a consumer's guide to

Life Insurance

North Carolina
Department of Insurance
Jim Long, Commissioner

A Message from the Commissioner

This guide is made available to North Carolina consumers to help you make informed choices when purchasing life insurance. Choosing a life insurance product is an important decision. I believe you will find this guide to be informative and helpful.

Your Department of Insurance is available to help guide you through these complicated matters. I want every North Carolinian to know that help is available by calling our toll-free number, 1-800-546-5664.

Jim Long
Commissioner of Insurance

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Why Buy Life Insurance?

Life insurance is an important purchase for many North Carolinians. This guide provides basic information about life insurance. It is not intended to provide information to cover every situation and every type of life insurance policy.

Why Buy Life Insurance?

An unexpected death can cause financial hardship to surviving family members. Immediate expenses such as medical and/or funeral costs may be incurred. Without the deceased's income, the family may be unable to continue making mortgage payments, car payments or payments towards other long or short-term debt. Dependent children may be unable to afford college and other educational expenses.

The proceeds from a life insurance policy can go a long way towards stabilizing a family's finances. Immediate expenses can be covered and debts can be met. Long term financeal needs, such as educational expenses, can be covered and mortgages can be paid off. In short, the proceeds of life insurance can help replace the deceased's income and provide financial assistance to loved ones. Also, life insurance proceeds can be designated to charitable organizations.

Types of Life Insurance

All life insurance is not the same. Life insurance can be divided into two basic categories – term life and whole life. Term life insurance provides coverage for a specific period of time, while whole life provides coverage for your entire life.

Term Life Insurance

Term life is the simplest form of life insurance. It provides a pure death benefit. The policy will cover the insured for a specified period of time, hence the name "term" insurance. Term policies normally are for a period of one to 20 years, or until a specified age such as 65. At younger ages, much larger amounts of term life coverage can typically be purchased for the premium dollar.

Term insurance generally does not build a "cash value." At the end of the term period, the policy typically terminates without further value or benefits.

Term insurance is ideally suited to cover specific needs that may decrease or disappear over time.

Optional Term Insurance Features

Following are two common provisions of term insurance policies you may wish to consider during the purchase of a term life insurance policy.

Guaranteed Renewable Privilege — allows the insured to renew the policy without having to prove insurability. (You do not have to be in good health.)

Conversion Privilege — guarantees the insured the right to convert from the term policy to a whole life policy. This does not require proof of insurability; however, you should expect to pay higher premiums.

Types of Term Insurance

There are three major types of term life insurance — Level, increasing and decreasing.

Level — The death benefit stays the same throughout the policy term and premiums typically remain constant.

Increasing — The death benefit increases by specific amounts and at intervals as specified in the policy. Premiums normally increase along with the benefit.

Decreasing — The death benefit decreases periodically as specified by the policy. Premiums typically remain constant throughout the policy term.

Whole Life Insurance (Permanent Insurance)

Whole life insurance is designed to provide protection for the entire life of the insured as long as the premiums are paid. There are many different versions and variations of permanent insurance, some of which are discussed later.

Features of Whole Life

Whole life insurance offers some features that are not typical in term insurance policies. Three are described below.

Cash Value — The cash value is an amount available to a policyholder if the policy is canceled (surrendered). Also, one may be able to use the cash value as collateral on a loan. Cash value generally increases over time as premiums are paid.

Policy Loans — A policy owner may borrow an amount up to the maximum loan value of the whole life policy. Loan interest will be charged in accordance with the policy provisions. The loan may be paid back in a lump sum or installments. If at any point the amount of the loan plus interest exceeds the policy's cash surrender value, the policy may be terminated without further value. At the insured's death, any outstanding loan and interest will be deducted from the death benefits.

Participating versus Non-Participating — Participating policies may pay dividends. Non-participating policies do not. Dividends are refunds of any excess or unused premiums. Dividends are not usually distributed until the second policy year; however, they are never guaranteed.

There are several available dividend options. Some of the choices are:

- Cash Payment — The dividend can be paid directly to the policy owner in cash.
- Premium Reduction — The dividends can be used to pay part of the premium. The insurance company will send a statement showing the amount of the dividend and balance of premium due, if any.
- Interest Option (Left on Deposit) — The dividends can be left with the insurance company to earn interest. All or part of this money may be withdrawn at any time.
- One Year Term — This option allows for the purchase of one year term insurance that will be payable in addition to the face amount of the policy.
- Paid-up Additions — The dividends can be used to purchase paid-up additional life insurance.

Types of Whole Life Insurance

Whole Life insurance is available in a variety of forms, such as Traditional Whole Life, Universal Life, Variable Life or some variant of those three.

Traditional Whole Life — This policy, sometimes called ordinary life or straight life, covers the insured for life as long as premiums are paid. This is the most basic permanent policy. Typically, the premium remains the same throughout the life of the insured. Some variations of these policies permit the premiums to be paid for a shorter period, such as 10 years, 20 years or until age 65.

Universal Life — Sometimes referred to as Flexible Premium Adjustable Life, this policy is more flexible than a traditional whole life policy. Premium payments may vary within certain limitations stated in the policy. For example, premium payments may be increased, decreased or skipped altogether, as long as the policy's accumulated value remains sufficient to keep the policy in force. Also, the death benefit may be raised or lowered more easily with universal life than with a traditional whole life policy.

Universal Life policies are interest sensitive, meaning the accumulated value earns interest. Reduced interest rates may require additional premiums to maintain the policy in force. Make sure you understand which values are guaranteed by the contract and which are not.

Universal life policies are appropriate for individuals who need the guarantees provided by a whole life policy and who seek opportunities to possibly earn higher rates of interest on their policy values.

Variable Life — Variable Life differs from traditional whole life and universal life insurance in that the policy owners have a choice as to how they want to invest their accumulated value. There are a variety of choices for allocating the funds, including stocks, bonds and money market accounts. You should receive a prospectus with the sale of a variable product. Study the prospectus carefully; it will describe the policy and different investment options. The death benefit and accumulated value will vary according to premiums paid and the performance of investment choices. If the chosen investments perform favorably, the accumulated value and death benefit may increase. If the investments perform poorly, the policy's accumulated value and death benefit may decrease and possibly be lost. **The policyholder bears this risk**. Some policies may have optional guarantees available for an additional premium.

Whole Life versus Term Life

	Advantages	Disadvantages
Term	• Lower initial premium outlay. At first, you may be able to buy more insurance for less cost than whole life. • May be renewable and/or convertible to whole life insurance.	• Premium may increase each renewal. • Coverage terminates at end of term period. Replacement coverage may not be available due to deteriorated health. • Death benefits only. No nonforfeiture values.
Traditional	• Guaranteed for life, if premiums paid. • Fixed death benefits and premium amount. • Dividends and/or cash value accumulation. • Policy loan, cash surrender, nonforfeiture options.	• Higher initial premium than other types. • Dividends are not guaranteed. • Cash surrender values and nonforfeiture values are usually based on very conservative assumptions.
Universal	• Flexible premiums. • Guaranteed for life, if premiums paid. • Flexible death benefits. • Possibility to earn higher interest rates. • Cash surrender and policy loan options.	• Premiums may increase (subject to limitations in the policy). • Policy owner assumes greater risks due to policy flexibility.
Variable	• Flexible premiums. • Guaranteed for life, if premiums paid. • Ability to choose investment options (e.g. stocks, bonds, money market or other accounts). • Cash surrender and policy loan options.	• Policy owner bears all the investment risk. • Premiums may increase (subject to limitations in the policy).

Standard Policy Provisions

Incontestability
Generally, after a policy has been in force for two years, the insurance company cannot contest the validity of the policy for any reason other than nonpayment of premium.

Misstatement of Age or Gender
This provision permits benefits and/or premiums to be recalculated based on the correct age and/or sex of the insured.

Suicide
This policy provision generally states that if an insured commits suicide within the first two years of the insurance contract, the death benefit is limited to the total premiums paid.

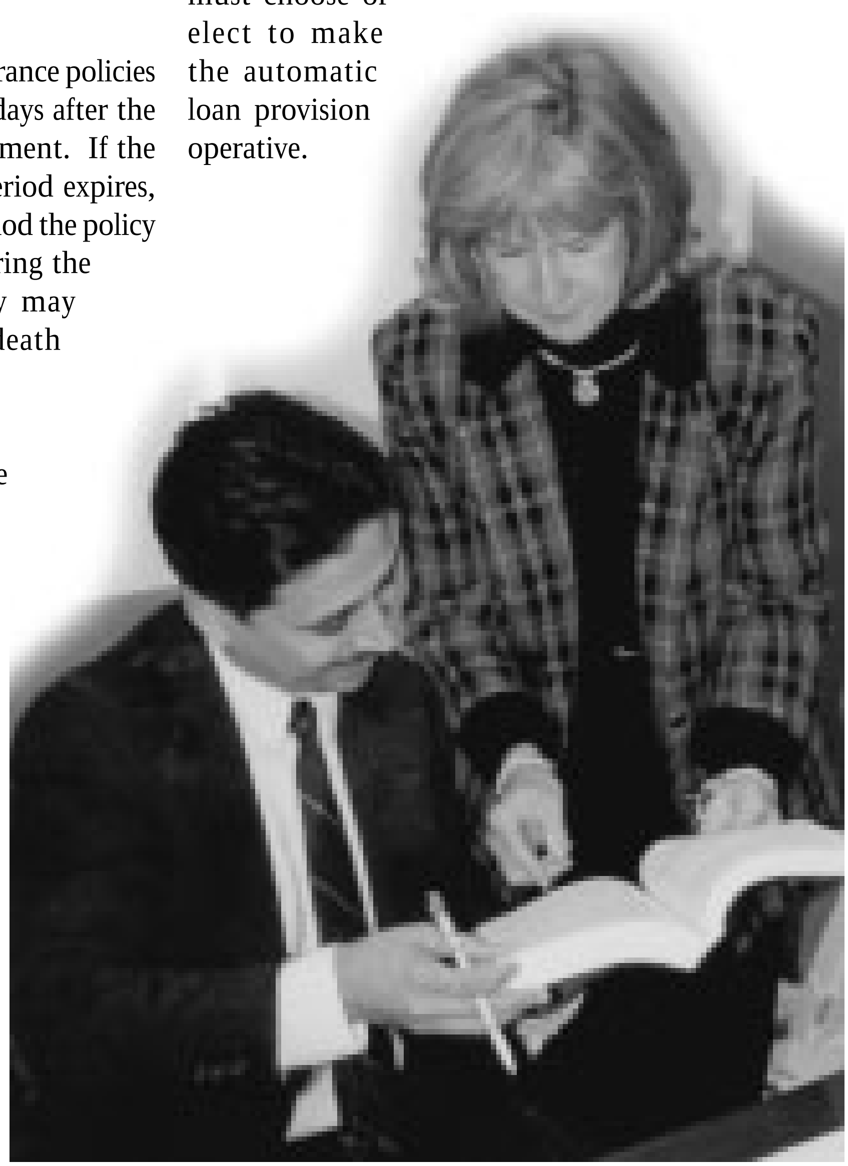
Grace Period
After the first premium payment, life insurance policies provide a minimum grace period of 31 days after the due date to make the next premium payment. If the premium is not paid before the grace period expires, the policy will lapse. During the grace period the policy remains in force. If the insured dies during the grace period, the insurance company may deduct any premium due from the death benefit.

Reinstatement Provision
This provision allows a policy to be reinstated subject to policy limitations and requirements. Generally, the insured must make written application, meet the company's underwriting guidelines and pay all overdue premiums (plus interest) and fees associated with reinstatement.

Nonforfeiture Benefits
The following nonforfeiture benefits may be available in the event a policy lapses due to nonpayment of premium.

- Reduced Paid-up Insurance — This option allows the policyholder to receive reduced paid-up life insurance coverage.
- Extended Term — This option allows the policyholder to keep the policy in force, as term coverage, to a specified future date. The length of the extended term benefit will depend on the amount of cash value in the policy and the age of the insured.
- Cash Surrender — The owner may elect to take the available cash value in a lump sum.

Automatic Premium Loan
This provision requires the company to collect past due premium by means of a policy loan. This prevents the policy from lapsing provided the available loan value is sufficient to pay the premium. In most cases the policyowner must choose or elect to make the automatic loan provision operative.



Optional Riders (Endorsements)

Riders are provisions added to the original policy that can either expand or limit coverage. Typically riders are purchased by the policyholder to add benefits not included in the original policy. Ask your agent which riders are available with the policy you are considering. Listed are some examples:

Accidental Death Benefits
Sometimes known as "double" or "triple indemnity," this rider increases the death benefit paid if the insured dies as a result of a covered accident.

Dependent Children Rider
Generally provides level term coverage for your dependent children up to a stated age. The rider may also allow each child conversion to a permanent policy (without evidence of insurability).

Disability Income Rider
This rider provides a monthly income if the policyholder becomes disabled.

Guaranteed Insurability
The insured is guaranteed the right to purchase additional life insurance on specified dates. The rates will be based on the attained age of the insured.

Level Term Rider
Provides extra term insurance protection for a specific amount of time.

Long Term Care Rider
This rider pays benefits if the insured meets defined policy eligibility criteria (e.g. confined to a long term care facility). The maximum benefit is generally a percentage of the life insurance policy's face amount. The death benefit will be reduced by the amount paid out under this rider.

Mortgage Protection
This rider provides an additional decreasing term life insurance benefit.

Spouse Rider
This rider provides life insurance coverage for the insured's spouse.

Waiver of Premium
If the insured becomes disabled, as defined in the policy, the insurance company pays the premium (or cost of insurance) during the disability period.

Shopping for Life Insurance

It is important to use care when shopping for life insurance. The cost of insurance over the life of the policy can be significant and benefits provided may be extremely important to your survivors.

When you buy life insurance, select a product that meets your needs at an affordable and competitive premium. Your first step is to decide how much you need, how much you can afford to pay and the type of policy that best meets your needs. Secondly, compare products offered by various companies. You can compare differences in the cost of life insurance by using the life insurance cost indexes described in this guide. Life insurance agents and/or companies can assist you with each of these shopping steps.

Choosing an Amount

One way to decide how much life insurance you need is to figure how much cash and income your dependents will need when you die. You should think of life insurance as a source of cash needed for expenses such as medical expenses, taxes, mortgages or other debts. It can also provide income for your family's living expenses, educational costs and other future expenses. You may want to use your new policy to close the gap between 1) what your dependents have when you die and 2) what they actually need.

Life Insurance Needs Worksheet

Expenses

Immediate expenses

Federal and State taxes	$ ________
Funeral costs	________
Medical expenses	________
Estate settlement	________

Future expenses

Credit card debt	________
Child care	________
Educational expenses (private school, college fund)	________
Housing (mortgage, rent, utilities, etc.)	________
Other loans and debts	________
Taxes (local, state, property, income, other)	________
Transportation	________
Miscellaneous	________
Total Expenses	$ ________

Assets

Checking and savings accounts	$ ________
Emergency fund	________
Insured's benefits (social security, veterans, pension, trust income, etc.)	________
Investments (stocks, bonds, mutual funds)	________
Life insurance death benefit	________
Money market accounts and certificates of deposit	________
Mortgage insurance	________
Real estate (home and business)	________
Retirement plans (IRA, Keogh, pension and defined-contribution plans)	________
Miscellaneous (jewelry, art, furs, etc.)	________
Total Assets	$ ________

Additional insurance you may need (expenses minus assets) $ ________

Choose the Right Kind of Insurance

Information provided by your agent or company along with information provided earlier in this guide will assist you in making a decision about what kind of insurance best fits your needs.

Where to Shop

Since most insurance companies and many agents advertise, telephone directories, newspaper, radio, television and the Internet may also provide information to assist you in purchasing insurance in your area.

Most agents are reputable professionals who are well trained in their area of expertise. Agents must be licensed to sell insurance in North Carolina. Choose one with whom you feel comfortable and who will answer your questions. To verify if an agent is licensed, contact the North Carolina Department of Insurance Agent Services Division at (919) 733-7487.

As with any major purchase, it is recommended that you shop around to make sure you get the most for your money. Companies must be licensed to conduct business in North Carolina. To verify that a company is properly licensed, you may contact the North Carolina Department of Insurance Consumer Services Division at (919) 733-2032 or toll free 800-546-5664.

Seek Unbiased Information

Information is available to consumers from a number of sources. These sources include consumer publications, public libraries, consumer groups and your North Carolina Department of Insurance.

Financial strength and ability to meet financial obligations to policyholders is very important. Independent organizations such as A.M. Best, Standard & Poor's, Moody's Investors Service and others publish financial ratings. You should consider checking with at least two organizations to evaluate a company's strength. The ratings for insurers can be found in most public libraries, by asking your agent or on the Internet. (**NOTE**: These agencies rate companies according to their present financial ability to pay claims, not by quality of products offered or by past or future ability to pay claims.)

The North Carolina Department of Insurance does not rate or recommend insurance companies, but will provide the date a company was licensed in North Carolina and its complaint ratio.

Policy Illustrations

Life insurance agents and companies may use policy illustrations to demonstrate non-guaranteed policy values that are based on projected (non-guaranteed) interest rates and cost assumptions.

An illustration shows projected policy premiums, death benefits, cash values and other information concerning possible (non-guaranteed) performance of the policy.

Ask your agent to explain which figures are guaranteed and which are not. It is important to note that an illustration usually contains disclaimers stating that it is not a policy contract and is not to be construed as such.

Past policy performance is no guarantee of future policy performance. For this reason, it is generally not a good idea to buy a life insurance policy based solely on projected (non-guaranteed) future values.

Remember interest rates and costs are subject to change. Make sure you receive the complete sales illustration and copies of all materials used by the agent in the sales presentation, including those that show guaranteed values. *If the agent uses a computer to show you the illustration, make sure you get a printed copy to keep.*

Here are additional questions to ask about the policy illustration:

- Is the illustration up to date? Is it based on realistic assumptions?
- Is the classification shown in the illustration appropriate for me (i.e. smoker/non-smoker, correct age and gender)?
- Which figures are guaranteed and which are not?
- Can the death benefit change due to changing interest rates or other factors?
- Are dividends (if the policy is participating) incorporated into the illustration?
- Can my out of pocket premium cost fluctuate?
- If the illustration indicates that my out of pocket premium may "vanish," is it guaranteed that my premium will remain "vanished?"
- Under what circumstances is the policy guaranteed to stay in force for the duration of my lifetime?

Vanishing Premiums

Some whole life policies may provide vanishing premium options by using accumulated value or dividends to cover out of pocket premium expenses. Generally these options are not guaranteed. Changes in interest rates, cost of insurance, policy expenses and loans can quickly eliminate your policy's ability to sustain itself. Additional out of pocket premium payments may be needed to keep your policy in force.

Replacing Policies

Be careful when deciding whether or not to replace current life insurance. Ask for and obtain comparison information from both your existing agent/company as well as the new agent/company. Remember, proceed cautiously when considering replacing existing life insurance.

What is considered a "Replacement Policy?"

Under North Carolina law, replacement generally means any transaction, in which new life insurance or a new annuity is to be purchased and by reason of such transaction existing life insurance or annuity has been or is to be lapsed, forfeited, surrendered or otherwise terminated.

All life insurance replacements must comply with North Carolina replacement laws except:

- credit life insurance policies;
- group life insurance policies;
- life insurance that is issued in connection with a pension, profit sharing or other benefit plan qualifying for tax deductibility; and
- life insurance policies where the replacing insurer is the same company or under common ownership.

North Carolina law requires the agent or company to give you a "Notice Regarding Replacement" of life insurance. This notice should be reviewed when considering replacement. The agent writing the new policy is required to complete the replacement notice that is sent to your current company advising them of possible replacement.

Should you change or cancel a policy?

If you have existing life insurance in force, carefully weigh the advantages and disadvantages prior to replacement.

Disadvantages

- Cash value and other nonforfeiture values may build at a slower rate.
- Under a new plan you may be subjected to a new incontestability period and suicide period of up to two years.
- The replacement policy may contain additional early surrender penalties.
- Federal and state tax liability may be incurred.

Advantages

- The premium rate may be lower.
- The guaranteed values, current interest and dividend scales may be higher.
- The face amount of the proposed policy may be greater.
- The settlement options may be more favorable.
- The replacing company may be more financially sound.

Remember

- Carefully compare the terms of existing coverage with the terms of the replacing coverage.
- Replacing your insurance without careful review and analysis may be very costly.

If you have any questions, contact the North Carolina Department of Insurance for assistance.

Life Insurance Cost Indexes

After you have decided which kind of life insurance fits your needs, look for a good buy. Hundreds of life insurance companies are licensed to sell insurance in North Carolina. Comparing costs can be difficult, but your chances of finding a good buy are better if you use two types of index numbers that have been developed to aid in shopping for life insurance. One is called the "Surrender Cost Index" and the other is the "Net Payment Cost Index." It will be worth your time to understand how these indexes are used. Use them only for comparing the relative costs of similar policies. LOOK FOR POLICIES WITH LOW COST INDEX NUMBERS. Your insurance company is required to provide you with these index numbers (located in the policy summary).

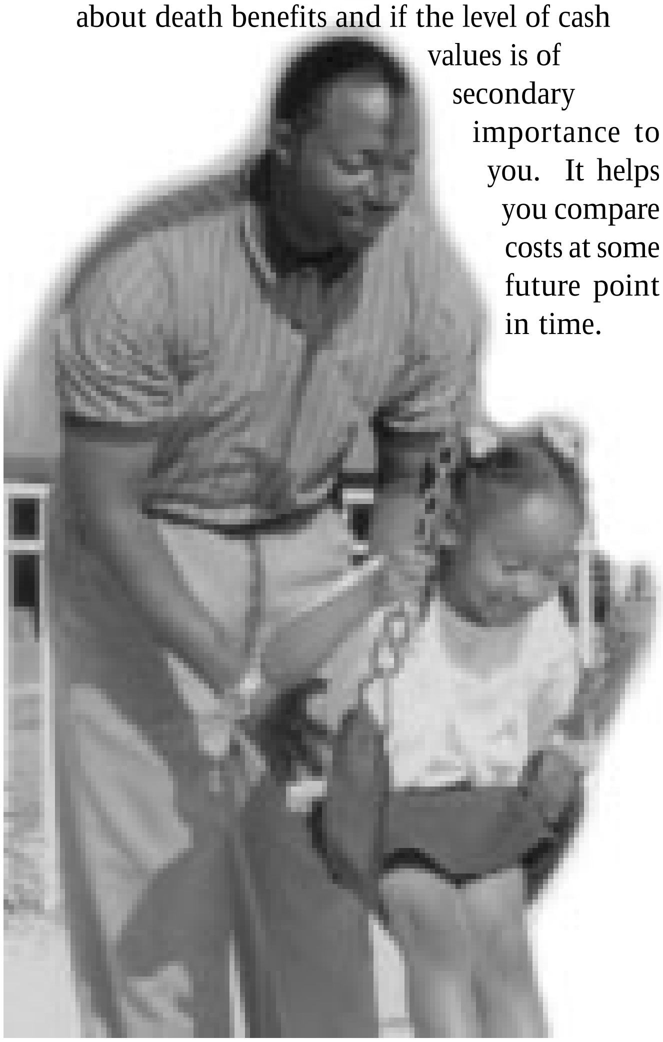
Cost Indexes

In order to compare the cost of policies, you should consider:

1. Premiums
2. Cash values
3. Dividends

Cost indexes use one or more of these factors to give you a convenient way to compare relative costs of similar policies. When you compare costs, an adjustment must be made to take into account that money is paid and received at different times. It is not enough to just add up the premiums you will pay and to subtract the cash values and dividends you expect to get back. These indexes take care of the arithmetic for you. Instead of having to add, subtract, multiply and divide many numbers yourself, you just compare the index numbers which you can get from life insurance agents and companies:

1. **Life Insurance Surrender Cost Index**
   This index is useful if you consider the level of the cash values to be of primary importance to you. It helps you compare costs if at some future point in time, such as 10 or 20 years, you were to surrender the policy and take its cash value.
2. **Life Insurance Net Payment Cost Index**
   This index is useful if your main concern is about death benefits and if the level of cash values is of secondary importance to you. It helps you compare costs at some future point in time.



There is another number called the Equivalent Level Annual Dividend. It shows the part dividends play in determining the cost index of a participating policy. Adding a policy's Equivalent Level Annual Dividend to its cost index allows you to compare total costs of similar policies before deducting dividends. However, if you make any cost comparisons of a participating policy with a nonparticipating policy, remember that the total cost of the participating policy will be reduced by the dividends, but the cost of the nonparticipating policy will not change.

How do I Use Cost Indexes?

The most important thing to remember when using cost indexes is that a policy with a small index number is generally a better buy than a comparable policy with a larger index number. The following rules are also important:

1. Cost comparisons should only be made between similar plans of life insurance. Similar plans are those which provide essentially the same basic benefits and require premium payments for approximately the same period of time. The closer policies are to being identical, the more reliable the cost comparison will be.
2. No one company offers the lowest cost for all types of insurance at all ages and for all amounts of insurance. It is important to get the indexes for the actual policy, age and amount which you intend to buy. Just because a "shopper's guide" tells you that one company's policy is a good buy for a particular age and amount, you should not assume that all policies offered by the company are equally good buys.
3. Small differences in index numbers may be offset by other policy features or differences in the quality of service you may expect from the company or its agent. Therefore, when you find small differences in cost indexes, other considerations such as customer service may assist you in your selection.

4. Life insurance cost indexes apply to new policies and should not be used to determine whether you should cancel in-force coverage.

Applying For Life Insurance

Once you select a plan and agent/insurance company, the first step in securing coverage is to complete and submit an application. Most policy applications require you to furnish detailed personal and medical information. The information is reviewed by the company's underwriters for the purpose of determining whether you meet the company's underwriting guidelines. The insurance company will analyze information you provide on your application and information from medical exams or tests that are obtained to determine if you are insurable. Your application will be made a part of your policy contract. For this reason, all application questions should be answered fully and accurately to the best of your knowledge. Incorrect information on a policy application may lead to policy termination and/or denial of a claim.

Choosing Your Beneficiary

Typically, a beneficiary designation is made on the policy application and generally can be changed at the request of the policy owner. Beneficiary designations most often are close family members, however, an insured's estate, trust, etc. can also be designated.

Factors that Influence Premium Rates

Life insurance premiums can vary from company to company. Several factors will influence your premium rates. The factors may include:

- Amount of coverage
- Type of coverage
- Age and gender
- Health and lifestyle (e.g.,tobacco use, alcohol use, regular exercise, good driving record, etc.)
- Dangerous activities (e.g.,skydiving, scuba diving, motor vehicle racing,rock climbing, etc.)
- Family medical history (e.g.,heart disease, cancer, etc.)

Collecting the Death Benefit

Most companies require a properly completed claim form, a certified copy of the insured's death certificate and the policy contract to evaluate and process a death claim. If the policy has been lost the company will typically require the beneficiary to complete a lost policy certification.

In the event the insured dies during the contestable period, suicide period or from accidental or unusual means, the company may require additional documentation such as police reports, autopsy reports and medical records in connection with its claim evaluation. Once the company receives satisfactory proof of loss, it has 30 days to pay the claim before interest will start to accrue.

Settlement Options

Once a claim is approved, the beneficiary may have a choice of several ways to receive death benefits. The most common settlement options are:

Lump Sum
The company sends the beneficiary a check for the full amount of death benefit.

Retained Asset Account
The company places the benefit in an interest bearing checking or draft account from which the beneficiary can withdraw the funds (partially or in total) at any time.

Interest Income
The insurance company holds the death benefit on deposit for the beneficiary. Interest accumulates on the funds in accordance with policy guarantees and/ or excess rates declared by the company. The beneficiary is able to withdraw the money at any time.

Fixed Amount
Equal payments are periodically paid to the beneficiary until all benefits have been exhausted. Interest accumulates on the unpaid balance.

Fixed Period
Equal payments are made to the beneficiary over a specified period of time. Interest accumulates on the unpaid balance.

Life Income
Proceeds (calculated and based on the beneficiary's life expectancy) are paid to the beneficiary in equal payments for life. A guaranteed amount of payments may be established.

Accelerated Benefits

Sometimes referred to as "living benefits," this policy provision provides life insurance benefits to insureds diagnosed with a terminal illness. Depending on the contract, other qualifying events may also trigger benefits, such as being permanently confined to a nursing home or requiring an organ transplant. Qualifying events can differ from contract to contract. The policy may limit the amount that can be paid.

The policyholder may have to pay an additional premium for this benefit. Also, any amounts paid will generally reduce the death benefit paid to the beneficiary.

If you accept an accelerated benefit payment, you may become ineligible for Medicaid or other governmental benefits. Also, the benefits may be taxable. We suggest that you consult with your legal and financial advisors to determine whether or not this may be the case in your individual situation.

Insurance Tips

Before You Buy

- Shop around. Compare plans from more than one company. Do not feel pressured to make a quick decision. Life insurance is a long-term contract.
- Verify the agent and company you choose to do business with are licensed in North Carolina.
- DO NOT PAY CASH. When you purchase a policy, make your check or money order payable to the insurance company, NOT THE AGENT. Be sure to get a receipt.
- Make sure you fully understand any policy you are considering and that you are comfortable with the company, agent and product.
- Ask questions. Your life insurance policy represents a considerable investment and may significantly impact your family's future.
- Determine the difference between guaranteed values and non-guaranteed projections.
- Ask your accountant about any potential tax consequences.
- Can you afford the initial premium? Buy only the amount of life insurance you need and can afford. If the premium increases later, can you still afford it? It may be very costly if you quit during the early years of the policy.
- Do not sign an insurance application until you review it carefully to be sure all the answers are complete and accurate.

After the Purchase

- Keep in mind that you have a minimum 10-day "free look" period on new policies and a minimum 20 day "free look" period on replacement policies in case you change your mind. If you cancel during the free look period, the company must return your premium without penalty.

- Periodically review your policy to make sure it continues to meet your insurance needs.
- Provide your beneficiaries with your agent's name and a photocopy of your policy.
- Tell your beneficiaries where your policies are located.
- Your life insurance policy should be kept in a safe place with your other important documents, such as a safe deposit box or fire proof safe. The name of the company and policy number should be kept in a safe place (at a separate location from your original policy) in case the policy is misplaced or lost.
- Make sure the insurance company always has your current address.

Frequently Asked Questions

What does "free look" mean?

"Free look" is the period of time following policy delivery in which the applicant can return the policy for a full refund of premium.

Can an insurance company void my policy if I made a mistake in completing the application?

Life insurance contracts may be voided within the first two years if the applicant provides incorrect answers to the application questions and the company's decision to issue the policy was based on the misrepresentations. Always verify that answers and information submitted on any application for insurance is complete and accurate.

Does a life insurance policy contain a premium grace period?

Yes. Life insurance policies provide a minimum 31-day grace period for premium payments.

Is an insurance company required to pay the death benefits if the insured commits suicide?

Generally, a life insurance policy limits death benefits to the amount of premiums paid if the insured commits suicide during the first two policy years. After the initial two years, the benefits should not be affected

I purchased a life insurance policy in another state. Do North Carolina insurance laws apply?

No. The laws and regulations of the state of issue apply. North Carolina law applies only to policies applied for and issued in North Carolina.

Is a company required to pay interest on death benefits?

North Carolina law requires insurers to pay interest if the death proceeds are not paid in accordance with the terms of the policy within 30 days after the receipt of satisfactory proof of loss.

What rights does the designated policy owner have?

The policy owner has full legal right to all policy values and to make policy changes during the lifetime of the insured.

What rights does the designated beneficiary have?

The named beneficiary is entitled to receive death proceeds upon the death of the insured.

Will outstanding loans reduce death benefits payable to the beneficiary?

Yes.

Glossary of Life Insurance Terms

Evidence of Insurability
Proof that a person is an acceptable risk to the insurance company.

Face Value (Face Amount)
The initial amount of death benefit provided by the policy. The actual death benefit may be higher or lower depending on the options selected, outstanding policy loans or premium owed.

Insurable Interest
The likelihood that a genuine loss would occur to the beneficiary/owner of a life insurance contract in the event of the insureds death.

Insured
The person on whose life an insurance policy is written.

Lapse
Termination of a policy because of failure to pay the premium.

Mortality Table
A statistical table showing the probability of death at each age.

Policy
The printed contract issued to the policy owner which sets forth and states the terms of coverage.

Policy Owner
The person or party who owns an insurance policy. The policy owner is usually the insured and/or the beneficiary but can be someone else. The policy owner is the only person who can make changes to a policy.

Premium
The amount paid in consideration for an insurance policy.

Reinstatement
The restoration of a lapsed policy to its original premium-paying status. The company may require evidence of insurability and all past due premiums plus interest.

Surrender
Voluntary cancellation of a policy for its cash value.

Surrender Charges
Contractual charges imposed by an insurance company in the event of early policy cancellation.

Underwriter
The person who reviews applications for insurance and decides if the applicant is an acceptable risk to the company.

The North Carolina Life and Health Insurance Guaranty Association

To protect North Carolina life and health insurance policyholders against insurer insolvencies, the North Carolina General Assembly created the North Carolina Life and Health Guaranty Association. The Guaranty Association provides up to $300,000 of benefits per person (for guaranteed policy benefits) on covered policies in the unlikely event of insurer insolvency. The association is funded by insurers licensed to do business in North Carolina.

Consumer Services and Consumer Complaints

The goal of the Consumer Services Division is to respond promptly, clearly and courteously to questions and complaints from the public concerning insurance and to acquaint consumers with alternatives and courses of action which a citizen can pursue to solve a particular insurance problem.

If you have a problem or concern with an insurance company or agent, the North Carolina Department of Insurance stands ready to assist you.

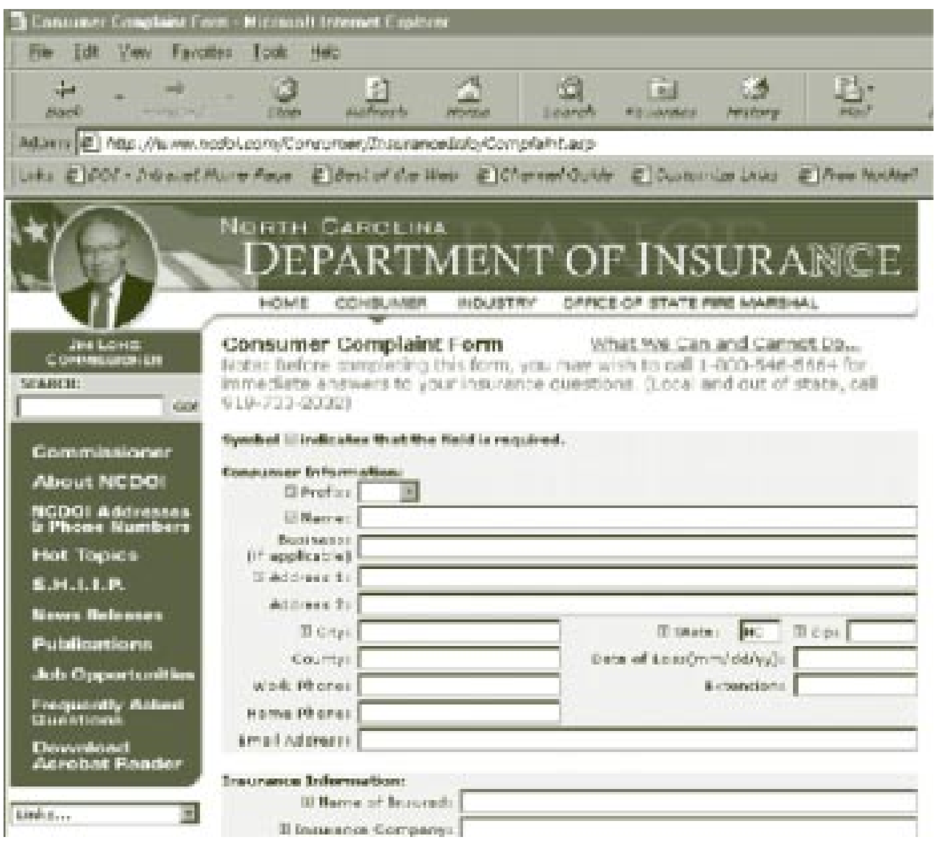
A consumer complaint form is attached for your convenience on page 15.

What We Can Do To Help

1. Forward a copy of your complaint to the insurance companies, if appropriate.
2. Obtain information or explanations on your behalf from the insurance company or its representatives. This may involve written and oral contact with such company or representatives.
3. Review in detail the information obtained from the companies for compliance with statutes, regulations and policy contracts.
4. Serve as your advocate if we determine that the position of the insurance company or its representatives is unlawful.
5. Explain the provisions of your insurance policy contract, as appropriate.
6. Suggest to you actions or procedures that you may take which could aid in resolving your insurance problem.

What We Cannot Do

1. Assume the role as your legal representative, in or out of court.
2. Interfere in a pending lawsuit on your behalf.
3. Consult with you if you are represented by an attorney, unless it is with written permission of that attorney.
4. Make a decision as to disputes between you and insurance companies or their representatives which involve matters as to;
   a. Who is negligent or at fault:
   b. The facts surrounding the claim (that is, who might be telling the truth in the matter when accounts differ);
   c. The value of a claim or the amount of money owed to you; or
   d. Any other disagreements between you and another party as to what the facts might be.
5. Deal with situations or companies that are not subject to the insurance laws of North Carolina (such as self-funded health plans) or with matters governed by other state agencies (such as Workers' Compensation claims).



The North Carolina Department of Insurance pledges to seek fair and equitable treatment of all parties in insurance transactions. We are here to serve you.

File Number: ______________________ (office use only)

PLEASE DO NOT STAPLE

NORTH CAROLINA DEPARTMENT OF INSURANCE

Jim Long, Commissioner

(Please type or print. Use additional sheets if necessary)

DR. MR. MRS. MS. ______________ my name	______________ name of insured
______________ my address	______________ insurance company
______________ second address line (if needed)	______________ agent
______ city ______ state ______ zip	______________ adjuster
______ county ______ date of loss	______________ policy or group number
Phone: Work _____/_____/__________ Ext. _____	______________ claim or certificate number
Home _____/_____/__________	

Type of Insurance (please check one): Life ☐ Health ☐ Auto ☐ Homeowners ☐ Other ☐

If Life or Health policy, show the state in which your policy/certificate was purchased: ______________

Are you represented by an attorney in this matter? No ☐ Yes ☐ Name ______________

Details of complaint (*attach copies of papers relating to this matter*)

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The Insurance Department is authorized to send a copy of this document(s) to any company or agency involved. I authorize the release of all relevant information to the North Carolina Department of Insurance for its use in the review of this matter.

SIGNATURE: ______________________________ DATE: ______________

Mail to: Consumer Services Division, N.C. Department of Insurance, 1201 Mail Service Center, Raleigh, NC 27699-1201

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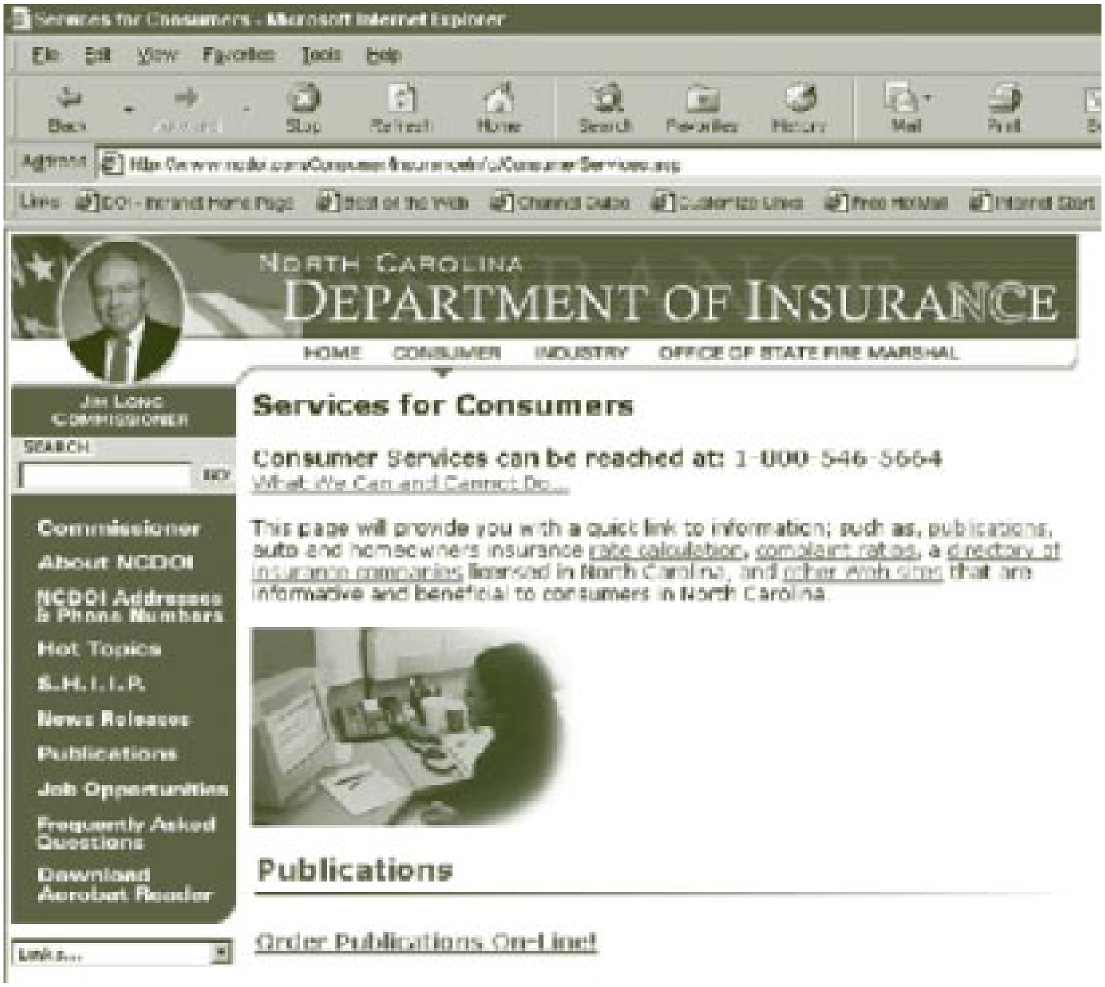
Revised 11/99



How to Reach Us

How to Reach Us

You Can Reach the North Carolina Department of Insurance Consumer Services Division at:

(800)546-5664	Toll free
(919)733-2032	Outside of North Carolina
(919)715-0319	TDD (Telephone Device for Deaf Caller)
(919)733-0085	Fax

You can find additional information as well as a downloadable copy of our complaint form on the North Carolina Department of Insurance web site at **www.ncdoi.com.**

The address for the North Carolina Department of Insurance Consumer Services Division is:

Consumer Services Division
North Carolina Department of Insurance
1201 Mail Service Center
Raleigh, NC 27699-1201

The Department of Insurance printed 5,000 copies of this publication at a cost of $3,570.00 or $.714 per unit.

NCDOI 500 (April 01)