

## Procedure/Lecture Outline

- 1) Present the power point presentation on life insurance policy basics
  - a. Life Insurance Policies differ from company to company and from state to state
  - b. The following provisions are usually in a policy:
    - i. Insuring agreement
    - ii. Ownership rights
    - iii. Death benefit
    - iv. Beneficiary clause
    - v. Settlement options
    - vi. Incontestability clause
    - vii. Misstatement of age clause
    - viii. Grace period clause
    - ix. Reinstatement clause
    - x. Alteration of policy
    - xi. Suicide clause
  - c. Entire Contract Clause or Insuring Agreement
    - i. Basic clause in the contract that states once the application is completed, answering everything truthfully, and the policy together have become a contract
    - ii. If the insurer believes the person misrepresented themselves on the application, the contract can be voided
  - d. Ownership Rights and Assignment
    - i. Policyholder is the owner and has certain rights:
      1. To designate beneficiaries
      2. To determine settlement options
      3. To receive dividends of a participating policy
      4. To cash in or borrow against the policy
      5. To transfer ownership rights
    - ii. Death Benefit
      1. Provision specifies how the death benefit is handled
    - iii. Beneficiary Clause
      1. Policyholder names who the payout will go to
      2. The primary beneficiary is the person the money goes to first
      3. The contingent beneficiary gets the payout if the primary beneficiary has died
      4. The beneficiary can be changed at any time
    - iv. Settlement Options
      1. Determines how the death benefit is paid to the beneficiaries
    - v. Incontestability Clause
      1. After a set period of time, usually two years, the company will not contest the contract for any reason
    - vi. Misstatement of Age Clause
      1. If the insured misstates their age, the insurance company has the right to adjust the death benefit to the correct age

## Procedure/Lecture Outline (Page 2)

- vii. Grace Period Clause
  - 1. Allows a grace period if someone misses their premium without the policy lapsing, usually 31 days
- viii. Reinstatement Clause
  - 1. Takes effect if the policyholder misses payments beyond the grace period and the policy lapses
  - 2. Policy can be reinstated if all outstanding premiums are paid
  - 3. Company may also require evidence of insurability
- ix. Alteration of Policy
  - 1. States that no modification of the policy can be accepted unless the modification is in writing and signed by one of the officers of the company
- x. Suicide Clause
  - 1. Protects insurers for people who buy insurance to pass onto their dependents before committing suicide
  - 2. The policy is considered void if the insured commits suicide within the specified period of time, usually two years
- xi. Special Options
  - 1. You can purchase riders as an add-on to your policy
- xii. Accidental Death Rider
  - 1. Doubles the death benefit if the insured dies by accident rather than by natural causes
- xiii. Guaranteed Insurability Rider
  - 1. Gives the insured the right to buy a new policy or to increase the death benefit on a present policy
  - 2. Insured does not have to prove insurability
- e. Applying for Life Insurance
  - i. You must fill out an application
  - ii. An application is made up of two parts
    - 1. The first part of the application consists of your basic information such as name, address and birth date
    - 2. The second part contains information that underwriters use to determine your insurability such as tobacco use and hazardous hobbies
  - iii. An individual may be asked to take a medical exam
    - 1. Generally, if you are under 40 a person will not be asked to take an exam
    - 2. Exceptions include applying for a large amount of insurance or if you have a medical condition
  - iv. Most consumer experts agree that you should pay the first premium when you apply
    - 1. Although there is a small chance that something would happen to you, you are covered if a loss happens
  - v. Uninsurable
    - 1. An insurance company may reject an application stating that a person is too high of a risk
    - 2. What options are left for the person?

## Procedure/Lecture Outline (Page 3)

- vi. Graded Death Benefit
  - 1. The death benefit is calculated on the amount of time the person lives
  - 2. Example
    - a. If the person dies within the first year the dependents receive premiums paid plus 10%
    - b. If the person dies within the second year the would receive premiums plus 25%
    - c. It may take up to five years for the person to receive the entire death benefit
- vii. Group Insurance
  - 1. If someone is deemed uninsurable they could seek group life insurance through an employer, a union, or a professional group.
  - 2. Group plans must accept everyone belonging to the group
- viii. Steps to take when filing a death benefit claim
  - 1. You should give the name and phone number of your company to appropriate family and friends
  - 2. Make a list of all bank accounts, investments, and insurance policies
  - 3. You must file a claim with the insurance company