state there is a chance that it's currently a different price in another state.
2. The state of Montana is a unisex state. This means that when you apply for life insurance as a resident of Montana, your gender will not affect your life insurance costs. In this state alone, prices for women are the same as prices for men. In all cases this means the cost of insurance is higher for a woman living in Montana versus if she lived in a different state.

How Much Life Insurance Coverage Is Needed

Who needs life insurance?

As a general guideline, if anyone in your life would be negatively affected financially by your death, then you need life insurance. Life insurance is incredibly important for protecting your loved ones' financial future and way of life.

There are a number of situations and types of people that need life insurance to protect those who would be negatively impacted from the loss of income.

How much life insurance do I need?

Deciding how much life insurance you need will depend on your current finances, financial goals, and family situation. The right amount is different for everyone. The main purpose of life insurance is to replace your income so your loved ones don't suffer financially.

For the amount of coverage, experts recommend 10-15 times your annual income. If that doesn't fit in your budget, buy what you can afford. A little life insurance is better than nothing at all.

For the length of coverage, 20 years is most common. Ideally, pick a term that will last until your largest source of debt is paid off or until your loved ones are financially independent.

Quotacy's life insurance calculator can help you determine your coverage needs. When you apply for life insurance through Quotacy you're assigned a dedicated agent. If you're unsure you're applying for the right amount, your agent will be happy to help guide you. Quotacy agents are paid on salary, not commission, so you don't have to worry about being sold more coverage than you need. Feel free to ask them your questions and talk to them if you have any concerns.

If you're planning on buying both term and permanent life insurance, typically you buy more term coverage than permanent. Purchase enough term life insurance to cover your big ticket financial responsibilities (such as the mortgage and providing for your children from infancy to adulthood) and supplement it with a small permanent life insurance policy to cover final expenses.

How can I lower my life insurance premiums?

It's possible that when you apply for life insurance, your final premium offer will be higher than your initial quote. One of the most common ways this happens is if medical issues are discovered in your physical exam or doctor records.

If you apply for life insurance and the insurance company offers you a premium that isn't in your budget, your Quotacy agent will work with you to bring your premium down to something you're more comfortable with.

One option would be to allow your Quotacy agent to shop your case to a different life insurance company if he or she thinks another would be more lenient with your specific risk factors. A second option would be to lower the coverage amount you're applying for (for example, reducing coverage from $750,000 to $500,000). And a third option would be to decrease the term length (for example, shortening the term length from 30 years to 20). Your agent can help guide you if you are not sure the right path to take.

About Quotacy

We believe in taking care of you and your loved ones. We'll do the right thing as your life and life insurance needs evolve.

Quotacy is backed by Hallett Financial Group, a life insurance brokerage with over 25 years of experience and long-standing relationships with industry-leading life insurance companies. Because of this, we have the expertise and guidance you won't find elsewhere in an online life insurance broker.

Buying Life Insurance through Quotacy

Through Quotacy you can see term life insurance quotes instantly without giving away any contact information. This allows you to windowshop in peace without fear that your phone number, address, or email is sold to insurance shops waiting to sell to you.

After you apply, you're assigned a dedicated Quotacy agent whose number one job is to help you get life insurance coverage at the best price possible. As an independent life insurance broker, Quotacy has contracts with multiple life insurance companies and is able to shop your application around.

Our experts will find the best rates from top insurance companies and compare them for you. And they're not paid on commission so they can work with your best interest in mind. We'll deal with the insurance company on your behalf behind the scenes and keep you updated every step of the way. All to save you time, money, and stress.